

# Hangzhou GreatStar Industrial Co., Ltd.

## 2023 Annual Report

2024-008

[April 2024]

### Introduction

In 2023, GreatStar delivered record-setting results by adhering to the development philosophy of "remaining devoted to perfection while keeping the grand vision in mind" in the face of the most severe challenges in 30 years due to the active destocking and declining demand in the European and American markets that began in H2 2022. In 2023, GreatStar achieved a total operating revenue of RMB 10.929 billion, a net profit attributable to the parent Company of RMB 1.691 billion, and a net cash flow from operating activities exceeding RMB 2.1 billion. Thanks to all GreatStar employees for their hard work that has allowed GreatStar to keep pushing forward. Despite the vicissitudes, GreatStar persisted in enhancing its comprehensive strengths and providing long-term returns to shareholders. Our journey will be as vast and enduring as the starry sky and the boundless sea. Thanks to the shareholders for their Company and perseverance.

About 30 years ago, GreatStar started in an office building in downtown Hangzhou with a 20-square-meter office, a desk, and an employee. After over a decade of effort, in 2010, GreatStar successfully went public. In the subsequent decade or so, GreatStar has steadily grown and rewarded shareholders, achieving compound annual growth rates (CAGR) of 14.49%, 15.23% and 14.32% in the operating revenues, net profit attributable to the parent Company, and net assets, respectively. GreatStar has continuously rewarded investors through dividends, share buybacks, and other means. We will persistently adhere to the principle that the cash generated from GreatStar's operating activities will either be used for acquiring renowned international brands to develop our main business segments or for distributing dividends and share buybacks to reward shareholders.

GreatStar has achieved a number of notable achievements and milestones in its journey. By reflecting on this journey, it is a valuable exercise to re-examine the ever-changing global industrial landscape. As Wang Yangming said, "Life is like a spiritual practice, just like the lotus that can grow in the mud. All the difficulties and tribulations in the world are opportunities to hone and improve myself." Whatever does not defeat us will ultimately make us stronger. From 2010 to 2016, although China's annual GDP growth rate declined from 10% to 7%, it was still far higher than the average GDP growth rate of 2% in GreatStar's main market, the United States. The substantial cash reserves and excellent business model that GreatStar possessed during this period paradoxically presented a "resource curse," as the Chinese market seemed replete with investment opportunities that promised growth far exceeding the original 10%. GreatStar made numerous equity investments in non-core business segments. However, GreatStar's compound annual growth rate (CAGR) during those six years turned out to be only slightly above 11%. At the end of 2016 and the beginning of 2017, under the leadership of the chairman, GreatStar's Board of Directors and Management team profoundly reflected on and summarized the past course of diversification. They ultimately determined to focus on consumer goods in Europe and the United States as the core business for future development and have consistently implemented this strategy. However, the Company and the industry were set to be buffeted by dramatic challenges in 2017.

Coinciding with GreatStar's refocusing on its core business in 2017, with a strong emphasis on developing its original brands (OBM business) and acquiring overseas brands for expansion, China introduced a series of important new policies and measures for environmental protection aimed at strengthening environmental protection and ecological civilization development. These policies have objectively led to the elimination of outdated production capacity in the tooling industry, causing a short-term supply-demand imbalance. In 2018, the United States government released a list of goods subject to increased tariffs, imposing an additional 10% to 25% tariff on certain Chinese exports to the United States. This marked the beginning of the ongoing US-China trade dispute that has persisted until today, drastically increasing GreatStar's operating costs. GreatStar was compelled to commence the global expansion and integration of its industrial and supply chains. In May 2019, the United States government raised the tariff rate from 10% to 25% on USD 200 billion worth of Chinese goods exported to the United States, affecting most of GreatStar products exported to the United States. To address this adverse situation, GreatStar accelerated the construction of three major manufacturing bases in Vietnam, Cambodia, and Thailand to mitigate operational risks to the greatest extent possible. In 2020, the sudden global black swan events first led to a sharp

decrease in orders, necessitating a pivot to the production and sale of personal protective equipment. Later, an abrupt surge in global orders resulted in insufficient production capacity, requiring all employees to work overtime. In 2021, although end-market demand was robust, the simultaneous substantial increases in the RMB exchange rate, China-US shipping costs, and raw material prices resonated together, exceeding the Company's short-term adjustment threshold and causing a significant decline in the overall gross profit margin. In 2022, just as the cost impact had been alleviated, demand in Europe and America declined in the second half of the year due to interest rate hikes by the United States Federal Reserve. Clients with overstocked inventories initiated a wave of destocking, with orders rapidly plummeting to a freezing point.

All these events posed tremendous challenges for GreatStar, representing profound changes that disrupted the existing industry landscape. We are like a ship navigating the vast ocean. Every wave could potentially capsize the vessel or provide the impetus for acceleration. These external changes demanded that GreatStar actively optimize its business model, adjust its governance system, and rapidly and appropriately respond to the ever-changing global rules. Over the past 6 years, GreatStar has achieved a compound annual growth rate (CAGR) of 17% in operating revenues and 20% in net profits attributable to the parent Company, marking a notable improvement compared to previous periods. We have also made substantial progress in the product portfolio, original brands, business models, and industrial upgrades.

**Product profile:** At the time of its initial public offering, GreatStar only offered four major categories of hand tools, namely rotary, cutting, measuring, and lighting tools, along with a limited number of handheld power tools in just a few thousand SKUs. As HuaDa KeJie, LISTA Geelong and SHOPVAC joined GreatStar, accompanied by investments in market and R&D resources, GreatStar's non-hand tool categories accounted for nearly 40% of its offerings in 2023. Moreover, GreatStar has become the world's second-largest manufacturer of laser measurement instruments and tool storage cabinets, with over 30,000 SKUs. By steadily expanding its product range and adding new categories, GreatStar has shown a strong ability to consistently grow in the European and American consumer goods tool markets. This is like a long, gradual climb that has laid a solid foundation for GreatStar to keep accelerating its growth in the coming decade.

**Original brands:** GreatStar has successively acquired ARROW, LISTA, BEA and some other leading brands in European niche markets and emerging brands such as WORKPRO, DURATECH and SHEFFIELD. The revenues contributed by original brands have risen from less than 10% in 2016 to nearly 50% in 2023. This transformation has not only further broken GreatStar's gross profit margin ceiling but will also play a role in stabilizing performance during industry fluctuations as severe as those experienced in 2023.

**Business models:** Through three parallel measures – direct cross-border e-commerce operations, acquisition of European and American distribution channels, and establishment of Asia-Pacific distribution channels, GreatStar has effectively increased the proportion of direct-to-customer (DTC) business, prioritizing retail customer needs and directly reaching end retail customers. This has not only effectively enhanced the value proposition of individual products but has also provided firsthand client feedback to feed directly into R&D.

**Industrial upgrade:** As a Company that originated from foreign trade, GreatStar has consistently derived over 90% of its revenues from regions outside of China. Prior to 2017, GreatStar had no overseas manufacturing or large-scale warehousing and logistics bases. Over the past 6 years, GreatStar has acquired or built 10 production bases in China, 3 production bases in Southeast Asia, 5 production bases in Europe, and 3 production bases in the United States through acquisitions of European and American factories as well as establishment of its own manufacturing bases in Southeast Asia. Currently, GreatStar has established multiple large logistics distribution centers and sales and after-sales teams in Europe and the United States, achieving truly localized service in these markets. GreatStar has actively introduced  $\mu$ -class high-precision measurement instrument and equipment production capacity from the TESA brand to optimize the product range manufactured in China.

The future can't be predicted with certainty, but it fills us with both awe and hope. No one can predict GreatStar's future, just as it was impossible to foresee in 2017 that GreatStar would be as it is in 2023. We follow "The Grand Way" or the great trends of the times with patriotic sentiments. We remain devoted to perfection to being meticulously focused and specialized. In 2024, GreatStar will continue to adhere to the development philosophy of "remaining devoted to perfection while keeping the grand vision in mind," striving towards the goal of becoming the world's largest tool Company.

The Board of Directors of Hangzhou GreatStar Industrial Co., Ltd.

April 24, 2024

## 2023 Annual Report

### Section I Important Notice, Table of contents and Definitions

**The Board of Directors and the Board of Supervisors of the Company and its directors, supervisors and senior Management hereby warrant that the information contained in this annual report is true, accurate and complete without any fictitious records, misleading statements or material omissions, and severally and jointly assume legal responsibility thereof.**

**Qiu Jianping, person in charge of the Company, and Ni Shuyi, person in charge of accounting and person in charge of the accounting department (Accounting Officer), have declared that they warrant the truthfulness, accuracy and completeness of the financial statements set out in this annual report.**

**All directors of the Company were present in person at the Board of Directors' meeting for the review of this Report.**

**Forward-looking statements including future plans involved in this Report do not constitute the Company's substantive commitments to investors. The investors and those who are interested are advised to pay attention to relevant risks and understand the difference between plans, projections and commitments.**

**The Report has described the Company's risk factors that may exist in its operations in detail in "Section III Discussion and Analysis of the Management, (XI) Prospects for the Company's Future Development: Potential Risks". Please pay attention to the relevant contents.**

**The profit distribution proposal of the Company considered and approved by the meeting of the Board of Directors is to distribute a cash dividend of RMB 0 (including tax) and issue 0 bonus shares (including tax) for every 10 shares based on a total of 1,202,501,992 shares. No capital reserve is to be transferred into the share capital.**

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## **Documents Available for Inspection**

- I. Financial Statements with the signatures and seals of the person in charge of the Company, person in charge of accounting and person in charge of the accounting department of the Company.
- II. Original Audit Report bearing the seal of the accounting firm and signatures of the CPAs who have performed the audit.
- III. All of the originals of the Company's documents and original drafts of the Company's announcements as disclosed in the newspaper designated by China Securities Regulatory Commission (CSRC) in the reporting period.

## Definitions

Term to be defined	Refers to	Definition
reporting period	Refers to	The period from January 1, 2023 to December 31, 2023
Company, the Company, the listed Company, GreatStar	Refers to	Hangzhou GreatStar Industrial Co., Ltd.
Sheffield	Refers to	Hangzhou GreatStar Sheffield Trading Co., Ltd.
Guozi Robotics	Refers to	Zhejiang Guozi Robotics Co., Ltd.
Arrow	Refers to	Arrow Fastener Co., LLC
HDKJ	Refers to	Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.
OLEI	Refers to	Hangzhou Ole-Systems Co., Ltd.
Donghai Bank	Refers to	Ningbo Donghai Bank Co., Ltd.
PT Company	Refers to	PRIMTOOLS LIMITED
GreatStar Group	Refers to	GreatStar Holding Group Co., Ltd.
Lista	Refers to	Lista Holding AG
Prime-Line	Refers to	Prime-Line Products, LLC
Lista	Refers to	Lista Holding AG
Haining GreatStar	Refers to	Haining GreatStar Intelligent Equipment Co., Ltd.
Zhongce Haichao	Refers to	Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.
Hangcha Group	Refers to	Hangcha Group Co., Ltd.
Hangzhou Haichao	Refers to	Hangzhou Haichao Enterprise Management Partnership (Limited Partnership)
GreatStar Europe	Refers to	GreatStar Europe AG
JFB AG, BeA	Refers to	Joh. Friedrich Behrens AG
Geelong	Refers to	Geelong Holdings Limited
GDR	Refers to	Global Depository Receipts
CSRC	Refers to	China Securities Regulatory Commission

## Section II Company Profile and Key Financial Indicators

### I. Company Information

Stock name	GreatStar	Stock code	002444
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	Hangzhou GreatStar Industrial Co., Ltd.		
Short name of the Company in Chinese	GreatStar		
Name of the Company in English (if any)	Hangzhou GreatStar Industrial Co., Ltd.		
Short name of the Company in English (if any)	GreatStar		
Legal representative of the Company	Qiu Jianping		
Registered address	No. 35, Jiujuan Road, Shangcheng District, Hangzhou		
Post code at registered address	310019		
Change history of registered address	Change from No. 35 Jiujuan Road, Jianggan District, Hangzhou to No. 35 Jiujuan Road, Shangcheng District, Hangzhou		
Office address	No. 35, Jiujuan Road, Shangcheng District, Hangzhou		
Post code at office address	310019		
Website	<a href="https://www.greatstartools.com/">https://www.greatstartools.com/</a>		
Email	zq@greatstartools.com		

### II. Contact persons and contact methods

	Sectary to the Board	Securities Affairs Representative
Name	Zhou Siyuan	Lu Haidong
Address	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	No. 35, Jiujuan Road, Shangcheng District, Hangzhou
Tel	0571-81601076	0571-81601076
Fax	0571-81601088	0571-81601088
Email	zq@greatstartools.com	zq@greatstartools.com

### III. Information Disclosure and Place for Inspection

Websites of the stock exchanges for disclosure of annual report of the Company	<a href="http://www.szse.cn/">http://www.szse.cn/</a>
Names and websites of media outlets for disclosure of annual report of the Company	Securities Times, Securities Daily, China Securities Journal, and cninfo ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Location for inspection of annual report of the Company	Office of the Board of Directors of the Company

### IV. Changes in Registration Information

Unified social credit code	91330000731506099D
Any change in main business lines since the Company's IPO	None
Any change in controlling shareholder	None

### V. Other Relevant Information

Accounting firm engaged by the Company

Name of accounting firm	Pan-China Certified Public Accountants LLP (Special General Partnership)
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Office address of accounting firm	Office Building T2, Run'ao Business Center, Intersection of Boao Road and Pinglan Road, Yingfeng Sub-district, Xiaoshan District, Hangzhou City, Zhejiang Province
Name of signing CPAs	Li Deyong and Hu Fujian

Sponsor engaged by the Company for providing continuous supervision and guidance during the reporting period

Applicable  Not Applicable

Financial consultant engaged by the Company for providing continuous supervision and guidance during the reporting period

Applicable  Not Applicable

## VI. Major Accounting Data and Financial Indicators

Whether the Company needs to make retrospective adjustment or restatement of the accounting data for prior years

Yes  No

Reasons for retrospective adjustment or restatement

Changes in accounting policies

	In 2023	In 2022		Increase or decrease over previous year After adjustment	In 2021	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income (RMB)	10,929,992,802.32	12,610,189,590.33	12,610,189,590.33	-13.32%	10,919,683,344.37	10,919,683,344.37
Net profit attributable to the shareholders of the listed Company (RMB)	1,691,612,756.79	1,419,559,507.10	1,419,854,709.56	19.14%	1,270,003,396.40	1,270,003,396.40
Net profit after deduction of non-recurring gains and losses attributable to the shareholders of the listed Company (RMB)	1,697,490,987.11	1,454,643,772.32	1,454,938,974.78	16.67%	1,073,557,965.88	1,073,557,965.88
Net cash flow from operating activities (RMB)	2,125,854,925.65	1,631,836,642.39	1,631,836,642.39	30.27%	18,632,169.67	18,632,169.67
Basic earnings per	1.4162	1.24	1.2448	13.77%	1.13	1.13

share (RMB/share)						
Diluted earnings per share (RMB/share)	1.4162	1.24	1.2448	13.77%	1.13	1.13
Weighted average ROE	11.89%	12.31%	12.31%	-0.42%	12.70%	12.70%
	End of 2023	End of 2022		Increase or decrease over end of previous year	End of 2021	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB)	19,683,797,271.17	18,579,554,796.77	18,596,305,792.11	5.85%	17,307,154,886.67	17,307,154,886.67
Net assets attributable to shareholders of the listed Company (RMB)	14,847,980,075.62	13,397,947,543.83	13,398,132,756.12	10.82%	10,598,896,746.70	10,598,896,746.70

#### Reasons for changes in accounting policies and situations of corrections of accounting errors

Since January 1, 2023, the Company has implemented the provision of "Accounting Treatment of No Application of Initial Recognition Exemption to Deferred Income Tax Related to Assets and Liabilities from Individual Transactions" in the Interpretation No. 16 of Accounting Standards for Business Enterprises issued by the Ministry of Finance and made adjustments to individual transactions to which the provision applies from the beginning of the earliest reporting period appearing on the financial statements to which the provision applies to the first date on which the provision was applied. For lease liabilities and right-of-use assets recognized from individual transactions to which the provision applies to at the beginning of the earliest reporting period appearing on the financial statements to which the provision applies, and the estimated liabilities related to asset retirement obligations and corresponding related assets, the Company has made adjustment to the opening retained earnings and other relevant financial statement items of the earliest reporting period appearing on the financial statements to which the provision applies with the cumulative effects in the case of occurrence of taxable and deductible temporary differences in accordance with the provision and the Accounting Standards for Business Enterprises No. 18 - Income Taxes.

The lower of the Company's net profit before and after deducting non-recurring gains and losses for the most last three fiscal years was negative, and the most recent audit report indicated uncertainty regarding the Company's ability to continue as a going concern

Yes  No

The lower of net profit before and after deducting non-recurring gains and losses

Yes  No

#### VII. Difference in Accounting Data under Domestic and Overseas Accounting Standards

##### 1. Differences of net profit and net assets disclosed under International Accounting Standards (IFRS) and Chinese Accounting Standards (CAS) in the financial reports

Applicable  Not Applicable

There were no differences of net profit and net assets disclosed under International Accounting Standards (IFRS) and Chinese Accounting Standards (CAS) in the financial reports of the Company during the reporting period.

## 2. Differences of net profit and net assets disclosed under overseas accounting standards and Chinese Accounting Standards (CAS) in the financial reports

Applicable  Not Applicable

There were no differences of net profit and net assets disclosed under overseas accounting standards and Chinese Accounting Standards (CAS) in the financial reports of the Company during the reporting period.

## VIII. Key Financial Indicators by Quarter

Unit: RMB

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Operating income	2,555,292,092.76	2,689,969,108.15	3,364,956,201.89	2,319,775,399.52
Net profit attributable to shareholders of the listed Company	302,441,087.90	570,109,868.37	633,634,145.08	185,427,655.44
Net profit after deduction of non-recurring gains and losses attributable to the shareholders of the listed Company	285,040,709.60	621,426,317.87	640,411,354.85	150,612,604.79
Net cash flows from operating activities	339,474,152.99	624,769,727.31	422,823,716.34	738,787,329.01

Are the above financial indicators or their totals significantly different from the relevant financial indicators disclosed in the Company's previously released quarterly or interim reports?

Yes  No

## IX. Items and Amounts of Non-recurring Gains and Losses

Applicable  Not Applicable

Unit: RMB

Item	Amount in 2023	Amount in 2022	Amount in 2021	Note
Profits or losses on disposal of non-current assets (including write-off of provision for assets impairment)	1,655,224.56	-24,332,379.79	-4,813,678.28	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company and granted constantly affecting the Company's gains or losses in accordance with certain standards based on state policies)	30,311,586.83	46,471,430.13	43,080,948.70	

Profits or losses from changes in fair value of value and disposal of financial assets and liabilities held by non-financial enterprises, excluding those arising from hedging business related to the Company's normal operating activities	-34,667,995.27	-66,784,931.44	95,687,869.64	
Profit or loss on entrusted investment or management of assets	1,915,298.69	2,368,356.03	1,808,120.10	
Reversal of impairment provision for accounts receivable subject to separate impairment testing	96,458.50			
Gains arising from the investment cost in acquiring subsidiaries, associates and joint ventures being lower than the fair value of the invested entities' identifiable net assets entitled upon investment			82,984,773.90	
Other non-operating revenue or expenditures	-3,873,470.17	-12,290,983.36	-127,210.71	
Other profits or losses in compliance with the definition of non-recurring profits or losses		12,733,584.83	502,892.56	
Less: Effect of income tax	-1,142,001.28	-9,422,034.54	17,156,521.94	
Non-controlling interest affected (after tax)	2,457,334.74	2,671,376.16	5,521,763.45	
Total	-5,878,230.32	-35,084,265.22	196,445,430.52	--

Details of gain or loss items that fall into the category of non-recurring gains and losses:

Applicable  Not Applicable

The Company has no other gain or loss items that fall into the category of non-recurring gains and losses.

Notes for the situation that the non-recurring gain or loss items as illustrated in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or losses* are defined as recurring profits or losses

Applicable  Not Applicable

None of non-recurring gain or loss items as illustrated in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or losses* are defined by the Company as its recurring profits or losses during the reporting period.

## Section III Discussion and Analysis of the Management

### I. Industry Overview during the Reporting Period

The Company has been engaged in the TOOLS & storage industry. Its products mainly include hand tools & storage as well as power tools & laser measurement, which are mainly used in the fields of home maintenance, construction engineering, vehicle maintenance, surveying and mapping, etc. The home building, repair, and maintenance industry is the most important application channel with the highest proportion. By the group of clients, the industry may be divided into consumer tools & storage and industrial tools & equipment.

In North America and much of the Europe, due to the extensive use of detached houses and the large square footage per inhabitant, the repairing and maintenance cost of residential houses is high. Given the high cost of labor, residents in the Europe and North America prefer to repair and maintain houses and outbuildings on their own, giving rising to the popular DIY style in western culture. Considering the large number of cars held by European and American families, the routine repair and maintenance tasks, including parts inspection and replacement, also play an important role in the DIY of the families. Various tools, as repair and maintenance necessities, are highly needed by families in North America and Europe for professional and DIY purposes, which makes the Europe and North America the most important market with the highest share of tools in the globe.

Tool industry, the oldest industry, has been growing with the human society. For the past century, with the increasing industrialization, tools have been improved and refined steadily as a requisite support to manufacture supplies and commodities. Thanks to the rigid demand and stable replacement cycle, the sector of industrial tools has been growing steadily. Regardless of the financial crisis in 2008, the industry maintained stable upward momentum aligned with GDP growth after short-term fluctuations.

In 2023, the high interest rate in Europe and the United States suppressed real estate trading and industrial development, which forced the end consumption of the tool industry to continue the downward trend in the second half of 2022. More fatally, as the global shipping system went normal in 2022, massive commodities stuck on the road finally arrive at the channel retailers, including large superstores, which lifted the inventory-to-sales ratio, hence the commencement of extensive destocking in 2023. The overreaction in consequence resulted in a sharp drop of orders, and thus to the Company suffered from the least year-on-year growth for 18 months, the worst record for the past 30 years.

In 2024, considering the uncertainty about the Fed's cutting interest rate, the terminal demand of the industry will continue to fluctuate at a low level. However, as the inventories of channel retailers fall to a historical low, it is expected to see demand recovery and restocking in the second half of 2024 or in early 2025.

### II. Principal Business of the Company during the Reporting Period

During the reporting period, the Company continued the development of its main business in consumer tools & storage in Europe and the United States and also industrial tools & equipment, and vigorously promoted the improvement of product structure and business models. In the face of the sharp decline of ODM business, the Company made every effort to develop its OBM business where we logged an increase in market share against the downward trend (except the storage) and maintained the growth of hand tools and power tools.

During the reporting period, the Company registered an operating revenue of RMB10,929,992,802, a year-on-year decrease of 13.32%. In 2023, the net profit attributable to shareholders of the listed Company amounted to RMB 1,691,612,756, with a year-on-year increase of 19.14%, and the net profit attributable to shareholders of the listed Company after deducing non-recurring gains and losses amounted to RMB 1,697,490,987, with a year-on-year increase of 16.67%.

### III. Core Competencies

#### 1. Innovation advantage

Innovation has always been the core of the Company, while variety enrichment been the key driver for the growth. The Company has an experienced R&D team for professional tools and non-tool consumer goods, which has been committed to developing and innovating new products, upholding the concept that it's the details that make the difference in refining products in terms of functionality and added value, and working to ensure the long-term core competitiveness of the Company. During the reporting period, with an investment of RMB 323 million in R&D, the Company designed 1,828 new products, applied for more than 200 new patents and granted more than 200 new

patents; its subsidiary, HDKJ, was rated as a "Small Giant" by the Ministry of Industry and Information Technology of the People's Republic of China. The Company developed a variety of new products including knives and pliers, cordless lithium battery power tools and related spare parts, laser level rulers, and folding knives, all of which are highly recognized in the market. During the reporting period, the Company continued extensive innovation in power tools, especially lithium battery power tools. Based on scores of cost-effective and innovative products, the Company obtained orders for cordless lithium battery power tools and related spare parts from large retailers in the United States. Thanks to its innovation advantage, the Company has responded to and seized market opportunities in a timely manner, continued to gain market share and maintained long-term and stable development in the changeable global tool industry.

## 2. Brand advantages

The Company specializes in residential durable consumer goods for households and industrial products for professionals. Brand is the most compelling guarantee for the Company to provide consumers with products and services over the long term, so the Company has been committed to acquiring global leading brands and building and developing its original brands. During the reporting period, the Company acquired TESA (Swiss) and SCRUFFS (UK) for the purpose of developing high-precision measuring instruments and personal tooling products. Meanwhile, the Company spared no effort in developing its original brands and enhancing their brand influence and brand advantage. Its original brands have achieved stable growth. The sales revenues of brands such as WORKPRO, DuraTech, Everbrite, and Prexiso have achieved significant YoY growth. In addition, the sales revenue of the Company's original brands accounted for approximately 50% in general. The brand advantage not only further enhances the international competitiveness of the Company's products, but also effectively improves the Company's gross profit margin and business stability, thus ensuring the long-term healthy development of the Company.

## 3. Channel advantages

The sales channels and the trust of clients are the basis for the continuous development of the Company. The Company's diversified product mix and sustained innovation capability can not only satisfy the one-stop shopping demand of channel clients to the greatest extent possible, but also constantly reduce its procurement and Management costs and improve the loyalty of its channel clients. The Company has been one of the largest suppliers of tools and storage to many large supermarket chains such as The Home Depot, Walmart and Lowe's in the United States, Kingfisher in Europe and CTC in Canada. It has also expanded its product categories based on these clients. There are now more than 20,000 large supermarket chains worldwide that sell a wide range of the Company's products, including those for hardware, building materials and automotive parts. These channels effectively contribute to the rapid development of various innovative products of the Company. Through three parallel measures – direct cross-border e-commerce operations, acquisition of European and American distribution channels, and establishment of Asia-Pacific distribution channels, GreatStar has effectively increased the proportion of direct-to-customer (DTC) business, prioritizing retail customer needs and directly reaching end retail customers. This has not only effectively enhanced the value proposition of individual products but has also provided firsthand client feedback to directly inform R&D. With the above-mentioned channel advantage, the Company is on track to continuously develop new products and expand product categories with good market prospects. It has achieved breakthroughs in some major product categories such as laser measurement, storage and power tools.

## 4. Internationalization advantages

After years of development, the Company has initially developed and improved its global supply chain Management system and established solid cooperation with thousands of suppliers worldwide. It can ensure that its rapid response to market demand and timely delivery of all kinds of large orders will not be affected by its production capacity. Backed up by the perfect warehousing and distribution system in China, the United States, and Europe and 21 manufacturing bases worldwide, the Company is capable of procurement, manufacturing, and distribution around the globe. The perfect distributed manufacturing and processing system of the Company can greatly reduce the costs of manufacturing and purchase, enhance the competitiveness of its products in the end market, meet various demands, and respond to the complex external conditions. The Company is picking up as a global resource allocation Company integrating local services in Europe and South America, industrial chains for manufacturing in Asia and R&D Management in China.

## IV. Analysis of Principal Business

### 1. Overview

During the reporting period, the high interest rate in Europe and the United States suppressed real estate trading and industrial development, which forced the end consumption of the tool industry to continue the downward trend in the second half of 2022. More fatally, as the global shipping system went normal in 2022, massive commodities stuck on the road finally arrive at the channel retailers, including large superstores, which lifted the inventory-to-sales ratio, hence the commencement of extensive destocking in 2023. The overreaction in consequence resulted in a sharp drop of orders.

In active response to such adverse situation, the Company took direct and effective marketing strategies using its original brands, racking up certain results in expanding distribution channels offline and online and attaining increase in sales of original brands. Additionally, the Company clocked up new breakthroughs in some businesses pertinent to cost-effective products. With the RMB exchange rate and costs are getting favorable, the Company's profitability is becoming reasonable. During the reporting period, the Company registered an operating revenue of RMB10,929,992,802, a year-on-year decrease of 13.32%. In 2023, the net profit attributable to shareholders of the listed Company amounted to RMB 1,691,612,756, with a year-on-year increase of 19.14%, and the net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses amounted to RMB 1,697,490,987, with a year-on-year increase of 16.67%. The performance of each business segment is as follows:

#### 1. Hand Tools & Storage

During the reporting period, the Company extended the coverage of its offline distributors, especially in the countries and regions under the Belt and Road Initiative, constantly perfected its online channels on the globe, which further enhanced the influence of the Company's own brands and greatly rose the market share; optimized innovative R&D strategies and leveraged new varieties and products to provide clients with more competitive products, which further increased its market share; actively applied Artificial Intelligence Generated Content tools for content creation and brand promotion to enhance the image of its original brands.

Since clients are actively reducing inventories, ODM sales volume of storage declined sharply year-on-year. Lista continued to stabilize by leveraging its brand premium and actively developing new products and markets.

#### 2. Power Tools & Laser Measurement

During the reporting period, the Company acquired again the confirmation of a large retailer to purchase power tools. Thanks to the new cost-effective products and innovation from various aspects, the Company attained great sales of some power tools, with significant increase of overall market share. The Company's original brand of power tools, with substantial year-on-year increase, is becoming one of the brands highly recognized by consumers in Europe and the United States.

Despite the annual sales decline due to clients' destocking, the Laser Department strove for new customers and new orders for the sake of market share upon industry recovery by the following means: Improving distribution channels and enhancing brand recognition and influence with the help of online channels and new media; integrating R&D system and adjusting product advantages as needed by the market to enhance product attractiveness; expanding application scenarios of products to seek diversified orders from the market.

## 2. Revenue and costs

### (1) Composition of operating revenue

Unit: RMB

	In 2023		In 2022		YoY increase or decrease
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	10,929,992,802.32	100%	12,610,189,590.33	100%	-13.32%
By industry					
Tools and hardware	10,865,309,434.63	99.41%	12,545,286,576.78	99.49%	-13.39%

Other income	64,683,367.69	0.59%	64,903,013.55	0.51%	-0.34%
By product					
Hand Tools & Storage	8,066,150,767.41	73.80%	10,004,744,537.61	79.34%	-19.38%
Power Tools & Laser Measurement	2,799,158,667.22	25.61%	2,540,542,039.17	20.15%	10.18%
Other income	64,683,367.69	0.59%	64,903,013.55	0.51%	-0.34%
By region					
America	6,968,627,907.78	63.76%	7,892,263,869.75	62.59%	-11.70%
Europe	2,791,945,594.80	25.54%	3,296,852,123.29	26.14%	-15.31%
Other	479,301,687.92	4.39%	634,667,980.89	5.03%	-24.48%
Domestic (China)	625,434,244.13	5.72%	721,502,602.85	5.72%	-13.32%
Other income	64,683,367.69	0.59%	64,903,013.55	0.51%	-0.34%
By sales model					
OBM	5,214,848,471.29	47.71%	5,087,869,546.67	40.35%	2.50%
ODM	5,650,460,963.34	51.70%	7,457,417,030.11	59.14%	-24.23%
Other income	64,683,367.69	0.59%	64,903,013.55	0.51%	-0.34%

**(2) Industries, products, regions, or sales models that account for more than 10% of operating revenue or operating profit**

Applicable  Not Applicable

Unit: RMB

	Operating income	Operating cost	Gross margin	YoY increase or decrease in operating income	YoY increase or decrease in operating cost	YoY increase or decrease in gross margin
By industry						
Tools and hardware	10,865,309,434.63	7,423,231,250.13	31.68%	-13.39%	-19.70%	5.37%
By product						
Hand Tools & Storage)	8,066,150,767.41	5,218,734,848.42	35.30%	-19.38%	-28.82%	8.59%
Power Tools & laser Measurement )	2,799,158,667.22	2,204,496,401.71	21.24%	10.18%	15.29%	-3.49%
By region						
America	6,968,627,907.78	4,840,609,092.81	30.54%	-11.70%	-15.74%	3.33%
Europe	2,791,945,594.80	1,819,939,673.87	34.81%	-15.31%	-22.96%	6.47%
By sales model						
OBM	5,214,848,471.29	3,594,939,343.35	31.06%	2.50%	-6.18%	6.37%
ODM	5,650,460,963.34	3,828,291,906.78	32.25%	-24.23%	-29.27%	4.83%

Under the circumstances of statistical standard adjustment for the Company's principal business data in the reporting period, the Company's principal business data in the latest one year were adjusted based on the statistical standard at the end of the reporting period

Applicable  Not Applicable

### (3) Whether physical sales revenue exceeds service revenue

Yes  No

Industry classification	Item	Unit	In 2023	In 2022	YoY increase or decrease
Tools and hardware	Sales volume	PCS	467,668,618	513,462,176	-8.92%
	Production volume	PCS	465,149,330	523,831,646	-11.20%
	Inventory volume	PCS	121,425,975	123,945,263	-2.03%

Reasons for changes of 30% or more in related data

Applicable  Not Applicable

### (4) Performance status of significant sales contracts and major procurement contracts signed by the Company as of the end of this reporting period

Applicable  Not Applicable

### (5) Composition of operating costs

Industry and product classification

Industry and product classification

Unit: RMB

Industry classification	Item	In 2023		In 2022		YoY increase or decrease
		Amount	Proportion of operating costs	Amount	Proportion of operating costs	
Tools and hardware	/	7,423,231,250.13	99.59%	9,244,404,166.19	99.76%	-19.70%
Other operating costs	/	30,890,842.06	0.41%	22,518,138.56	0.24%	37.18%

Unit: RMB

Product classification	Item	In 2023		In 2022		YoY increase or decrease
		Amount	Proportion of operating costs	Amount	Proportion of operating costs	
Hand Tools & Storage	/	5,218,734,848.42	70.01%	7,332,189,779.90	79.12%	-28.82%
Power Tools & laser Measurement	/	2,204,496,401.71	29.58%	1,912,214,386.29	20.63%	15.29%
Other operating costs	/	30,890,842.06	0.41%	22,518,138.56	0.24%	37.18%

Note

None

**(6) Whether there have been changes in the consolidation scope during the reporting period** Yes  No

Refer to Section X, Clause VIII for details

**(7) Details regarding significant changes or adjustments in the Company's business, products, or services during the reporting period** Applicable  Not Applicable**(8) Overview of main sales clients and main suppliers**

Main sales clients of the Company

Total sales amount from top five clients (RMB)	5,011,763,646.63
Proportion of total annual sales from top five clients	45.85%
Proportion of related party sales in sales from top five clients to total annual sales	0.00%

Information of top five clients

Serial No.	Client name	Sales amount (RMB)	Proportion of total annual sales
1	1st	2,059,791,262.37	18.84%
2	2nd	1,355,096,167.31	12.40%
3	3rd	1,117,688,761.50	10.23%
4	4th	272,149,524.96	2.49%
5	5th	207,037,930.49	1.89%
Total	--	5,011,763,646.63	45.85%

Additional information about main clients

 Applicable  Not Applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	310,973,642.54
Proportion of total annual purchases from top five suppliers	5.19%
Proportion of related party purchases in purchases from top five suppliers to total annual purchases	0.00%

Information of top five suppliers

Serial No.	Supplier name	Purchase amount (RMB)	Proportion of total annual purchase
1	1st	74,106,756.45	1.24%
2	2nd	70,613,529.55	1.18%
3	3rd	64,319,963.96	1.07%
4	4th	56,180,975.27	0.94%
5	5th	45,752,417.31	0.76%
Total	--	310,973,642.54	5.19%

Additional information about main suppliers

 Applicable  Not Applicable**3. Expenses**

Unit: RMB

	In 2023	In 2022	YoY increase or decrease	Explanation of significant change
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Selling expenses	851,283,975.98	757,228,439.80	12.42%	The increase in sales expenses is mainly due to the increase in expenditures on personnel salaries, advertising and promotion expenses, as well as office expenses
Administrative expenses	776,183,642.34	760,961,439.86	2.00%	
Financial expenses	-207,501,523.06	-110,855,174.76	87.18%	1. Management of idle funds resulted in increased interest income; 2. Depreciation of the RMB led to an increase in exchange gains on financial expenses
R&D expenses	322,536,093.62	319,444,535.16	0.97%	

#### 4. Research and development investment

Applicable  Not Applicable

Name of main research and development project	Project purpose	Project progress	Intended goals	Expected impact on Company's future development
Automatic slope leveling red light laser leveling instrument	Improving processes	Completed	Increasing sales volume	Increasing the Company's profits
High-brightness green light 12-line on-wall laser leveling instrument	Improving processes	Completed	Increasing sales volume	Increasing the Company's profits
Application of PVD vacuum coating on aluminum alloy lamps	Enhancing technical requirements for products	Completed	Increasing output value	Increasing the Company's profits
Development of multifunctional disassembly and assembly storage box series	Developing a series of multifunctional disassembly and assembly storage boxes with a modular structure to effectively reduce product packaging volume, thereby cutting costs and enhancing market competitiveness. Upon successful R&D and industrialization,	Completed	Developing new products	Expanding product lines and increasing revenues

	<p>estimated annual sales volume is 10,000 units, with projected annual sales revenue of 3 million RMB, achieving an average annual profit of 250,000 RMB.</p>			
<p>Research and development of collapsible multi-purpose outdoor utility cart series</p>	<p>Developing a collapsible multi-purpose outdoor utility cart series with simplified folding mechanisms and assembly methods to facilitate easier assembly and folding, while maintaining stability when loaded. Utilizing bolt and latch connections to reduce consumer installation time and assembly difficulty. Upon successful R&amp;D and industrialization, estimated annual sales volume is 8,000 units, with projected annual sales revenue of 9.6 million RMB, achieving an average annual profit of 960,000 RMB.</p>	<p>Completed</p>	<p>Developing new products</p>	<p>Expanding product lines and increasing revenues</p>
<p>Development of foldable miter saw stand</p>	<p>Developing a foldable miter saw stand with a proprietary slot sliding mechanism and reverse latch technology to easily adjust the gaps at both ends of the product and save storage space when folded. Upon successful R&amp;D and</p>	<p>Completed</p>	<p>Developing new products</p>	<p>Expanding product lines and increasing revenues</p>

	industrialization, estimated annual sales volume is 20,000 units, with projected annual sales revenue of 10 million RMB, achieving an average annual profit of 900,000 RMB.			
Development of multifunctional combination workstation	Developing a multifunctional combination workstation with independently made cabinets and universal note-support pillars on hanging boards for convenient consumer customization and installation. Upon successful R&D and industrialization, estimated annual sales volume is 500 units, with projected annual sales revenue of 5 million RMB, achieving an average annual profit of 800,000 RMB.	Completed	Developing new products	Expanding product lines and increasing revenues
Development of intelligent blade tool management equipment	Developing intelligent blade tool management equipment	To be completed	Developing new products	Expanding product lines and increasing revenues
Research and development of ultra-high-power professional grade blast furnace (10KW)	Developing the ultra-high-power professional-grade blast furnace (10KW)	To be completed	Developing new products	Expanding product lines and increasing revenues
Development of industrial-grade heavy-duty toolboxes	Developing industrial-grade heavy-duty toolboxes	To be completed	Developing new products	Expanding product lines and increasing revenues
Integrated application and research and development of laser long-distance ranging technology	Improving production efficiency and developing products with a new mode of operation	Completed	Reducing labor and improving construction efficiency	Innovative products, filling market gaps

and laser leveling instrument				
Application and research and development of large-angle high-precision attitude control sensors in laser measurement instruments	High-precision and high-value innovative technology	Completed	Platform technology, expanding new clients	Innovative platforms, filling market gaps
Application and research and development of high-precision panoramic three-dimensional laser imaging system based on single-photon array	Application of a full waveform measurement technology	To be completed	Platform technology for laser products	Innovative platforms, increasing product added value
Application and research and development of high-precision new long-focal-length optical path system platform for line and point projection instruments	Increasing product added value	To be completed	Application of new technologies, exploring new clients and increasing revenues	Enriching product lines
System application and research and development of 2D/3D laser ranging with intelligent receivers equipped with high-precision position/angle sensors	Increasing product added value	To be completed	Application of new technologies, exploring new clients and increasing revenues	Enriching product lines
The development and industrialization of 3D visual sensor with high-resolution and large imaging range	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Large injection mold based on "deterministic mold airbag polishing technology"	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of modified PETG material in transparent toolboxes	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of metal surface nano	Enhance product functionality or	Completed	Develop new products, and	Stabilize market, expand customer

molding technology (NMT) in tool products	performance		enhance product manufacturing technology	base, enhance market competitiveness
Process solution for application of LED flexible light strips	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of eco-friendly wood plastic injection molding technology in hand tool products	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Development and research of rapid folding, height-adjustable efficient flooring nail gun	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of rare earth strengthened high-strength, low-cost, high-aluminum zinc alloy in tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Development and application of smart tool cabinet based on ultra-high frequency RFID technology	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of ellipsoid algorithm in laser digital inclinometer	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of smart chips in hand tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application research of high-power laser drive module in lighting products	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of high-strength, wear-resistant, fatigue-resistant CrMo steel in high-end pliers products	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of super-hard TaC diamond coating technology on blade tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness

Development and application of portable high-performance stone cutting tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Development and application of high-torque external rotor brushless motor in power tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Development and application of clean products based on new energy technologies	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application of AI facial recognition technology into tool storage	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Application and development of high-precision laser ranging chips in multi-functional laser measurement tools	Enhance product functionality or performance	Completed	Develop new products, and enhance product manufacturing technology	Stabilize market, expand customer base, enhance market competitiveness
Development of Phase II toolmall cloud platform project	Enhancing system functionality and operational efficiency	Completed	Meeting the needs of multi-mode business expansion	Fulfilling business development needs
International e-commerce middleware system	Enhancing system functionality and operational efficiency	Completed	Meeting the needs of multi-mode business expansion	Fulfilling business development needs
Surface treatment process research for die-cast surface of hand tool double-sided blade rack	Improving product performance and stability	Completed	Ensuring product stability	Expanding product lines
Research on multi-position continuous riveting process for extrusion gun shaped sheet metal parts	Increasing production efficiency and reducing labor costs	Completed	Reducing the number of workers	Expanding product lines
Development of integrated handheld rechargeable flashlight with touch digital focus functionality	Improving product performance and stability	Completed	Ensuring product stability	Expanding product lines
Development of high waterproof grade handheld high-power LED	Energy-saving and environmentally friendly practices, improving product	To be completed	Ensuring product stability	Expanding product lines

lighting fixtures	performance and stability			
Infinitely rotatable handheld clamp with a main body that can freely rotate according to usage conditions	Improving product performance and stability	Completed	Ensuring product stability	Expanding product lines
Design and application of automatic feeding multi-position progressive die for sheet metal parts	Increasing production efficiency and reducing labor costs	To be completed	Reducing the number of workers	Further enhancing automation in production
Development of drive circuit for handheld device with power bank and multi-functional LED features	Improving product performance and stability	Completed	Ensuring product stability	Expanding product lines
Application and research of polymer stackable box technology	Saving labor costs and improving production efficiency	To be completed	Saving labor costs and improving production efficiency	Further advancing automation in production/Increasing the Company profits/Boosting revenue/Securing stable market orders/Improving product coating adhesion to reduce scrap rates/Enhancing production efficiency
Application and research of quick break structure for art knife blades	Saving labor costs and improving production efficiency	To be completed	Saving labor costs and improving production efficiency	Further advancing automation in production/Increasing the Company profits/Boosting revenue/Securing stable market orders/Improving product coating adhesion to reduce scrap rates/Enhancing production efficiency
Application and research of polymer anti-unbuckling technology	Saving labor costs and improving production efficiency	To be completed	Saving labor costs and improving production efficiency	Further advancing automation in production/Increasing the Company profits/Boosting revenue/Securing stable market orders/Improving

				product coating adhesion to reduce scrap rates/Enhancing production efficiency
Research and application of polymer automatic tensioning device	Saving labor costs and improving production efficiency	To be completed	Saving labor costs and improving production efficiency	Further advancing automation in production/Increasing the Company profits/Boosting revenue/Securing stable market orders/Improving product coating adhesion to reduce scrap rates/Enhancing production efficiency
Application and research of automatic assembly technology for plastic handle tail nails	Saving labor costs and improving production efficiency	To be completed	Saving labor costs and improving production efficiency	Further advancing automation in production/Increasing the Company profits/Boosting revenue/Securing stable market orders/Improving product coating adhesion to reduce scrap rates/Enhancing production efficiency
Development of an eight-in-one tiger wrench	This eight-in-one tiger wrench features four specifications on each side, utilizing spring steel balls for specification positioning	Completed	The tiger wrench has a total of 8 torque heads on both ends, allowing for multiple specification uses in one tool, capturing a certain market share of specialty wrenches	Increase revenue
Research and development of new DT water pump pliers	Adding dimples for orientation on traditional water pump pliers, upgrading functionality for easier and more aesthetically pleasing use	Completed	After the functional upgrade of the new DT water pump pliers, they become easier to use and more visually appealing, gaining a certain market share upon market release	Increase revenue
Research and development of VDE electrician screwdrivers	VDE insulated screwdrivers feature internally forged components and an	Completed	VDE insulated screwdrivers, with an external double-layered integral	Increase revenue

	externally double-layered integral rubber coating, insulating currents above 1000V to provide operators with safety assurance.		rubber coating, offer safety assurance to operators, securing a certain market share in the electrician screwdriver market	
Development of standard four-in-one ratchet wrench	This ratchet wrench has dual-headed reversible functionality, with two specifications set within each ratchet ring on both heads, enabling one wrench to handle four different nut tightening and loosening functions.	Completed	By enabling one wrench to handle four different nut specifications, the efficiency of the wrench is enhanced, providing convenience and speed, capturing a certain market share in the ratchet wrench market	Increase revenue
Development of semi-automatic snap ring assembly machine	Addressing the challenge of difficult snap ring assembly in ratchet wrenches, this machine is designed to clamp the ratchet ring and snap ring using pneumatic cylinders, with a head cylinder pushing the ratchet ring into the wrench head to complete the assembly	Completed	This design enhances the efficiency of snap ring assembly in ratchet wrenches, capturing a certain market share in the assembly market for ratchet wrenches.	Advance automation further
Research and development of full-contact multifunctional quick wrench	This wrench design employs a method where two wrench bodies separate and open, providing ratchet effects when tightening or loosening bolts.	Completed	The unique design of this quick wrench allows for rapid opening and generates a ratchet effect, offering practicality and innovation, thus securing a certain market share.	Increase revenue
Development of novel anti-slip dual-use wrench	This wrench features an S-shaped mouth with toothed flange and a V-shaped structure on top of the traditional open design, providing anti-slip functionality during usage, eliminating the common	Completed	The wrench prevents bolts from slipping during tightening and loosening, enhancing anti-slip effectiveness, thus securing a certain market share post-sales.	Increase revenue

	slipping issue associated with conventional open-end wrenches.			
Research and development of novel anti-slip offset spanner	This novel anti-slip offset spanner, based on the conventional hexagonal design, incorporates grooves on three sides to enhance bolt anti-slip functionality	Completed	This anti-slip offset spanner effectively prevents slipping during bolt tightening and loosening processes, achieving good anti-slip results and potentially capturing a certain market share upon sales	Increase revenue
Large-scale multi-channel multi-reflection optical path scanning perception laser sensing detection device	Development of intrinsically safe multi-line laser radar level sensor for mining use	Completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness
Heavy-duty multi-channel three-dimensional spatial scanning perception laser sensing detection device	Development of intrinsically safe multi-line laser radar level sensor for mining use	Completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness
Lightweight ultra-small near-distance multi-angle scanning perception laser sensing detection device	Developing new products through projects, including a V-series laser radar and a C-series laser radar	Completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness
High-precision near-distance scanning mapping laser sensing detection device	Developing a high-precision mapping laser product with millimeter-level accuracy for digital modeling in the construction industry	To be completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness
Redundant safety near-distance scanning perception laser sensing detection device	Developing a safety radar	To be completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness

Small pure solid-state near-distance scanning perception laser sensing detection device	Developing a C-series laser radar for low-cost commercial laser radar applications	To be completed	Enhancing the company's economic benefits	Increasing mass production of company products, expanding production lines, and enhancing product competitiveness
Development of efficient and energy-saving vacuum cleaners	Making vacuum cleaners more energy-efficient and environmentally friendly	Completed	Enhancing the company's economic benefits	Increase revenue
Development of silent high-flow vacuum cleaners	Reducing the noise of vacuum cleaners	Completed	Enhancing the company's economic benefits	Increase revenue
Research and development of dual-purpose pipes and vacuum cleaners	Enhancing the cleaning effectiveness of vacuum cleaners	Completed	Enhancing the company's economic benefits	Increase revenue
Improvement and development of self-sealing drainage covers for vacuum cleaners	Improving the usability of vacuum cleaners	Completed	Enhancing the company's economic benefits	Increase revenue
Application of immersion-free paint in efficient aluminum motors	Developing efficient vacuum motors using aluminum paint winding (more efficient than existing copper wire motors)	Completed	Enhancing the company's economic benefits	Increase revenue
Application of fluid dynamics-based efficient and energy-saving new impellers in vacuum cleaners	Enhancing the suction power of vacuum cleaners while reducing energy consumption	Completed	Enhancing the company's economic benefits	Increase revenue
Research and development of children's mechanical tool components	Developing more convenient and efficient products	Completed	Enhancing the company's economic benefits	Increase revenue
Application of robots in the welding of vacuum cleaner iron barrels	Improving production efficiency	Completed	Enhancing the company's economic benefits	Further automation of production
Research on vacuum cleaner nozzles with pet brushes	Effectively completing the combing and collection of pet hair	To be completed	Enhancing the company's economic benefits	Expand the product line
Development of vacuum cleaners suitable for use in	Enabling lighting functions of vacuum cleaners	To be completed	Enhancing the company's economic benefits	Expand the product line

dark environments				
Research and development of high-efficiency wireless charging technology for power tools and cabinets	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of leak-proof RFID technology cabinets	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of smart password lock combination cabinets	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of high-strength VCM laminated board toolboxes	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of smart following technology tool carts	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of modular tool storage	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of smart voice tool carts	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of a toolbox product with automatic drawer welding functionality	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of a toolbox product with box body welding and shaping machine functionality	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of radar sensing tool carts	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and development of rapid installation framework products	Developing new products	To be completed	Developing new products	Expand product lines, increase company revenue, and profit
Research and	Enhancing product	To be completed	Enhancing product	Expand product

development of high-performance wear-resistant anti-scratch coating materials	features		features	lines, increase company revenue, and profit
Research and development of outdoor energy storage technology for cabinet products	Enhancing product features	To be completed	Enhancing product features	Expand product lines, increase company revenue, and profit
Project 310 (new 600 series)	Successor to the old series	To be completed	Increasing sales and reducing production costs	Increasing sales and reducing production costs
Project 330 (new 780 series)	Successor to the old series	To be completed	Increasing sales and reducing production costs	Increasing sales and reducing production costs
Project 340 (new 830 series)	Successor to the old series	To be completed	Increasing sales and reducing production costs	Increasing sales and reducing production costs
Battery nail gun	New tool/new technology	To be completed	Increasing sales of fasteners	Increasing sales of fasteners
Battery-powered sorted screwdriver	A new tool succeeding tethering devices	To be completed	Increasing market share of screw sorting products	Increasing market share of screw sorting products
Automatic screwdriver	Tools used for automatic tightening	To be completed	Expanding the autotec product portfolio and increasing the share in the automatic screws market	Expanding the autotec product portfolio and increasing the share in the automatic screws market
Skater Vario	New skater (semi-automatic tool), considering standardization changes	To be completed	Increasing sales and maintaining the existing market share	Increasing sales and maintaining the existing market share
Automatic technology configurator	Front-end and back-end office tools, reducing labor in autotec order processes	Completed	Reducing management workload	Reducing management workload
RFiD serial numbers	Scannable serial numbers to optimize processes	To be completed	Reducing management workload	Reducing management workload
Connection box	Digital cone-shaped box for collecting data from autotec tools	To be completed	Increasing sales with the benefits of preventive maintenance	Increasing sales with the benefits of preventive maintenance
"ISO Safety" project	Tools with special security mechanisms	To be completed	Increasing sales and market share	Increasing sales and market share
New version - eLock	Firmware version 40, Lista Access version 3.6.0 Function improvements	To be completed	Product improvements	Sales of functional products
New stretching machine (OLMA)	Drawers are manufactured with	Completed	More efficient production	Reducing manufacturing costs

	the new machine (OLMA)			and improving quality
Xinfengdeng and Shiliciwangdanlage	The partition materials are manufactured on the new machine (OLMA)	Completed	More efficient production	Reducing manufacturing costs and improving quality
Hinge fixture Specially designed for bicycle shaping brackets	Supplement to the product series	To be completed	Entering more markets	Increasing sales
Dialogue table Specially designed for bicycle workshops	Supplement to the product series	To be completed	Entering more markets	Increasing sales
Cleaning stations and accessories	Supplement to the product series	To be completed	Entering more markets	Increasing sales
Disposable hinged door cabinet	Supplement to the product series	To be completed	Entering more markets	Increasing sales
Solo, duet New-type electrically adjustable height desk	Reducing procurement and manufacturing costs. Shorten delivery times. The entire series of Lista Erlen	To be completed	Entering more markets	Increasing sales
Compact workbench	Cost-effective products that clients can assemble themselves	To be completed	Entering more markets	Increasing sales
Vertically pull-out drawers	Higher load capacity. New product 500 kg, previous models 200 kg	To be completed	Increasing sales and maintaining the existing market share	Increasing sales
SmartBox (Small LEC Cabinet)	Supplement to the LEC series	Completed	Entering more markets	Increasing sales
RFID tags (integrated with GS system)	RFID tags in drawer cabinets	To be completed	Entering more markets	Increasing sales
LEC's ERLOX carriages	Reducing manufacturing costs with high quality and eco-friendliness	To be completed	More efficient production	Reducing manufacturing costs and improving quality
New electronic control software version	Firmware version 1.2.0 Control through the neu cabinet, correction of translations in EN, FR, IT, and ES, simplified user assignment, and correction of errors	To be completed	Product improvements	Sales of functional products
Electronic multi-position network	Expanding the product range	Completed	Increasing sales through new product groups	Expanding the electrified product portfolio

3D printer	Construction of prototypes and small series	Completed	Production of prototypes and small batches	Reducing costs of external service providers
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## Status of the Company's R&amp;D personnel

	In 2023	In 2022	Rate of turnover
Number of R&D personnel (individuals)	1,105	1,099	0.55%
Proportion of R&D personnel	10.23%	10.41%	-0.18%
Educational background of R&D personnel			
Bachelor's degree	397	408	-2.70%
Master's degree	27	24	12.50%
Age composition of R&D personnel			
Below 30 years old	180	178	1.12%
30-40 years old	600	599	0.17%

## Investment in R&amp;D by the Company

	In 2023	In 2022	Rate of turnover
R&D investment amount (RMB)	322,536,093.62	319,444,535.16	0.97%
Proportion of R&D investment to operating revenue	2.95%	2.53%	0.42%
capitalized R&D investment amount (RMB)	0.00	0.00	
Proportion of capitalized R&D investment to total R&D investment	0.00%	0.00%	

Reasons for significant changes in the composition of R&D personnel in the Company and the impact

Applicable  Not Applicable

Reasons for significant changes in the proportion of R&D investment to operating revenue compared to the previous year

Applicable  Not Applicable

Reasons for significant changes in the rate of capitalization of R&D investment and the rationale

Applicable  Not Applicable

## 5. Cash flow

Unit: RMB

Item	In 2023	In 2022	YoY increase or decrease
Subtotal of cash inflows from operating activities	11,839,414,417.18	13,850,370,894.60	-14.52%
Subtotal of cash outflows from operating activities	9,713,559,491.53	12,218,534,252.21	-20.50%
Net cash flows from operating activities	2,125,854,925.65	1,631,836,642.39	30.27%
Subtotal of cash inflows from investing activities	274,696,758.74	345,733,789.20	-20.55%
Subtotal of cash outflows from investing activities	936,720,309.97	860,100,111.16	8.91%

Net cash flows from investing activities	-662,023,551.23	-514,366,321.96	28.71%
Subtotal of cash inflows from financing activities	2,585,788,685.11	4,690,798,053.76	-44.88%
Subtotal of cash outflows from financing activities	3,817,385,902.57	5,300,549,759.79	-27.98%
Net cash flows from financing activities	-1,231,597,217.46	-609,751,706.03	101.98%
Net increase in cash and cash equivalents	190,552,569.13	792,240,939.29	-75.95%

Explanation of the main factors contributing to significant year-on-year changes in relevant data

Applicable  Not Applicable

Net cash flow from operating activities increased by 30.27% year-on-year, primarily due to destocking, resulting in cash received from sales of goods and services exceeding cash paid for purchases of goods and services.

Net cash flow from investing activities decreased by 28.71% year-on-year, mainly due to the increase in net cash paid for acquisition of subsidiaries and other operating units in the current year as compared to the previous year; at the same time, cash received from investment income in the previous year included dividends from associates, and there was no cash inflow from dividends in the current period.

Net cash flow from financing activities decreased by 101.98% year-on-year, primarily due to the comprehensive impact of the following activities: The Company conducted large-scale fund-raising through the issuance of GDR in the previous period, increasing cash inflows from financing activities, and there were no similar activities in the current period; the company repaid a large amount of loans to shareholders, increasing cash outflows from financing activities in the previous period, and there were no similar activities in the current period; meanwhile, the distribution of dividends increased significantly compared to the previous period, resulting in an increase in cash outflows from financing activities.

Explanation of significant differences between net cash flow from operating activities and net profit for the year of the Company during the reporting period

Applicable  Not Applicable

## V. Analysis of Non-principal Business

Applicable  Not Applicable

## VI. Analysis of Assets and Liabilities

### 1. Significant changes in the composition of assets

Unit: RMB

	End of 2023		At the beginning of 2023		Proportion change	Explanation of significant change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary assets	5,178,727,811.76	26.30%	4,863,206,182.40	26.15%	0.15%	
Accounts receivable	2,101,643,079.19	10.67%	1,896,685,590.11	10.20%	0.47%	There has been a change in the holding mode of accounts receivable, shifting from accounts receivable financing to accounts

						receivable classification
Contract assets	0.00	0.00%	0.00	0.00%	0.00%	
Inventories	2,569,302,478.80	13.05%	2,812,572,525.68	15.12%	-2.07%	The Company has strengthened inventory Management, increased inventory turnover, and reduced inventory balance
Investment property	117,273,455.37	0.60%	122,158,556.01	0.66%	-0.06%	
Long-term equity investments	2,950,574,477.94	14.99%	2,544,523,517.55	13.68%	1.31%	Increased investment income recognized under the equity method for joint ventures and other equity changes
Fixed assets	1,726,806,882.04	8.77%	1,518,902,232.96	8.17%	0.60%	Caused by the conversion of factory buildings of the manufacturing base in Vietnam to fixed assets and increased equipment purchases
Construction in progress	270,199,288.71	1.37%	304,599,362.46	1.64%	-0.27%	Caused by the conversion of factory buildings of the manufacturing base in Vietnam to fixed assets
Right-of-use assets	378,820,165.25	1.92%	417,129,361.41	2.24%	-0.32%	
Short-term borrowings	1,103,247,899.65	5.60%	1,379,062,713.11	7.42%	-1.82%	Repayment of maturing debts and reduction in

						new borrowings according to the fund utilization plan for the period
Contractual liabilities	147,202,549.06	0.75%	131,898,420.14	0.71%	0.04%	
Long-term borrowings	708,270.00	0.00%	798,604,951.84	4.29%	-4.29%	Mainly attributed to the reclassification of long-term loans maturing within one year into non-current liabilities due within one year
Lease liabilities	283,800,769.92	1.44%	318,221,349.99	1.71%	-0.27%	

Higher proportion of overseas assets

Applicable  Not Applicable

Item	Reason for formation	Size	Location	Operating model	Control measures to ensure asset safety	Profitability	Proportion of overseas assets in the Company's net assets	Whether there is material risk of impairment
Lista Holding AG's 100% equity	Equity acquisition	RMB 241.3969 million	Switzerland	Independent accounting	Financial supervision, and entrusting external audit	Profitable	1.61%	No
Arrow Fasterner Co., LLC 100% equity	Equity acquisition	RMB 484.8587 million	The US	Independent accounting	Financial supervision, and entrusting external audit	Profitable	3.23%	No

## 2. Assets and liabilities measured at fair value

Applicable  Not Applicable

Unit: RMB

Item	Opening balance	Gains and losses from fair value	Cumulative fair value changes	Impairment in the current period	Purchase amount in the current	Sales amount in the current	Other changes	Closing balance
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		changes in the current period	recognize d in equity		period	period		
<b>Financial assets</b>								
1. Transacti onal financial assets (excludin g derivative financial assets)	60,000,00 0.00	472,251.49			263,000,00 0.00	215,228,00 0.00		108,244,2 51.49
2. Derivativ e financial assets	10,230,10 4.24	3,999,322.3 0					177,104.98	14,406,53 1.52
4. Investme nt in other equity instrumen ts	16,550,00 0.00							16,550,00 0.00
Financial assets subtotal	86,780,10 4.24	4,471,573.7 9	0.00	0.00	263,000,00 0.00	215,228,00 0.00	177,104.98	139,200,7 83.01
Above total	86,780,10 4.24	4,471,573.7 9	0.00	0.00	263,000,00 0.00	215,228,00 0.00	177,104.98	139,200,7 83.01
Financial liabilities	48,413,71 0.29	- 45,703,477. 14					517,493.08	3,227,726 .23

Other changes

Other changes are due to exchange rate fluctuations.

Whether there have been significant changes in the measurement attributes of the Company's major assets in the reporting period

Yes  No

### 3. Restricted asset rights as of the end of this reporting period

Item	Closing book balance	Book value at the end of the period	Types of restrictions	Reason for restriction
Monetary assets	144,071,225.10	144,071,225.10	Pledged	Guarantee deposit for short-term loan
Monetary assets	21,496,066.60	21,496,066.60	Pledged	Guarantee deposit for forward settlement of exchange and sale
Monetary assets	16,290,210.00	16,290,210.00	Pledged	Deposits for letter of credit
Monetary assets	6,388,901.19	6,388,901.19	Pledged	Guarantee deposit for bank acceptance

Item	Closing book balance	Book value at the end of the period	Types of restrictions	Reason for restriction
Monetary assets	3,541,350.00	3,541,350.00	Pledged	Deposits for credit card
Monetary assets	1,416,859.57	1,416,859.57	Pledged	Deposits for customs guarantees
Monetary assets	1,494,449.70	1,494,449.70	Pledged	Premium for lease
Monetary assets	49,000.00	49,000.00	Pledged	Guarantee deposit for ETC
Fixed assets	40,901,325.49	25,832,626.15	Mortgaged	Mortgage for bank acceptance
Fixed assets	20,789,909.21	9,133,057.17	Mortgaged	Mortgage for bank loan
Intangible assets	3,198,505.51	1,982,663.42	Mortgaged	Mortgage for bank acceptance
Intangible assets	2,451,822.91	1,336,350.05	Mortgaged	Mortgage for bank loan
Total	262,089,625.28	233,032,758.95		

## VII. Analysis of Investment Status

### 1. Overview

Applicable  Not Applicable

Investment amount in the reporting period (RMB)	Investment amount in the same period of the previous year (RMB)	Changes
1,612,594,667.46	1,529,848,856.93	5.41%

### 2. Major equity investment acquired during the reporting period

Applicable  Not Applicable

Unit: RMB

Invested Company name	Principal business	Investment method	Investment amount	Hold ing proportion	Source of funds	Partner	Investment duration	Product type	Progress as of balance sheet date	Expected returns	Investment gain/loss for the period	Litigation involvement	Disclosure date (if any)	Disclosure index (if any)
GRE ATSTAR UNITED KINGDOM LTD	Hold ing Company , clothing and footwear wholesale	New establishment	513,481,870.38	100.00%	Self-owned funds	/	Permanent	Long-term equity investments	Completed	1,106,239.03	1,106,239.03	No		
Tota	--	--	513,	--	--	--	--	--	--	1,106	1,106	--	--	--

1			481,870.38							,239.03	,239.03			
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### 3. Major ongoing non-equity investment during the reporting period

Applicable  Not Applicable

Unit: RMB

Project Name	Investment method	Fixed asset investment or not	Industry involved in investment project	Investment during the reporting period	The cumulative actual investment amount as of the end of the reporting period	Source of funds	Project progress	Expected returns	Accumulated earnings realized as of the end of the reporting period	Reasons for not meeting planned progress and expected returns	Disclosure date (if any)	Disclosure index (if any)
Intelligent Factory Project with an Annual Output of 1 Million Sets of New Power Tools	Self-built	Yes	Power tools	103,963,826.00	123,164,273.56	Funds raised and own funds	95.00%	0.00	0.00	/		
Total	--	--	--	103,963,826.00	123,164,273.56	--	--	0.00	0.00	--	--	--

### 4. Investment in financial assets

#### (1) Investment in securities

Applicable  Not Applicable

The Company did not invest in securities during the reporting period.

#### (2) Investment in derivatives

Applicable  Not Applicable

**1) Investment in derivatives for hedging purpose during the reporting period**

☑√ Applicable ☐ Not Applicable

Unit: ten thousand RMB

Type	Initial investment amount	Opening amount	Gains and losses from fair value changes in the current period	Cumulative fair value changes recognized in equity	Purchase amount in the reporting period	Sales amount in the reporting period	Closing amount	Proportion of the closing amount in the Company's net assets at the end of the reporting period
Forward exchange	306,895.99	306,895.99	4,970.28	0	251,313.69	398,246.99	164,932.97	10.99%
Total	306,895.99	306,895.99	4,970.28	0	251,313.69	398,246.99	164,932.97	10.99%
Significant changes in the accounting policies and specific accounting principles of hedging business during the reporting period compared to the same period in the previous year	Unchanged							
Actual profits or losses during the reporting period	The investment income related to derivative investments recognized during the reporting period amounted to RMB -84,843,046.20.							
Effect of hedging	During the reporting period, the Company adhered to the principle of risk neutrality with respect to foreign exchange rates and entered into forward foreign exchange contracts as hedging instruments according to the amount of foreign exchange receipts estimated based on the sales as well as exchange rate targets, with the delivery time and the agreed delivery amount matching the expected cash amount, so as to avoid the risks caused by exchange rate fluctuations. During the report period,							

	the changes in the cash flows of the hedging instruments were able to offset the changes in the cash flows of the hedged projects caused by the risk of exchange rate fluctuations, thereby satisfying the hedge effectiveness requirement and achieving the hedging objective.
Source of funds for investment in derivatives	Self-owned funds
Position risk analysis and control measures for derivatives during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>1. Market risk: Changes in international and domestic economic conditions may lead to large fluctuations in foreign exchange rates and therefore forward foreign exchange transactions will subject to certain market risks. The Company's forward foreign exchange transactions aim to lock in the settlement or sale price of foreign exchange and reduce the impact of exchange rate fluctuations on the Company's profits. The Company will closely monitor changes in exchange rates and determine the plan to enter into forward foreign exchange contracts based on the target exchange rate for transactions, the research and evaluation of foreign exchange rate trends, as well as the Company's forecasts of foreign exchange receipts and payments and ability to withstand price changes caused by exchange rate fluctuations. Meanwhile, it will ensure a reasonable profit level through dynamic Management on transactions.</p> <p>2. Liquidity risk: All of the Company's foreign exchange transactions are based on reasonable estimates of the Company's future imports and exports and meet the requirements of transaction authenticity.</p> <p>3. Bank default risk: In the event of a bank default, such as a bank failure, during the term of the contract, the Company will not be able to deliver the original foreign exchange contract at the contract price and will be exposed to the risk of uncertain returns. As a result, the Company chooses to conduct foreign exchange transactions with the five major state-owned banks, Chinese-funded banks such as CMB and foreign-funded banks such as HSBC and SCB. These banks have strong strength and stable operations, and the risk of their failure causing losses to the Company is very low.</p> <p>4. Operational risk: The Company's forward foreign exchange transactions may give rise to related risks due to the improper operation of undertakers. The Company has developed relevant Management systems and defined the operating procedures and responsible persons, which are conducive to the prevention and control of risks.</p> <p>5. Legal risk: Legal disputes may arise if the Company engages in forward foreign exchange transactions and enters into unclear contracts or agreements with banks for such transactions. The Company will legally strengthen the review of relevant contracts and select banks with good credit ratings to conduct such transactions in order to control the risks.</p>
Changes in the market prices or the fair values of the invested derivatives during the reporting period, the analysis of the fair values of derivatives shall disclose	N/A

the specific method used and the setting of relevant assumptions and parameters	
Whether it is involved in litigation (if applicable)	N/A
Date of announcement of the Board Meeting to approve investment in derivatives (if any)	22 April 2023
Date of announcement of the Shareholders' Meeting to approve investment in derivatives (if any)	23 May 2023
Special opinion of the independent directors on the Company's investment in derivatives and risk control	It is necessary for the Company to enter into foreign exchange derivative transactions that meet the needs of the Company's actual operations and can reduce the impact of exchange rate fluctuations on the Company's profits to a certain extent. The Company has developed the Management System of Foreign Exchange Derivative Transactions and effective risk control measures in accordance with relevant laws and regulations. We concur with the Company's proposal to engage in foreign exchange derivative transactions for the fiscal year 2023.

**2) Investment in derivatives for speculative purposes during the reporting period**

Applicable  Not Applicable

The Company did not invest in derivatives for speculative purposes during the reporting period.

**5. Use of raised funds**

Applicable  Not Applicable

**(1) Overall use of raised funds**

Applicable  Not Applicable

Unit: RMB ten thousand

Fund-raising year	Fund-raising method	Total raised funds	Net funds raised	Total funds used during the current period	Total funds used cumulatively	Total funds raised for altered purpose during the reporting period	Total funds raised cumulatively for altered purpose	Proportion of total raised funds cumulatively for altered purpose	Total unused funds	Use and allocation of unused funds	Funds that have been idle for more than two years
2020	Issue convertible bonds	97,260	96,512.15	14,909.48	88,915.82	0	13,494.42	13.87%	11,530.14	Deposit into special fundraising account	0
Total	--	97,260	96,512.15	14,909.48	88,915.82	0	13,494.42	13.87%	11,530.14	--	0

**Overall use of raised funds**

According to the Response to Approval of Public Issue of Convertible Bonds for Hangzhou GreatStar Industrial Co., Ltd. (CSRC License [2019] No. 2656) from CSRC, the Company is authorized to issue convertible bonds in an amount not exceeding RMB 97,260 million. China Securities Co., Ltd., the lead underwriter, shall give priority to the original shareholders of the Company for placement, and the balance after the prior placement to the original shareholders (including the portion waived by the original shareholders) shall be issued to public investors via the Internet. The undersubscribed portion of the subscription amount of RMB 97,260 million shall be underwritten by the lead underwriter. The Company actually issued 9,726,000 convertible corporate bonds, with a face value of RMB 100.00 each, raising a total of RMB 97,260 million. After deducting the underwriting and sponsor fees of RMB 5,188,679.25 (excluding tax), the funds raised amounted to RMB 967,411,320.75, which has been remitted to the regulatory account of the Company's raised fund by the lead underwriter, China Securities Co., Ltd., on July 2, 2020. In addition, after deducting external expenses of RMB 2,289,867.92 directly related to the issuance of convertible corporate bonds, such as the underwriting and sponsor fees, audit and capital verification fees, attorney fees, credit rating fees, information disclosure fees for the issuance, lottery fees and bond issuance registration fees, the Company raised a net amount of RMB 965,121,452.83. The above raised funds have been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) with the Verification Report (Pan-China verified [2020] No. 244) issued by the LLP.

As of December 31, 2023, the Company has invested a total of RMB 889.1582 million in the raised funds. The net interest income of the raised funds is RMB 38.1179 million, the gains from exchange of financial expenses are RMB 1.2202 million. As of December 31, 2023, the account balance of the raised funds account is RMB 115.3014 million.

**(2) Committed investment projects of raised funds**

☑√ Applicable ☐ Not Applicable

Unit: ten thousand RMB

Committed investment projects and allocation of over-raised funds	Whether the project has been altered (including partially altered)	Total committed investment of funds raised	Total investment after alteration (1)	Investment during the reporting period	Accumulative investment at the end of the period (2)	Investment progress at the end of the period (3) = (2)/(1)	Date of achieving expected conditions for use	Benefits achieved in the current reporting period	Whether expected benefits have been achieved	Whether there have been significant changes to the feasibility of project
<b>Committed investment projects</b>										
Laser Measurement and Smart Home Production Base Construction Project	No	20,426	20,426	3,432	20,394.59	99.85%	December 2023	0	N/A	No
Tool Storage Production Base Construction Project	Yes	26,776	13,281.58		13,281.58	100.00%		1,192.67	N/A	Yes
Intelligent Warehousing and Logistics Base Construction Project	No	22,542.15	22,542.15	7,933.79	15,650.85	69.43%	December 31, 2024	0	N/A	No
R&D Center Construction Project	No	7,768	7,768	3,543.69	7,094.38	91.33%	December 2023	0	N/A	No
Capital increase to subsidiaries	No		13,494.42		13,494.42	100.00%	2 July 2021	8,054.78	N/A	No

and acquisition of 100% equity of Geelong Holdings Limited held by Geelong Orchid Holdings Ltd.										
Subtotal of committed investment projects	--	77,512.15	77,512.15	14,909.48	69,915.82	--	--	9,247.45	--	--
Allocation of over-raised funds										
N/A										
Replenishment of working fund (if any)	--	19,000	19,000		19,000	100.00%	--	--	--	--
Subtotal of allocated over-raised funds	--	19,000	19,000		19,000	--	--		--	--
Total	--	96,512.15	96,512.15	14,909.48	88,915.82	--	--	9,247.45	--	--
Failures to complete the planned schedule and to achieve the expected income and	<p>I. The reasons why the Company's investments of the funds raised did not meet the planned schedule are as follows:</p> <p>1. The implementation subjects of the Laser Measurement and Smart Home Production Base Construction Project are Haining GreatStar Intelligent Equipment Co., Ltd., the Company's wholly-owned sub-subsidiary, Vietnam GreatStar Intelligence Co., Ltd. and Hangzhou GreatStar Tools Co., Ltd., the Company's two wholly-owned subsidiaries. The implementation locations of the project are Lianhang Economic and Technological Development Zone, Haining City, Zhejiang Province, Nam Cau Kien Industrial Park, Thuy Nguyen, Haiphong, Vietnam and Hangzhenggongchu [2020] No. 26 Plot, Jianggan District, Hangzhou. The project is expected to be completed by December 31, 2022. In the process of project implementation, the Company was constrained by the insufficient global shipping capacity in 2021 and H1 2022, so some raw materials and equipment could not be delivered to the project sites in time, thereby affecting the project's progress to a certain extent and delaying the completion timeline. In order to ensure the smooth implementation of the project and the maximum benefit of the project, the 29th Meeting of the 5th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2023 approved the extension of the project implementation period to</p>									

<p>their respective reasons (including reasons for "N/A" as to "Whether expected benefits have been achieved")</p>	<p>December 31, 2023.</p> <p>2. The implementation subject of the Intelligent Warehousing and Logistics Base Construction Project is Haining GreatStar Intelligent Equipment Co., Ltd., the wholly owned sub-subsidiary of the Company. The implementation location of the project is Lianhang Economic and Technological Development Zone, Haining City, Zhejiang Province. The project is expected to be completed by December 31, 2022. The addition of wholly-owned subsidiary Vietnam GreatStar Intelligence Co., Ltd., and wholly-owned sub-subsidiary Hangzhou GreatStar Energy Co., Ltd., as one of the Implementation Subjects of the Smart Warehousing and Logistics Base Construction Project was approved during the 29th Meeting of the 5th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2023. This expansion includes adding Nam Cau Kien Industrial Park, Thuy Nguyen, Haiphong, Vietnam, and JG1601-43 Plot, Unit of Genbei New District, Shangcheng District, Hangzhou, Zhejiang Province, as well as Chang'an Town, Haining, Zhejiang Province, as project sites. Simultaneously, the investment structure of the project was adjusted, and the project implementation period extended until December 31, 2023. Upon approval by the 4th Meeting of the 6th Board of Directors, due to objective reasons, the Smart Warehousing and Logistics Base Construction Project failed to acquire the factory land in Nam Cau Kien industrial park, Thuy Nguyen, Haiphong, Vietnam, as planned by December 31, 2023, resulting in the inability to complete the payment for the aforementioned land as scheduled. To better facilitate the project implementation and ensure maximum project benefits, the Company decided to extend the project implementation period until December 31, 2024.</p> <p>3. The implementation subject of the R&amp;D Center Construction Project is the Company. The implementation location of the project is the northwest corner of the intersection of Hongpu Road and Jiuheng Road, Jiubao Street, Shangcheng District, Hangzhou City. The project is expected to be completed by December 31, 2022. In the process of project implementation, new products were continuously launched, so it was necessary to adjust the R&amp;D focus to products that are more in line with the long-term development strategies of the Company. Meanwhile, following the consolidation of the Company through the consolidation of its original wholly-owned subsidiary, Lista Holding AG, the planned investments in equipment and software had to be re-evaluated, resulting in the failure to complete the relevant work as planned. In order to make efficient use of the Company's R&amp;D capability and ensure the maximum benefit of the project, the 29th Meeting of the 5th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2023 approved the extension of the project implementation period to December 31, 2023.</p> <p>II. Failure to calculate the benefits of the investment projects of raised funds separately The Intelligent Warehousing and Logistics Base Construction Project is designed to meet the Company's needs for operational efficiency improvement, future business expansion and sustained development, so its benefits cannot be calculated separately. The implementation of R&amp;D Center Construction Projects is mainly based on product R&amp;D design, product trial production and product testing, generating no direct economic benefits. The Replenishment Working Capital Project is designed to meet the needs of working capital for the continuous expansion of the Company's operating scale, so the benefits cannot be accounted separately.</p>
<p>Description of significant changes in project feasibility</p>	<p>Due to constraints posed by the global shipping capacity shortages, some raw materials and equipment could not be delivered to the project sites on time, resulting in certain impacts on the construction progress of the Company's tool storage production base construction project and causing delays in the original fundraising project completion timeline. According to the Company's long-term strategic planning and current development needs, in order to use the raised funds more efficiently, improve the Company's existing production capacity and supply capacity faster, and better meet clients' needs, after deliberation and approval of the 7th Meeting of 5th Session of Board of Directors and the 2020 Annual General Meeting of Shareholders, the Company used the uninvested raised funds of RMB 134.9442 million for the Tool Storage Production Base Construction Project by 5 April 2021 for the acquisition of 100% equity of Geelong Holdings Limited held by Geelong Orchid Holdings Ltd., and the Tool Storage Production Base Construction Project was terminated. In order to promote the smooth implementation of equity acquisition and reduce transaction costs, the Company held its 10th Meeting of 5th Session of Board of Directors on 21 June 2021, deliberated and approved the Proposal on Changing Part of the Implementation Subjects of the Raised Funds Investment Project, and agreed to change the implementation subject of equity acquisition projects from the Company to Hong Kong GreatStar International Co., Ltd., a wholly-owned subsidiary of the Company.</p>
<p>Amount</p>	<p>N/A</p>

t, purpos e and progres s of over- raised funds	
Change s in the implem entatio n locatio ns of the raised funds invest ment project	Applicable
	Incurred in prior years
	<p>On 22 July 2020, the Company held the 37th Meeting of the 4th Board of Directors, deliberated and approved the Proposal on Adding Part of Implementation Subjects and Locations to the Raised Funds Investment Project and Using Part of the Raised Funds to Increase Capital to Wholly-owned Subsidiaries. 1. Agreed to add Vietnam GreatStar Intelligence Co., Ltd., a wholly-owned subsidiary of the Company, as one of the implementation subjects of the Laser Measurement and Smart Home Production Base Construction Project, and add Nam Cau Kien Industrial Park, Thuy Nguyen, Haiphong, Vietnam, as one of the implementation locations of the Project; 2. Agreed to add the wholly-owned subsidiary Thailand Xindadi Co., Ltd. (renamed Geelong (Thailand) Co., Ltd.) as one of the implementation subjects of the Tool Storage Production Base Construction Project, and add No. 54/5, Village 1, Map Yang Phon, Pluak Daeng, Rayong, Thailand, as one of the implementation locations of the Project.</p> <p>On 14 April 2021, the Company held the 8th Meeting of the 5th Board of Directors, deliberated and approved the Proposal on Changing the Implementation Subjects and Locations of the Raised Funds Investment Project, Adjusting the Investment Structure of the Raised Funds Investment Project and Extending the Implementation Period. 1. Agreed to add Hangzhou GreatStar Sheffield Tools Co., Ltd., a wholly-owned subsidiary, as one of the implementation subjects of the Laser Measurement and Smart Home Production Base Construction Project, and add Hangzhenggongchu [2020] No. 26 Plot, Jianggan District, Hangzhou as one of the implementation locations of the project; 2. Agreed to change the implementation subject of R&amp;D Center Construction Project to Hangzhou GreatStar Industrial Co., Ltd.</p> <p>On 21 June 2021, the Company held the 10th Meeting of the 5th Session of Board of Directors, deliberated and approved the Proposal on Changing Part of the Implementation Subjects of the Raised Funds Investment Project, and agreed to change the implementation subject for the acquisition of 100% equity of Geelong Holdings Limited held by Geelong Orchid Holdings Ltd. from the Company to Hong Kong GreatStar International Co., Ltd., a wholly-owned subsidiary of the Company.</p> <p>On 30 December 2022, the Company held the 29th Meeting of the 5th Session of Board of Directors, deliberated and approved the Proposal on Increasing the Implementation Subjects and Implementation Locations of the Raised Funds Investment Project, Adjusting the Investment Structure of the Raised Projects and Extending the Implementation Period. The Company agreed to add Vietnam GreatStar Intelligence Co., Ltd., a wholly-owned subsidiary, and Hangzhou GreatStar Energy Co., Ltd., a wholly-owned sub-subsidiary, as Intelligent Warehousing and Logistics Base Construction Project's implementation subjects. Meanwhile, Nam Cau Kien Industrial Park, Thuy Nguyen, Haiphong, Vietnam, and JG1601-43 Plot, Unit of Genbei New District, Shangcheng District, Hangzhou, Zhejiang Province, as well as Chang'an Town, Haining, Zhejiang Province were added as its implementation locations of the Project.</p>
Adjust ment of implem entatio n method s of the raised funds invest ment project	N/A

Advance investment and fund replacement of the raised funds investment project	<p style="text-align: center;">Applicable</p> <p>1. On 22 July 2020, the Company held the 37th Meeting of the 4th Board of Directors, deliberated and approved the Proposal on Using Raised Funds to Replace Self-raised Funds Pre-invested in the Raised Funds Investment Project.</p> <p>(1) The Company agreed to replace the self-raised funds pre-invested in the raised funds investment project with the raised funds of RMB 148.2549 million.</p> <p>(2) The Company agreed to replace the issuance fee of RMB 1.7238 million paid by the Company's own funds with the raised funds.</p> <p>2. The expenditures for the Research and Development Center Construction Project include personnel expenses such as salaries, bonuses, social insurance premiums, and housing provident fund contributions. In accordance with the relevant provisions of the People's Bank of China's "Measures for the Administration of RMB Current Accounts with Banks", employee salaries cannot be directly disbursed through the Company's dedicated account. Considering that the Company's social insurance premiums and housing provident fund contributions are all transferred or paid from the Company's own funds account, it is operationally infeasible to directly pay personnel expenses related to the fundraising investment project (hereinafter referred to as the fundraising project) from the fundraising special account. Therefore, it is necessary to advance payment using the Company's own funds and then transfer an equivalent amount from the fundraising special account to the Company's relevant deposit account. On September 23, 2022, the Company held the 24th Meeting of the 5th Session of Board of Directors, deliberated and approved the Proposal on Using Self-owned Funds to Make Partial Payments to the Raised Funds Investment Project and Subsequent Replacement with the Same Amount of Raised Funds. It is agreed that during the implementation of the fundraising project, the Company shall first make partial payments (personnel expenses such as salary, bonus, social insurance premiums, housing provident fund, etc.) to the Project with its own funds, then make monthly statistics on the amount of funds paid for the Project with its own funds, and transfer the same amount from the special account for raised funds to the Company's own fund account. As of December 31, 2023, the Company has used its own funds to pay for the fundraising project expenses and transferred an equivalent amount from the fundraising special account to the Company's own funds account, totaling RMB 42.7744 million.</p>
Description of temporary replenishment of working capital with idle raised funds	N/A
Amount and reasons of raised fund surplus in the implementation of the project	<p style="text-align: center;">Applicable</p> <p>1. The Company's project of "Capital Increase to Subsidiaries and Acquisition of 100% Equity of Geelong Holdings Limited Held Through Geelong Orchid Holdings Ltd." has been implemented as planned. In order to facilitate the Management of the special account for raised funds, the Company has cancelled the special account for raised funds of the project. In addition, the raised fund surplus (interest income) of USD 14.98 (converted to RMB 100.00 at the spot exchange rate on the transaction date) will be transferred to its own fund account for permanent replenishment of working capital.</p> <p>2. As of December 25, 2023, both the Laser Measurement and Smart Home Production Base Construction Project and the Research and Development Center Construction Project have reached the designated usable status, meeting the conditions for closure. During the implementation of the fundraising project, the Company, guided by the principles of science and efficiency, strengthened control, supervision, and Management of expenses at all stages. It exercised caution in using the raised funds, optimizing resource allocation, reducing costs, thereby saving a portion of the raised funds. Additionally, the funds accrued interest income while held in the special account. In accordance with</p>

	the resolutions of the 4th Meeting of the 6th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2024, aiming to enhance the efficiency of fundraising utilization, the Company agreed to permanently supplement working capital with the aforementioned surplus raised funds for the Company's daily operations. As of April 24, 2024, the Company has closed the fundraising account (632923398) at the Hangzhou Branch of China Minsheng Bank and transferred out a surplus fundraising amount of RMB 59,569.58.
Purpose and destination of unutilized raised funds	By the end of the period, the balance of the unutilized raised funds is equivalent to RMB 115.3014 million (including the net amount of RMB 38.1179 million in respect of cumulative bank deposit interest minus bank charges), which is deposited in the special account for raised funds.
Problems or other circumstances in the utilization and disclosure of the raised funds	N/A

### (3) Projects involved with changes in raised fund

Applicable  Not Applicable

Unit: RMB ten thousand

The project after change	Corresponding original committed project	Total raised funds to be invested in the project after the change (1)	Actual investment amount in current reporting period	Actual cumulative investment as of the end of the period (2)	Investment progress at the end of the period (3) = (2)/(1)	Date of achieving expected conditions for use	Benefits achieved in the current reporting period	Whether expected benefits have been achieved	Whether the project feasibility has changed significantly after the change
Capital increase to subsidiaries and acquisition of 100% equity of Geelong Holdings Limited held by Geelong	Tool Storage Production Base Construction Project	13,494.42	0	13,494.42	100.00%	2 July 2021	8,054.78	N/A	No

Orchid Holdings Ltd.									
Total	--	13,494.42	0	13,494.42	--	--	8,054.78	--	--
Description of reasons for change, decision-making procedures and information disclosure (for specific projects)	<p>Due to constraints posed by the global shipping capacity shortages, some raw materials and equipment could not be delivered to the project sites on time, resulting in certain impacts on the construction progress of the Company's tool storage production base construction project and causing delays in the original fundraising project completion timeline. According to the Company's long-term strategic planning and current development needs, in order to use the raised funds more efficiently, improve the Company's existing production capacity and supply capacity faster, and better meet clients' needs, after deliberation and approval of the 7th Meeting of 5th Board of Directors and the 2020 Annual General Meeting of Shareholders, the Company used the uninvested raised funds of RMB 134.9442 million for the Tool Storage Production Base Construction Project by 5 April 2021 for the acquisition of 100% equity of Geelong Holdings Limited held by Geelong Orchid Holdings Ltd., and the Tool Storage Production Base Construction Project was terminated. The raised funds that have been utilized have been invested in the construction of the tool storage production base for Haining GreatStar Intelligent Equipment Co., Ltd. and Geelong (Thailand) Co., Ltd.</p> <p>In order to promote the smooth implementation of equity acquisition and reduce transaction costs, the Company held its 10th Meeting of 5th Session of Board of Directors on 21 June 2021, deliberated and approved the Proposal on Changing Part of the Implementation Subjects of the Raised Funds Investment Project, and agreed to change the implementation subject of equity acquisition projects from the Company to Hong Kong GreatStar International Co., Ltd., a wholly-owned subsidiary of the Company.</p>								
Details and reasons for not achieving the planned progress or expected earnings (for specific projects)	N/A								
Description of significant changes in project feasibility after change	N/A								

## VIII. Sale of Major Assets and Equity

### 1. Sale of major assets

Applicable  Not Applicable

No major assets were sold during the reporting period.

### 2. Sale of major equity

Applicable  Not Applicable

## IX. Analysis of Major Holding and Equity Participation Companies

Applicable  Not Applicable

Details of main subsidiaries and equity participation companies that affect the Company's net profit by 10% or more

Unit: RMB

Company name	Type	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
GreatStar Europe	Subsidiary	Manufacturing	-	3,029,031,999.33	910,704,741.57	1,941,232,564.38	257,946,847.19	208,144,223.40

AG								
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Acquisition and disposal information of subsidiaries during the reporting period

Applicable  Not Applicable

Company name	Acquisition and disposal method of subsidiaries during the reporting period	Impact on overall production, operation and performance
GreatStar tools Germany GmbH	Established	No significant impact
GREATSTAR UNITED KINGDOM LTD	Established	No significant impact
SCRUFFS WORKWEAR LTD	Established	No significant impact
Lista Eastern Europe spol. s.r.o	Established	No significant impact
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd (HDKJ)	Established	No significant impact
Geelong Sales (Macau Commercial) Limited	Cancelled	No significant impact
Guangdong Shiwanke Electrical Appliance Co., Ltd.	Cancelled	No significant impact
Shenzhen Workpro Technology Co., Ltd.	Cancelled	No significant impact
Newland. LLC	Cancelled	No significant impact

Description of major holding and equity participation companies

None

#### X. Structural Subjects under Control of the Company

Applicable  Not Applicable

#### XI. Prospects for the Company's Future Development

##### (I) Development Strategy of the Company

Overall development strategy: Main business priority, product innovation, brand operation, and global service.

Main business priority: The Company continues to leverage the existing large supermarkets in Europe and the United States and self-operated channels to develop the main business of tools and to dispose of non-core businesses for asset recovery and investment in the main business. The Company will also continue M&A to seek further development of non-hand tools including power tools and outdoor supplies.

Production innovation: While developing and upgrading existing products to improve convenience for users, the Company will continue to develop new products that are suitable for its own supply chain and distributors. Under the support of supply chain network and Chinese engineers, the Company will dominate the current global division of tools industry, enhance its leading position of the industry for further development, and take over the tasks of industrial transfer centering on client demand creation from the Europe and the United States in the era of innovative economy.

Brand operation: The Company will carry on and develop the existing world-renowned tool brands and e-commerce tool brands for the new era, continue to improve the service system for the original brands of the Europe and the United States, and make a long-term plan for the original brands and development path hinged on the stable cash flow of durable consumer goods to improve brand value.

Global service: Against the reverse globalization, the Company continues to actively increase the investment in the market of Europe, the United States, and the Southeast Asia, select outstanding foreign companies for M&A to have better access to international resources and markets in the pursuit of a globe-oriented Company.

##### (II) Business Plan

The Company proposes the goal of 100% cumulative growth in its main business for the next three years in early 2023. In spite of the first year-on-year decrease for a variety of reasons in 2023, the Company kept growth as

expected and will continue to uphold its long-term growth prospect and compounded annual growth rate the same as years before.

### (III) Possible Risks

After a comprehensive analysis of the Company's external environment and actual situation, the main operating risks the Company faces include:

#### 1. Exchange rate fluctuation risk

At present, the Company's operating income basically comes from the overseas market. For example, the wide fluctuation of Chinese Yuan exchange rate will have a certain impact on the Company's operating income. Most of the Company's principal business orders are denominated in US Dollars, and the fluctuations of the exchange rate between Chinese Yuan and US Dollars directly affect the price competitiveness of products, thus affecting the Company's operating performance. In this regard, the Company will continue to strengthen its development in overseas market and foreign exchange settlement regulation, to hedge and reduce the impact of exchange rate fluctuations on the Company's performance.

#### 2. Risk of rising raw material prices

Recently, the Company's main raw material prices fluctuated greatly, causing the Company's production costs to fluctuate as well. Although the Company's production capacity is dominated by outsourced production and has a strong ability of bargaining with upstream outsourced manufacturers, the Company's profitability may still be affected to some extent if the price of raw materials continues to rise. In this regard, the Company will continue to strengthen procurement and cost control, establish strategic cooperative relations with suppliers and sign long-term agreements to absorb the risk of raw material price fluctuations. Meanwhile, the Company will continue to optimize the product mix, strengthen the R&D of new products, and rely on innovative products to set reasonable prices and maintain the product gross margin.

#### 3. Risk of trade conflict

Currently, the United States is the largest single market of the Company, and a vast majority of the Company's products exported to the United States are still subject to a 25% tariff, which has an adverse impact on the development of the Company. In this regard, the Company will pay close attention to the international situation, continue to implement the internationalization strategy, promote the construction of overseas manufacturing bases, cultivate overseas supply chains, and establish a global production capacity layout and supply chain system to ensure the stable development of the Company's business.

## XII. Activities Involving Hosting Research, Communication, Interviews, etc. in Reporting Period

Applicable  Not Applicable

Reception date	Reception venue	Reception method	Type of reception object	Reception object	Main topics discussed and information provided	Index of basic research situation
25 April 2023	No. 35, Juhuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2022 annual report, 2023 first quarter report, and Company's operational situation	Company's 2022 annual report, 2023 first quarter report, and Company's operational situation
April 26, 2023	No. 35, Juhuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2022 annual report, 2023 first quarter report, and Company's operational	Company's 2022 annual report, 2023 first quarter report, and Company's operational

					situation	situation
April 27, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2022 annual report, 2023 first quarter report, and Company's operational situation	Company's 2022 annual report, 2023 first quarter report, and Company's operational situation
August 25, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2023 interim report and Company's operational situation	Company's 2023 interim report and Company's operational situation
August 28, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2023 interim report and Company's operational situation	Company's 2023 interim report and Company's operational situation
August 29, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2023 interim report and Company's operational situation	Company's 2023 interim report and Company's operational situation
October 27, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2023 third quarter report and Company's operational situation	Company's 2023 third quarter report and Company's operational situation
October 30, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Company's 2023 third quarter report and Company's operational situation	Company's 2023 third quarter report and Company's operational situation
December 20, 2023	No. 35, Jiujuan Road, Shangcheng District, Hangzhou	Telephone communication	Other	Institutional investors, individual investors	Basic information on the acquisition target and Company's operational situation	Company's 2023 third quarter report and Company's operational situation

### XIII. Implementation of the "Quality and Return Dual Enhancement" Action Plan

Has the Company disclosed the implementation of the "Quality and Return Dual Enhancement" action plan.

Yes  No

## Section IV Corporate Governance

### I. Basic Status of Corporate Governance

During the reporting period, the Company strictly adhered to the requirements of the *Company Law*, *Securities Law*, *Code of Corporate Governance of Listed Companies*, and *Stock Listing Rules of the Shenzhen Stock Exchange*, continuously improved the corporate governance structure, established and improved internal Management and control systems, enhanced corporate governance, and standardized Company operations.

As of the end of this reporting period, the actual corporate governance situation of the Company basically meets the requirements of the relevant listed Company governance documents issued by the China Securities Regulatory Commission.

#### (I) Shareholders and Shareholders' Meeting

The Company strictly followed the requirements of the *Guidelines for Shareholders' Meetings of Listed Companies*, the *Articles of Association*, and the *Rules of Procedure of the Shareholders' Meeting*, standardized the convening, holding, and voting procedures of the shareholders' meeting, treated all shareholders equally, ensured that all shareholders have the right to be informed and participate in major Company matters, and ensured that all shareholders can fully exercise their rights.

#### (II) Directors and Board of Directors

The Company strictly followed the procedures for the election of directors as stipulated in the *Company Law* and the *Articles of Association*. The Company currently has nine directors, including three independent directors, accounting for one-third of all directors. The number and composition of the board of directors comply with legal requirements. The board of directors has four specialized committees: the Strategic and Development Committee, the Remuneration and Assessment Committee, the Nomination Committee, and the Audit Committee. The board of directors operates in accordance with the *Articles of Association*, the *Rules of Procedure of the Board of Directors*, the *Measures for the Administration of Independent Directors of Listed Companies*, the *Work Rules of the Board Secretary*, and the *Announcement No.1 of the Shenzhen Stock Exchange for Self-Regulation Guidelines for Main Board Listed Companies—Standard Operation of Listed Companies on the Main Board*, exercising its powers in accordance with the law. All directors attend board meetings and shareholders' meetings on time, fulfilling their duties honestly, faithfully, diligently, and responsibly.

#### (III) Supervisors and Board of Supervisors

The Company's board of supervisors strictly followed the procedures for the election of supervisors as stipulated in the *Company Law*, the *Articles of Association*, and the *Rules of Procedure of the Board of Supervisors*. The board of supervisors consists of three supervisors, including one employee supervisor. The number and composition of the board of supervisors comply with legal requirements. The supervisors conscientiously fulfill their duties, in the spirit of being responsible to all shareholders, convene board of supervisors' meetings and attend shareholders' meetings and board meetings in accordance with the *Rules of Procedure of the Board of Supervisors*. The supervisors effectively supervise major Company matters, related party transactions, financial conditions, and the performance of directors and the president, and provide independent opinions.

#### (IV) Relationship between Controlling Shareholders and Listed Companies

The Company and the controlling shareholders are separate and independent in personnel, assets, finances, organizations, and operations. The board of directors, board of supervisors, and internal institutions of the Company can operate independently. The behavior of the controlling shareholders is regulated. They exercise shareholder rights through shareholders' meetings, assume corresponding obligations, and do not directly or indirectly interfere with the Company's decision-making and business activities beyond the shareholders' meeting, thereby safeguarding the legitimate rights and interests of the Company and other shareholders.

#### (V) Performance Evaluation and Incentive Mechanisms

The Company has established a comprehensive performance evaluation method, and the appointment of senior Management is open, transparent, and in compliance with relevant laws, regulations, and internal Company rules and regulations. The Company has established a performance evaluation system that links employees' income to their job performance. In the future, the Company will explore more forms of incentive mechanisms, establish a multi-level comprehensive incentive mechanism, improve performance evaluation standards, better motivate

Management personnel, attract and retain outstanding Management talents, and technical and business backbone.

#### (VI) Related Stakeholders

The Company fully respects and protects the legitimate rights and interests of related stakeholders, achieving a balance of interests among shareholders, employees, society, and other parties, emphasizing social responsibility, and jointly promoting the Company's sustainable and healthy development.

#### (VII) Information Disclosure and Transparency

The Company strictly complies with relevant laws and regulations and the regulations of the *Corporate Information Disclosure Management System*, strengthens information disclosure affairs Management, fulfills information disclosure obligations, and designates *Securities Times*, *Securities Daily*, *China Securities Journal*, and *cninfo.com* as newspapers and websites to truthfully, accurately, timely, and completely discloses information, ensuring that all investors have fair access to Company information. The Company will continue to improve and perfect the internal rules and regulations of corporate governance, strengthen standardized operations, and promote the Company's sustained and stable development in accordance with the requirements of the *Code of Corporate Governance of Listed Companies* and *Stock Listing Rules of the Shenzhen Stock Exchange*.

Is there a significant difference between the actual state of corporate governance and the laws, regulations, as well as rules issued by the China Securities Regulatory Commission regarding the governance of listed companies

Yes  No

There is no significant difference between the actual state of corporate governance and the laws, regulations, as well as rules issued by the China Securities Regulatory Commission regarding the governance of listed companies.

## **II. Independence of the Company from Controlling Shareholders and Actual Controllers in terms of Company Assets, Personnel, Finances, Organizations, and Operations**

During the reporting period, the Company maintained complete separation from the controlling shareholders in terms of business, assets, personnel, organization, and finances, ensuring stable production and operation, with well-established internal mechanisms capable of independent and standardized operation:

#### (I) Business Independence of the Company

The Company possesses independent production, procurement, and sales systems, operating entirely independently from the controlling shareholders. There is no horizontal competition between the controlling shareholders and their affiliated enterprises and the Company.

#### (II) Personnel Independence of the Company

The Company's personnel, human resources, and salaries are entirely independent. Senior Management such as the CEO, vice presidents, board secretary, and CFO all work for the Company and receive compensation without holding any positions or receiving remuneration from the controlling shareholders or their subsidiaries other than as directors or supervisors.

#### (III) Integrity of Company Assets

Clear property rights exist between the Company and the controlling shareholders. The Company's funds, assets, and other resources are not illegally occupied or controlled. The Company's assets are intact, with complete control and ownership rights over all assets, including production equipment, auxiliary production equipment, patents, and other assets appropriate for its scope of business.

#### (IV) Organizational Independence

The Company's board of directors, board of supervisors, Management, and other internal institutions operate independently. Functional departments are completely separated from the controlling shareholders in terms of responsibilities, personnel, etc. There is no hierarchical relationship between the controlling shareholders, their functional departments and the Company and its functional departments. There is no phenomenon of controlling shareholders influencing the independence of the Company's production, operation, and Management.

#### (V) Financial Independence

The Company has established an independent finance department and implemented sound financial and accounting Management systems. The Company conduct independent accounting without any interference from the controlling shareholders in the Company's financial and accounting activities. The Company maintains separate bank accounts in commercial banks without sharing bank accounts with the controlling shareholders. The Company fulfills its tax declaration and tax obligations independently and in accordance with the law.

### III. Horizontal Competition

Applicable  Not Applicable

### IV. Description of Annual and Extraordinary General Meetings Held During Reporting Period

#### 1. General meeting of shareholders during current reporting period

Session	Type	Investor participation ratio	Date convening	Date disclosure	Resolution
1st extraordinary general meeting of shareholders in 2023	Extraordinary general meeting of shareholders	50.12%	20 January 2023	30 January 2023	Announcement No.: 2023-002
2022 Annual General Meeting of Shareholders	Annual general meeting of shareholders	49.28%	22 May 2023	23 May 2023	Announcement No.: 2023-032
2nd extraordinary general meeting in 2023	Extraordinary general meeting of shareholders	50.64%	September 11, 2023	September 12, 2023	Announcement No.: 2023-045
3rd extraordinary general meeting in 2023	Extraordinary general meeting of shareholders	49.52%	November 27, 2023	November 28, 2023	Announcement No.: 2023-054

#### 2. Preferred shareholders whose voting rights have been restored request an extraordinary general meeting of shareholders

Applicable  Not Applicable

### V. Directors, Supervisors and Senior Management Personnel

#### 1. Basic information

Name	Gender	Age	Title	Status	Commencement date of term	Termination date of term	Number of shares held at the beginning of the period	Number of additional shares held during the period	Number of reduced shares held during the period	Other changes in shareholding	Number of shares held at the end of the period	Reason for change in shareholding
Qiu Jianping	Male	62		Incumbent	June 16, 2008	September 10, 2026	48,696,458	2,318,800	0	0	51,015,258	Increase in shareholding
Chi Xiaoh	Female	49		Incumbent	January 12,	September	729,950	0	0	0	729,950	

eng					2021	10, 2026							
Wang Lingling	Female	62		Incu mbent	June 16, 2008	September 10, 2026	12,950,960	0	0	0	0	12,950,960	
Li Zhen g	Male	64		Incu mbent	August 31, 2020	September 10, 2026	676,470	0	0	0	0	676,470	
Xu Zhen g	Female	40		Incu mbent	June 16, 2008	September 10, 2026	0	0	0	0	0	0	
Wang Weiyi	Male	54		Incu mbent	September 11, 2023	September 10, 2026	771,525	0	0	0	0	771,525	
Wang Gang	Male	48		Incu mbent	August 31, 2020	September 10, 2026	0	0	0	0	0	0	
Chen Zhimin	Female	63		Incu mbent	August 31, 2020	September 10, 2026	0	0	0	0	0	0	
Shi Hong	Female	60		Incu mbent	August 31, 2020	September 10, 2026	0	0	0	0	0	0	
Sheng Guihao	Male	58		Incu mbent	September 11, 2023	September 10, 2026	0	0	0	0	0	0	
Chen Jun	Male	43		Incu mbent	June 15, 2011	September 10, 2026	0	0	0	0	0	0	
Huang Qiaozhen	Female	40		Incu mbent	May 9, 2022	September 10, 2026	0	0	0	0	0	0	
Ni Shuyi	Female	47		Incu mbent	June 16, 2008	September 10, 2026	0	0	0	0	0	0	
Wang Min	Male	52		Incu mbent	June 16, 2008	September 10, 2026	760,200	0	0	0	0	760,200	
Li Feng	Male	49		Incu mbent	June 16, 2008	September 10, 2026	853,277	0	0	0	0	853,277	
Zhou Siyuan	Male	37		Incu mbent	January 31, 2018	September 10, 2026	600,000	270,000	217,500	0	0	652,500	Increase in share

						2026							holding, decrease in share holding
Jiang Saiping	Female	52		Incumbent	May 10, 2022	September 10, 2026	0	0	0	0	0		
Zhang Mao	Female	44		Incumbent	January 27, 2022	September 10, 2026	2,900	0	0	0	2,900		
Zhou Yiqiong	Female	52		Incumbent	September 11, 2023	September 10, 2026	0	0	0	0	0		
Cen Zhengping	Male	62		Resignation	May 24, 2019	September 11, 2023	0	0	0	0	0		
Fu Yajuan	Female	51		Resignation	August 31, 2020	September 11, 2023	0	0	0	0	0		
Zhang Ou	Male	57		Resignation	April 29, 2019	September 11, 2023	0	0	0	0	0		
Total	--	--	--	--	--	--	66,041,740	2,588,800	217,500	0	68,413,040	--	

During the reporting period, were there any cases of directors, supervisors leaving office, or senior Management personnel being dismissed during their term of office?

Yes  No

Changes in directors, supervisors and senior Management personnel of the Company

Applicable  Not Applicable

Name	Position	Type	Date	Reason
Wang Weiyi	Director	Elected	September 11, 2023	
Wang Weiyi	Vice president	End of term	September 11, 2023	
Sheng Guihao	Chairman of the supervisory board	Elected	September 11, 2023	
Zhou Yiqiong	Vice president	Appointment	September 11, 2023	
Cen Zhengping	Director	End of term	September 11, 2023	
Fu Yajuan	Chairman of the supervisory board	End of term	September 11, 2023	
Zhang Ou	Vice president	End of term	September 11, 2023	

## 2. Employment

The professional background, key work experience, and main responsibilities in the Company of the current directors, supervisors, and senior Management personnel

Mr. Qiu Jianping, chairman of the Company, is a Chinese national with no permanent residency abroad. He was born in 1962 and graduated from Xi'an Jiaotong University with an engineering master's degree in mechanical casting in 1985. From June 2008 to January 2021, he served as the chairman and president of the Company. Since January 2021, he has been serving as the chairman of the Company.

Ms. Chi Xiaoheng, vice chairman and president of the Company, is a Chinese national with no permanent residency abroad. She was born in 1975 and holds an associate degree. From June 2008 to August 2020, she served as a director and vice president of the Company. From August 2020 to January 2021, she served as vice chairman and vice president of the Company. Since January 2021, she has been serving as vice chairman and president of the Company.

Mr. Li Zheng, director and vice president of the Company, is a Chinese national with no permanent residency abroad. He was born in 1959 and holds an associate degree. From 2008 to August 2020, he served as vice chairman and vice president of the Company. Since August 2020, he has been serving as a director and vice president of the Company.

Ms. Wang Lingling, director and vice president of the Company, is a Chinese national with no permanent residency abroad. She was born in 1961 and holds a bachelor's degree. Since 2008, she has been serving as a director and vice president of the Company.

Ms. Xu Zheng, director of the Company, is a Chinese national with no permanent residency abroad. She was born in 1984 and holds a bachelor's degree. Since 2008, she has served as the chairman's secretary of GreatStar Holding Group Co., Ltd. Since 2011, she has served as a director of Hangcha Group Co., Ltd. She has been serving as a director of the Company since 2008.

Mr. Wang Weiyi, director of the Company, is a Chinese national with no permanent residency abroad. He was born in 1970 and graduated from Zhejiang University with a bachelor's degree in mechanical manufacturing and technology. From 2008 until September 2023, he served as vice president of the Company, responsible for product research and development, and quality Management. He was also one of the main responsible persons for the Company's national-level laboratory. Since September 2023, he has been serving as a director of the Company.

Mr. Wang Gang, independent director of the Company, is a Chinese national with no permanent residency abroad. He was born in October 1975 and holds a master's degree. He is a certified public accountant (CPA) and a senior economist. Since August 2017, he has been serving as a director, vice general manager, and secretary of the board of directors of Hangzhou Robam Appliances Co., Ltd. Since August 2020, he has been serving as an independent director of the Company.

Ms. Shi Hong, independent director of the Company, is a Chinese national with no permanent residency abroad. She was born in July 1963 and holds a master's degree. She is an associate professor. From September 2005 to July 2018, she served as an associate professor at the Environmental Engineering Teaching and Research Office of the College of Ocean Science and Engineering, Shanghai Maritime University, and concurrently served as the director of the Environmental Engineering Laboratory. Since August 2020, he has been serving as an independent director of the Company.

Ms. Chen Zhimin, independent director of the Company, is a Chinese national with no permanent residency abroad. She was born in April 1960 and holds a master's degree. She currently serves as a director of Zhejiang Caitong Capital Investment Co., Ltd., supervisor of Hangzhou Tigermed Technology Co., Ltd. and Zhejiang Canaan Technology Co., Ltd., and independent director of Hangzhou Honghua Digital Technology Co., Ltd. and Tongkun Holding Group Co., Ltd. Since August 2020, he has been serving as an independent director of the Company.

## 2. Supervisors

Mr. Sheng Guihao, supervisor of the Company, is a Chinese national with no permanent residency abroad. He was born in December 1966 and holds a bachelor's degree. Since August 2014, he has been serving as vice chairman of Zhejiang Hangcha Holding Co. Ltd. Since September 2023, he has been serving as the chairman of the board of supervisors of the Company.

Mr. Chen Jun, supervisor of the Company, is a Chinese national with no permanent residency abroad. He was born in August 1980 and holds a bachelor's degree. He is a junior engineer. Since 2009, he has been serving as the manager of the Company's industrial design department and as the deputy secretary-general of the Company's

Enterprise Science and Technology Association, as well as the secretary of the Communist Party of China's GreatStar Research and Development Innovation Branch.

Ms. Huang Qiaozhen, supervisor of the Company, is a Chinese national with no permanent residency abroad. She was born in November 1983 and holds a bachelor's degree. Since January 2021, she has been serving as the president's secretary and deputy director of the President's Office.

### 3. Other senior Management personnel

Mr. Zhou Siyuan, secretary of the board and vice president of the Company, is a Chinese national with no permanent residency abroad. He was born in 1986 and holds a graduate degree. Since January 2018, he has been serving as the board secretary of the Company.

Ms. Ni Shuyi, chief financial officer of the Company, is a Chinese national with no permanent residency abroad. She was born in 1976 and holds a bachelor's degree. Since 2008, she has been serving as the chief financial officer of the Company.

Mr. Wang Min, vice president of the Company, is a Chinese national with no permanent residency abroad. He was born in 1971 and holds an associate degree. Since 2008, he has been serving as vice president of the Company, responsible for the Company's procurement business.

Mr. Li Feng, vice president of the Company, is a Chinese national with no permanent residency abroad. She was born in 1975 and holds an associate degree. He has been serving as vice president of the Company since 2008, responsible for the Company's external sales business.

Ms. Zhang Mao, vice president of the Company, is a Chinese national with no permanent residency abroad. She was born in 1979 and holds a bachelor's degree. From May 2021 to January 2022, she served as senior director of International E-commerce at Hangzhou GreatStar Industrial Co., Ltd. Since January 2022, she has been serving as vice president of the Company, responsible for the Company's international e-commerce business.

Ms. Jiang Saiping, vice president of the Company, is a Chinese national with no permanent residency abroad. She was born in November 1971 and holds a bachelor's degree. From December 2013 to May 2022, she served as director of export at the Company. Since May 2022, she has been serving as vice president of the Company, responsible for the Company's own brand and major customer business.

Ms. Zhou Yiqiong, vice president of the Company, is a Chinese national with no permanent residency abroad. She was born in December 1971 and holds a bachelor's degree. From July 2002 to January 2023, she served as senior sourcing manager at Home Depot Asia Pacific Procurement. Since September 2023, she has been serving as vice president of the Company.

### Employment in corporate shareholders

Applicable  Not Applicable

Employee name	Corporate shareholder name	Position	Commencement date of term	Termination date of term	Receive compensation or not
Qiu Jianping	GreatStar Holding Group Co., Ltd.	Chairman of the Board	August 10, 2009		No
Wang Lingling	GreatStar Holding Group Co., Ltd.	Vice chairman	January 10, 2020		No
Li Zheng	GreatStar Holding Group Co., Ltd.	Director	August 10, 2009		No
Chi Xiaoheng	GreatStar Holding Group Co., Ltd.	Director	August 10, 2009		No
Xu Zheng	GreatStar Holding Group	Supervisor	October 16, 2023		Yes

	Co., Ltd.				
Explanation of employment in corporate shareholders	None				

## Employment in other organizations

 Applicable  Not Applicable

Employee name	Other organization's name	Position	Commencement date of term	Termination date of term	Receive compensation or not
Qiu Jianping	Zhejiang Hangcha Holding Co., Ltd	Chairman, general manager	February 2, 2011		No
Qiu Jianping	Hangcha Group Co., Ltd.	Director	February 2, 2011		No
Qiu Jianping	Zhejiang Zhongtai GreatStar Real Estate Co., Ltd.	Director	May 10, 2005		No
Qiu Jianping	Hangzhou Haiwo Holdings Co., Ltd.	Executive director	March 19, 2011		No
Qiu Jianping	Hangzhou GreatStar Precision Machinery Co., Ltd	Chairman of the Board	December 30, 2006		No
Qiu Jianping	SMART SILVER LIMITED	Director	January 20, 2011		No
Qiu Jianping	Hong Kong Golden Deer Co., Ltd.	Director	January 20, 2011		No
Qiu Jianping	Shui On Zhaowei Co., Ltd.	Director	January 20, 2011		No
Qiu Jianping	Shui On Qihao Co., Ltd.	Director	January 20, 2011		No
Qiu Jianping	Shui On Junye Co., Ltd.	Director	January 20, 2011		No
Qiu Jianping	GreatStar Industrial Co., Ltd.	Executive director	June 20, 2013		No
Qiu Jianping	Jindao Investment Co., Ltd.	Director	January 20, 2011		No
Qiu Jianping	Hangzhou Xihu Tiandi Development Co., Ltd	Director	May 13, 2011		No
Qiu Jianping	Xinjiang Lianhe Investment Co., Ltd.	Executive Partner	January 10, 2012		No
Qiu Jianping	Taifeng Co.,	Director	January 20,		No

	Ltd.		2011		
Qiu Jianping	Hangzhou Kunxia Investment Management Partnership (Limited Partnership)	Executive Partner	January 18, 2018		No
Qiu Jianping	Zhejiang Equity Service Group Co., Ltd.	Director	November 8, 2017		No
Qiu Jianping	Zhejiang Guozi Robotics Co., Ltd.	Director	September 26, 2014		No
Qiu Jianping	Zhejiang United Investment Co., Ltd.	Director	April 13, 2015		No
Qiu Jianping	Hangzhou Lujing Culture and Creativity Co., Ltd.	Executive director	November 26, 2015		No
Qiu Jianping	Zhejiang Youbon Small Loan Co., Ltd.	Director	December 25, 2009		No
Qiu Jianping	Shanghai Haichao Haoyun Enterprise Management Partnership (Limited Partnership)	Executive Partner	April 17, 2019		No
Qiu Jianping	Shanghai Haichao Wenxing Enterprise Management Partnership (Limited Partnership)	Executive Partner	January 7, 2021		No
Qiu Jianping	Shanghai Jinguan Haoyun Enterprise Management Partnership (Limited Partnership)	Executive Partner	January 7, 2021		No
Qiu Jianping	Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	Chairman of the Board	April 17, 2019		No
Qiu Jianping	Zhejiang Xinchai Co., Ltd.	Director	December 26, 2019		No
Qiu Jianping	Zhongce	Director	October 21,		No

	Rubber Group Company Limited		2019		
Wang Lingling	Hangzhou GreatStar Precision Machinery Co., Ltd	Director	September 20, 2011		No
Wang Lingling	Hangzhou Fuyang Chongsheng Trading Co., Ltd.	Executive Director and General Manager	November 11, 2013		No
Wang Lingling	Zhejiang Zhongtai GreatStar Real Estate Co., Ltd.	Supervisor	March 11, 2011		No
Wang Lingling	Zhejiang Hangcha Holding Co., Ltd	Director	January 27, 2012		No
Wang Lingling	Hangzhou Haiwo Holdings Co., Ltd.	Supervisor	February 17, 2022		No
Wang Lingling	Zhejiang Yunsong Artificial Intelligence Technology Co., Ltd.	Supervisor	May 20, 2022		No
Li Zheng	Hangzhou GreatStar Precision Machinery Co., Ltd	Director	September 20, 2011		No
Xu Zheng	Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	Supervisor	April 21, 2019		No
Xu Zheng	Hangcha Group Co., Ltd.	Director	March 25, 2011		No
Xu Zheng	Zhejiang Hangcha Holding Co., Ltd	Supervisor	January 27, 2012		No
Xu Zheng	Zhongce Rubber Group Co. Ltd.	Chairman of the supervisory board	October 21, 2019		No
Wang Weiyi	Zhejiang Guozi Robotics Co., Ltd.	Chairman of the Board	November 28, 2023		No
Wang Gang	Hangzhou Robam Electrical Appliance Co.,	Board Secretary, Director	June 1, 2008		Yes

	Ltd.				
Wang Gang	Hangzhou Nbond Nonwovens Co., Ltd.	Director	January 1, 2013		No
Wang Gang	De Dietrich Household Appliances (Shanghai) Trading Co., Ltd.	Director	July 1, 2012		No
Wang Gang	Hangzhou Fortune Gas Cryogenic Group Co., Ltd.	Director	January 1, 2018		No
Wang Gang	Hanjia Design Group Co., Ltd.	Independent Director	March 15, 2022		Yes
Wang Gang	Hangzhou XZB Tech Co., Ltd.	Independent Director	December 28, 2022		Yes
Wang Gang	De Dietrich Trading (Shanghai) Co., Ltd.	Director	June 1, 2016		No
Wang Gang	Hangzhou G&G Tourism Supplies Co., Ltd.	Director	October 1, 2017		No
Wang Gang	Shanghai MXCHIP Information Technology Co., Ltd.	Supervisor	November 1, 2017		No
Wang Gang	Hangzhou Laoban Fuchuang Investment Management Co., Ltd.	Supervisor	May 1, 2018		No
Wang Gang	Shengzhou Kinde Intelligent Kitchen Electric Appliance Co., Ltd.	Director	July 1, 2018		No
Wang Gang	Versolsolar Hangzhou Co., Ltd.	Director	December 28, 2022		No
Chen Zhimin	Zhejiang Caitong Capital Investment Co., Ltd.	Director	March 24, 2015		No
Chen Zhimin	Hangzhou Tigermed Pharmaceutical Technology Co., Ltd.	Supervisor	April 22, 2020		Yes
Chen Zhimin	Zhejiang	Supervisor	September 20,		Yes

	Canaan Technology Co., Ltd.		2022		
Chen Zhimin	Hangzhou Atexco Digital Technology Co., Ltd.	Independent Director	December 6, 2019		Yes
Chen Zhimin	Tongkun Group Co., Ltd.	Independent Director	June 23, 2020		Yes
Sheng Guihao	Zhejiang Hangcha Holding Co., Ltd	Director	January 11, 2019		Yes
Zhou Siyuan	Zhejiang Guozi Robotics Co., Ltd.	Director	September 14, 2017		No
Zhou Siyuan	Hangzhou Weiming Investment Management Co. Ltd.	Director	September 1, 2017		No
Zhou Siyuan	Hangzhou Xihu Tiandi Development Co., Ltd	Director	May 13, 2011		No
Zhou Siyuan	Hangzhou Xihu Tiandi Business Management Co., Ltd.	Director	July 23, 2014		No
Zhou Siyuan	Zhejiang Hangcha Holding Co., Ltd	Director	January 28, 2011		No
Zhou Siyuan	Ningbo Donghai Bank Co., Ltd.	Director			No
Note on positions with other organizations	None				

Cases where current directors, supervisors and senior managers or those who departed during the reporting period were penalized by securities regulatory authorities in the past three years

Applicable  Not Applicable

### 3. Changes in Remuneration of Directors, Supervisors and Senior Managers

Decision-making processes, basis for determination, and actual payment of remuneration for directors, supervisors and senior managers

#### 1. Decision-making processes of remuneration for directors, supervisors and senior managers

The remuneration for the Company's directors is proposed by the Remuneration Committee and reviewed and approved by the Board of Directors and the General Meeting of Shareholders. The remuneration for the Company's supervisors is proposed by the Human Resources Department and reviewed and approved by the Board of Supervisors and the Shareholders' Meeting. The position-based portion of senior managers' compensation is proposed by the Remuneration Committee and approved by the Board of Directors; the performance-based portion is determined based on the Company's operating performance and annual bonus principles, combined with

individual performance evaluations, and disbursed after review by the Chairman.

## 2. Basis for determination of remuneration for directors, supervisors and senior managers

Directors, supervisors and senior managers serving in the Company receive a position-based portion of remuneration. Their performance-based portion of remuneration is determined based on the Company's operating performance and annual bonus principles, combined with individual performance evaluations, and disbursed after review by the Chairman.

Remuneration of directors, supervisors and senior managers during the reporting period

Unit: RMB ten thousand

Name	Gender	Age	Title	Status	Total pre-tax remuneration received from the Company	Whether to receive remuneration from related parties of the Company
Qiu Jianping	Male	62		Incumbent	62.57	No
Chi Xiaoheng	Female	49		Incumbent	180	No
Li Zheng	Male	64		Incumbent	120	No
Wang Lingling	Female	62		Incumbent	40.67	No
Wang Weiyi	Male	54		Incumbent	120	No
Xu Zheng	Female	40		Incumbent	0	Yes
Shi Hong	Female	60		Incumbent	10	No
Chen Zhimin	Female	63		Incumbent	10	No
Wang Gang	Male	48		Incumbent	10	No
Sheng Guihao	Male	58		Incumbent	0	Yes
Chen Jun	Male	43		Incumbent	44	No
Huang Qiaozhen	Female	40			23.4	No
Zhou Siyuan	Male	37		Incumbent	100	No
Ni Shuyi	Female	47			100	No
Wang Min	Male	52			100	No
Li Feng	Male	49		Incumbent	120	No
Zhou Yiqiong	Female	52		Incumbent	83.84	No
Jiang Saiping	Female	52		Incumbent	68.4	No
Zhang Mao	Female	44		Incumbent	62.4	No
Cen Zhengping	Male	62		Resignation	0	Yes
Fu Yajuan	Female	51		Resignation	46.32	No
Zhang Ou	Male	57		Resignation	135.03	No
Total	--	--	--	--	1,436.63	--

Additional information

Applicable  Not Applicable

## VI. Performance of Duties by Directors during the Reporting Period

### 1. Board of Directors during the Reporting Period

Session	Date of convening	Date of disclosure	Resolution
The 30th meeting of the 5th Board of Directors	April 21, 2023	22 April 2023	Announcement No.: 2023-014
The 31st meeting of the 5th Board of Directors	April 24, 2023	25 April 2023	Announcement No.: 2023-026

The 32nd meeting of the 5th Board of Directors	May 8, 2023	May 9, 2023	Announcement 2023-029	No.:
The 33rd meeting of the 5th Board of Directors	August 24, 2023	August 25, 2023	Announcement 2023-038	No.:
The 1st meeting of the 6th Board of Directors	September 11, 2023	September 12, 2023	Announcement 2023-046	No.:
The 2nd meeting of the 6th Board of Directors	October 26, 2023	October 27, 2023	Announcement 2023-049	No.:
The 3rd meeting of the 6th Board of Directors	December 18, 2023	December 20, 2023	Announcement 2023-056	No.:
The 4th meeting of the 6th Board of Directors	December 29, 2023	December 30, 2023	Announcement 2023-058	No.:

## 2. Attendance of Directors at Meetings of the Board of Directors and General Meetings of Shareholders

Attendance of directors at meetings of the Board of Directors and General Meetings of Shareholders							
Name of director	Number of times to attend the required meetings of Board of Directors during the reporting period	Times of attendance in person at meetings of Board of Directors	Times of attendance at meetings of Board of Directors through telecommunication means	Times of attendance by proxy at meetings of Board of Directors	Times of absences from meetings of Board of Directors	Absences from two consecutive meetings of Board of Directors	Times of attendance at General Meetings of Shareholders
Qiu Jianping	8	8	0	0	0	No	4
Chi Xiaoheng	8	8	0	0	0	No	4
Wang Lingling	8	8	0	0	0	No	4
Li Zheng	8	8	0	0	0	No	4
Xu Zheng	8	8	0	0	0	No	4
Wang Weiyi	4	4	0	0	0	No	1
Wang Gang	8	8	0	0	0	No	4
Chen Zhimin	8	8	0	0	0	No	4
Shi Hong	8	8	0	0	0	No	4
Cen Zhengping	4	4	0	0	0	No	3

Note on absences from two consecutive meetings of Board of Directors

N/A

## 3. Objections Raised by Directors on Matters Related to the Company

Objections raised by directors on matters related to the Company

Yes  No

Directors raised no objection on matters related to the Company during the reporting period.

## 4. Other Notes on Performance of Duties by Directors

Adoption of suggestions from directors in connection with the Company

Yes  No

## Notes on adoption or rejection of suggestions from directors in connection with the Company

During the reporting period, each director of the Company strictly adhered to the relevant laws, regulations, the Company's Articles of Association, and the Rules of Procedure for Meetings of Board of Directors, conscientiously fulfilled their respective duties, rigorously implemented resolutions of the General Meetings of Shareholders, attended meetings of the Board of Directors and Shareholders' Meetings, carefully deliberated on proposals, and actively promoted the implementation of resolutions of the Board of Directors. Each director worked to understand the Company's operating conditions, internal control system development, and the implementation of resolutions of the Board of Directors. They discussed and deployed the priorities work for the next stage, fully understood and agreed to matters such as the reappointment of the financial auditing firm, profit distribution, related-party transactions, and external investments that occurred during the reporting period, and contributed to the sustained high-quality development of the Company's business lines.

**VII. Performance of Committees under the Board of Directors During the Reporting Period**

Committee Name	Members	Number of meetings held	Date of convening	Agenda	Important opinions and suggestions proposed	Other information on performance of duties	Details of objections (if any)
Remuneration and Evaluation Committee	Chen Zhimin, Shi Hong, Wang Gang, Chi Xiaoheng, and Xu Zheng	1	April 21, 2023	Consideration and adoption of the Proposal on Remuneration Plan for Directors of Company for 2023 and the Proposal on Remuneration Plan for Senior Managers of Company for 2023.			
Audit Committee	Wang Gang, Shi Hong, Chen Zhimin, Wang Lingling, and Xu Zheng	4	April 21, 2023	Consideration and adoption of the full text and summary of the 2022 Annual Report, Company's 2022 Audit Report, Company's 2022 Financial Statement, Company's 2022			

				Internal Control Self-Evaluation Report, Proposal on Renewal of Pan-China Certified Public Accountants LLP (Special General Partnership) as Company's Auditing Firm for 2023, Proposal on Company's Anticipated Routine Related-party Transactions in 2023, Summary of Company Audit Department's Audit Work in 2022 and Audit Work plan for 2023, and Special Report on Custody and Use of Funds Raised in 2022			
Audit Committee	Wang Gang, Shi Hong, Chen Zhimin, Wang Lingling, and Xu Zheng	4	April 24, 2023	Consideration and adoption of the 2023 Q1 Report			
Audit Committee	Wang Gang, Shi	4	August 24, 2023	Consideration and			

	Hong, Chen Zhimin, Wang Lingling, and Xu Zheng			adoption of the Semi- annual Report 2023 and Special Semi- annual Report on Custody and Use of Funds Raised 2023			
Audit Committee	Wang Gang, Shi Hong, Chen Zhimin, Qiu Jianping, and Xu Zheng	4	October 26, 2023	Considerati on and adoption of the 2023 Third- Quarter Report and 2023 Third- Quarter Special Report on Custody and Use of Funds Raised			
Nominatio n Committee	Chen Zhimin, Shi Hong, and Chi Xiaoheng	1	August 24, 2023	Considerati on and adoption of the Proposal on Election of Non- independen t Directors to Company's New Board of Directors and Proposal on Election of Independen t Directors to Company's New Board of Directors			

### VIII. Performance of Board of Supervisors

Risks identified by the Board of Supervisors in supervisory activities for the Company during the reporting period

Yes  No

The Board of Supervisors raised no objection to the supervisory matters during the reporting period.

## IX. Employees

### 1. Number of Employees, Professional Composition, and Education Levels

Number of current employees of the parent Company at the end of the reporting period (person)	1,380
Number of current employees of main subsidiaries at the end of the reporting period (person)	9,418
Total number of current employees at the end of the reporting period (person)	10,798
Total number of employees receiving pay in the reporting period (person)	10,798
Number of retired employees whose expenses are borne by the parent Company and main subsidiaries (person)	0
Specialty composition	
Specialty category	Number of employees (person)
Production personnel	7,265
Sales personnel	1,075
Technical personnel	1,105
Financial personnel	236
Administrative personnel	1,117
Total	10,798
Education level	
Education level category	Employees (person)
Master's degree or above	146
University (including junior college)	2,442
Senior high school (including vocational and technical schools)	2,831
Under senior high school	5,379
Total	10,798

### 2. Remuneration Policy

The Company strictly follows the relevant provisions of the Labor Contract Law in managing employee compensation, ensuring that employees' wages are paid in full and on time before the 20th day of each month. In 2023, average employee wage of the Company was higher than the average wage standard of Zhejiang Province in 2023. The Company paid employees' regular, weekend and overtime pay in full accordance with relevant regulations and a comprehensive working hour system for some positions. The Company carried out one Company-wide salary adjustment, three quarterly salary adjustments, and one external salary level survey over the year. The salary calculation schemes fall into two categories. Frontline employees receive pay for overtime work, with hourly wages and overtime wages calculated according to national labor laws and policies; employees holding Management positions receive a combination of a fixed portion and a performance-based portion of pay.

### 3. Training Plan

Employee training and development is an important part of the Company's work. In 2023, training Management continued to focus on three areas: new employee growth education, specialized technical training, and employee career literacy education. Over the year, the Company organized 61 training sessions with a total of 3,037 employees participating, accumulating 9,217 total training hours. The Company also continued the talent pipeline development, with a focus on selecting and cultivating director-level and manager-level candidates. Business elites were also selected to participate in the Eagle Training Camp to enhance their business Management capabilities. In 2024, the Company will continue to carry out organizational empowerment and talent development work centering on the Company's development needs, implement the Eagle Training Camp and a Management leadership capability enhancement plan, and strengthen the internal trainer team and build a strong instructor team that can meet the growing demand for training.

#### 4. Use of Employment Services

Applicable  Not Applicable

#### X. Profit Distribution of the Company and Transfer of Capital Reserve into Share Capital

Formulation, implementation or adjustment of the profit distribution policy during the reporting period, especially the cash dividend policy

Applicable  Not Applicable

On May 10, 2021, the Company held the annual General Meeting of Shareholders of 2020, which reviewed and approved the Company's Shareholder Return Plan for the Next Three Years (2021-2023). The Board of Directors formulated the Company's Shareholder Return Plan for the Next Three Years (2021-2023) after having comprehensively considered the Company's profitability, development strategies and plans, shareholder returns, social capital costs, external financing environment and other factors.

In the reporting period, the formulation and implementation of the Company's profit distribution plan conforms to the China Securities Regulatory Commission's Notice on Further Implementation of Cash Dividends Distribution of Listed Companies, the No.3 Guideline for the Supervision of Listed Companies - Cash Dividend Distribution of Listed Companies as well as the Articles of Association. The deliberation and decision-making procedures and mechanisms were complete; the independent directors diligently fulfilled their duties; and the legitimate rights and interests of minority shareholders were fully protected.

Special note of the cash dividend policy	
Conforming to the provisions of the Company's Articles of Association or the requirements of the General Meeting of Shareholders resolutions:	Yes
The distribution standards and ratios were clear and unambiguous:	Yes
The relevant decision-making procedures and mechanisms were complete:	Yes
The independent directors performed their duties diligently and played their due role:	Yes
If the Company did not distribute cash dividends, it should disclose the specific reasons and the measures to be taken to enhance the return level for investors:	Yes
Minority shareholders had sufficient opportunities to express their opinions and appeals, and their legitimate rights and interests were fully protected:	Yes
If the cash dividend policy was adjusted or changed, the conditions and procedures were compliant and transparent:	Yes

The Company made profits during the reporting period and the parent Company's profits distributable to shareholders were positive, but no cash dividend distribution plan was announced

Applicable  Not Applicable

Profit distribution and transfer of capital reserve into share capital in the reporting period

Applicable  Not Applicable

Number of bonus shares distributed for every 10 shares (shares)	0
Cash dividends distributed for every 10 shares (RMB) (including tax)	1
Base number of shares for the distribution plan (shares)	1,194,478,182
Cash dividend amount (RMB) (including tax)	119,447,818.20
Cash dividend amount distributed by other means (e.g., share buyback) (RMB)	0.00

Total cash dividends (including those distributed by other means) (RMB)	119,447,818.20
Distributable profits (RMB)	5,600,927,990.13
Percentage of total cash dividends (including those distributed by other means) to total profit distribution	100%
Information on the current cash dividend distribution	
Other	
Notes on profit distribution and plan of transfer of capital reserve into share capital	
As audited by Pan-China Certified Public Accountants LLP (Special General Partnership), the Company (parent Company) achieved a net profit of RMB1,251.1709 million in 2023. In accordance with the Company Law, Accounting Standards for Business Enterprises and the Company's Articles of Association, the Company plans to allocate 10% of its net profit in 2023 equal to RMB 125.11709 million as statutory surplus reserves. By adding the remaining distributable profits of RMB 4,882.1912 million from previous years, and deducting RMB 407.3171 million from the cash dividend, the actual profits distributable to shareholders are RMB 5,600.9280 million. (Note: Any discrepancies between totals and entries are due to rounding of individual figures)	

## XI. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plans or Other Employee Incentive Measures

Applicable  Not Applicable

The Company has no implementation of equity incentive plan, employee stock ownership plan or other employee incentive measures during the reporting period.

## XII. Development and Implementation of the Internal Control System During the Reporting Period

### 1. Development and Implementation of the Internal Control System

During the reporting period, the Company strictly followed the requirements of the Company Law, Securities Law, Code of Corporate Governance of Listed Companies, General Regulation for Enterprise Internal Control, and other relevant laws, regulations and normative documents in continuously improving the Company's internal control system. The Board of Directors carried out an annual self-evaluation of the Company's internal controls and disclosed the Internal Control Self-Evaluation Report and engaged an accounting firm to audit the Company's internal controls as required by the Shenzhen Stock Exchange. In 2023, the Company revised its Working Rules of Independent Directors and Rules on Implementation of Audit Committee in accordance with the CSRC's Measures for the Administration of Independent Directors of Listed Companies. Based on the Company's actual business conditions, the Articles of Association were revised to continuously enhance and improve the Company's corporate governance.

During the reporting period, there were no material deficiencies or important deficiencies in the Company's internal controls over financial reporting or non-financial reporting. The Company has maintained effective internal controls over financial reporting in all material aspects in accordance with the enterprise internal control standards system and relevant regulatory requirements.

### 2. Details on Deficiencies in Material Internal Controls Discovered During the Reporting Period

Yes  No

## XIII. The Company's Management and Control over Subsidiaries During the Reporting Period

Company name	Integration plan	Integration progress	Issues encountered in integration	Measures taken	Solution progress	Follow-up solution plan
N/A	N/A	N/A	N/A	N/A	N/A	N/A

## XIV. Internal Control Evaluation Report or Internal Control Audit Report

### 1. Internal Control Evaluation Report

Date of disclosing the full text of the Internal Control Evaluation Report	April 25, 2024
Index for disclosing the full text of	2023 Internal Control Self-Evaluation Report disclosed on cninfo

the Internal Control Evaluation Report	(http://www.cninfo.com.cn)	
Percentage of total assets of units covered by evaluation to the Company's consolidated total assets	100.00%	
Percentage of operating revenues of units covered by evaluation to the Company's consolidated operating revenues	100.00%	
Deficiency identification criteria		
Category	Financial reporting	Non-financial reporting
Qualitative criteria	<p>(1) Signs of material deficiencies in financial reporting include: i) fraud by directors, supervisors and senior managers; ii) corrections of material errors in issued financial reports; iii) material misstatements in financial reports issued in the current period identified by CPAs and not detected by the Company's internal controls during operation; iv) ineffective supervision of internal controls by the Audit Committee and internal audit function. (2) Signs of important deficiencies in financial reporting include: i) failure to select and apply accounting policies in accordance with generally accepted accounting standards; ii) failure to establish anti-fraud procedures and control measures; iii) lack of corresponding control mechanisms or implementation for the accounting method of non-routine or special transactions, without compensating controls. (3) Deficiencies other than material and important deficiencies are considered general deficiencies.</p>	<p>The following cases can be identified as material deficiencies, while other cases are determined as important or general deficiencies based on the severity of impact. (1) The unscientific nature of the Company's decision-making process; (2) violation of national laws and regulations, such as environmental pollution; (3) loss of a significant number of managerial or technical personnel; (4) loss of a significant number of managerial or technical personnel; (5) failure to make correction, particularly for significant or important deficiencies identified, in internal control evaluation; (6) lack of institutional controls or systemic failure of controls over important business areas.</p>
Quantitative criteria	<p>Internal control deficiencies that may lead to or have led to losses related to profits are measured by the operating revenues. If such a deficiency alone or together with other deficiencies may lead to misstatements in financial reporting of less than 1% of the operating revenues, it is considered a general deficiency; if the resultant misstatements exceed 1% but less than 3% of the operating revenues, it is considered an important deficiency; if the resultant misstatements exceed 3% of the operating revenues, it is considered a material deficiency. Internal</p>	<p>(1) Material deficiency: Causing direct property loss of over RMB 10 million;(2) Important deficiency: Causing direct property loss of RMB 1-10 million (inclusive) (3) General deficiency: Causing direct property loss below RMB 1 million (inclusive).</p>

	control deficiencies that may lead to or have led to losses related to asset Management are measured by the total assets. If such a deficiency alone or together with other deficiencies may lead to misstatements in financial reporting of less than 1% of the total assets, it is considered a general deficiency; if the resultant misstatements exceed 1% but less than 3% of the total assets, it is considered an important deficiency; if the resultant misstatements exceed 3% of the total assets, it is considered a material deficiency.	
Number of material deficiencies in financial reporting	0	
Number of material deficiencies in non-financial reporting	0	
Number of important deficiencies in financial reporting	0	
Number of important deficiencies in non-financial reporting	0	

## 2. Internal Control Audit Report

Applicable  Not Applicable

Review opinion from the Internal Control Audit Report	
We believe that GreatStar has maintained effective internal controls over financial reporting in all material aspects in accordance with the General Regulation for Enterprise Internal Control and relevant regulatory requirements as of December 31, 2023.	
Disclosure of Internal Control Audit Report	Disclosure
Date of disclosing the full text of the Internal Control Audit Report	April 25, 2024
Index for disclosing the full text of the Internal Control Audit Report	Certified Report on Internal Controls of Hangzhou GreatStar Industrial Co., Ltd. (Pan-China Audited [2024] No.3683) disclosed on cninfo ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Type of opinion on the Internal Control Audit Report	Standard unqualified opinion
Existence of material deficiencies in non-financial reporting	No

The accounting firm gives a non-standard opinion in the Internal Control Audit Report

Yes  No

Consistency between the accounting firm's opinion in the Internal Control Audit Report with that in the Board of Directors' Self-Evaluation Report

Yes  No

## XV. Correction of Issues Identified by Self-Inspection in the Corporate Governance Special Operation for Listed Companies

N/A.

## Section V Environmental and Social Responsibility

### I. Major Environmental Protection Issues

Whether the listed Company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

Yes  No

Administrative punishment for environmental problems during the reporting period

Name of Company or subsidiary	Causes	Violations	Punishment result	The impact on the production and operation of the listed Company	Corrective action of the Company
None	None	None	None	None	None

Refer to other environmental information disclosed by key pollutant discharge units

The Company and its subsidiaries do not belong to the key pollutant discharge units announced by the national environmental protection department. The Company was subject to no administrative punishment for environmental problems during the reporting period.

Measures taken to reduce its carbon emissions during the reporting period and their effects

Applicable  Not Applicable

In response to the national call for energy conservation and emission reduction, the Company has formulated the Energy Conservation and Emission Reduction Management System, Energy Management Operation Instruction, Regulations on Greenhouse Gas Management and other systems, integrating the concept of environmental protection into the routine operation and development of the Company. Meanwhile, the Company actively designs green products, builds green factories, promotes the green office concept, and makes other efforts to implement the energy efficiency and low carbon concepts. The Company takes environmental factors into full consideration in the product design and R&D stage, actively launches green products, constantly improves the product environmental protection attributes, and continuously develops new environmental protection technology to reduce waste materials, environmental pollution and energy consumption. In order to facilitate the fight against pollution, the Company has developed scientific waste Management and control procedures, chemical Management procedures and other relevant standards to strictly control pollution, minimize the impact of its business operations on the environment, and realize green production; In accordance with the principles of low-carbon energy and clean production, the Company promotes the green transformation and upgrading of the factory through the construction of rooftop solar energy, the United States of electric forklift and other measures to achieve green development; Centering on the concept of green office, the Company advocates system upgrading, and actively promote the green office awareness across the whole Company with mutual supports of all departments.

Reasons for not disclosing other environmental information

None

### II. Social Responsibility

#### (1) Protection of rights and interests of shareholders and creditors

During the reporting period, the Company further strengthened regulations of operations, established and improved its corporate governance structure, and regulated the Management of matters such as the convening, holding and deliberation procedures of General Meetings of Shareholders to ensure shareholders' rights to be informed, participate and vote on the Company's major matters. The Company continuously improved its internal control system and revised the Working Rules of Independent Directors and Rules on Implementation of Audit Committee according to relevant regulations. It diligently fulfilled its information disclosure obligations, ensuring information disclosures were truthful, accurate, complete, timely and fair without selective disclosure. It strictly implemented insider registration and confidentiality regulations, treated all shareholders and investors impartially, strengthened investor relations Management, and communicated with investors through multiple channels like the investor

relations interactive platform and hotlines to protect the legal rights and interests of all shareholders, especially minority shareholders.

(2) Protection of rights and interests of employees

The Company adheres to a people-oriented philosophy, makes the talent strategy a priority for enterprise development, strictly abides by laws and regulations such as the Labor Law and Law on the Protection of Women's Rights and Interests, pays for employees' pensions, medical, unemployment, work-related injury and maternity insurances on time, respects and protects employees' individual rights and interests, and attach close attention to employee health, safety and satisfaction. The Company values talent development, regularly organizing safety knowledge training, basic skills training for various positions, comprehensive quality training for managers, etc., allowing employees to effectively enhance their overall specialized qualities and comprehensive abilities beyond their current roles, achieving mutual growth of employees and the Company, and building harmonious and stable labor relations.

(3) Protection of rights and interests of suppliers, clients and consumers

The Company has always adhered to the principles of "honesty and trustworthiness, mutual benefits and reciprocity, and compliance" in transactions, attaches great importance to communication and coordination with all related parties, respects and protects the legitimate rights and interests of suppliers and clients, and works to establish strategic partnership relationships with them. The Company continuously improves its procurement systems and processes and has established a fair and impartial evaluation system to screen and select qualified suppliers. The Company insists on putting clients' interests first, applies strict controls over product quality, continuously improves service quality, and always pays attention to product safety, ensuring that the rights and interests of all parties are properly protected.

(4) Environmental protection

The Company highly values environmental protection efforts, treating environmental protection, energy conservation and emission reduction as important tasks. During the reporting period, the Company strictly carried out effective comprehensive treatment of wastewater and exhaust gases in accordance with relevant environmental regulations and corresponding standards, with the normal operation of wastewater and exhaust gas treatment facilities. To strengthen emission reduction Management and pollution control, the Company conducts regular inspections and ensures that the environmental protection facilities work properly and energy conservation and emission reduction efforts proceed smoothly.

### **III. Consolidating and Expanding Achievements in Poverty Alleviation and Rural Revitalization**

During the reporting period, the Company did not participate in the poverty alleviation and rural revitalization work.

## Section VI Significant Matters

### I. Fulfillment of Commitments

#### 1. Commitments fulfilled, being fulfilled and unfulfilled by the actual controller, shareholders, related parties, acquirers, the Company and other relevant parties as of the end of the reporting period

Applicable  Not Applicable

Commitment	Made by	Type of commitment	Subject of commitment	Made on	Deadline of commitment	Fulfillment
Commitments made upon asset restructuring	Qiu Jianping; Wang Lingling	Reduction and control of related party transactions	1. I and the companies under my control will reduce related party transactions with the listed Company as much as possible and will not seek treatment more favorable than that given to other third parties in business cooperation with the listed Company by taking advantage of my position as the actual controller of the listed Company. 2. The Company will not seek preference in reaching transactions with the listed Company by taking advantage of its position as the controlling shareholder of the listed	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>Company. 3. If any related party transaction is indeed necessary and unavoidable, I and the companies under my control will sign agreements with the listed Company in accordance with the principles of equality, fairness, and equal consideration, perform legal procedures, fulfill information disclosure obligations and relevant internal decision-making and approval procedures as required by relevant laws, regulations, normative documents and the Company's Articles of Association, ensure that transactions with the listed Company will not be conducted under terms that are evidently unfair compared to</p>			
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			market prices, and refrain from any acts that harm the legitimate rights and interests of the listed Company and other shareholders through such transactions.			
Commitments made upon asset restructuring	GreatStar Group	Reduction and control of related party transactions	1. The Company and the companies under its control will reduce related party transactions with the listed Company as much as possible and will not seek treatment more favorable than that given to other third parties in business cooperation with the listed Company by taking advantage of its position as the controlling shareholder of the listed Company. 2. The Company will not seek preference in reaching transactions with the listed Company by	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>taking advantage of its position as the controlling shareholder of the listed Company. 3. If any related party transaction is indeed necessary and unavoidable, I and the companies under my control will sign agreements with the listed Company in accordance with the principles of equality, fairness, and equal consideration, perform legal procedures, fulfill information disclosure obligations and relevant internal decision-making and approval procedures as required by relevant laws, regulations, normative documents and the Company's Articles of Association, ensure that transactions with the listed Company</p>			
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			will not be conducted under terms that are evidently unfair compared to market prices, and refrain from any acts that harm the legitimate rights and interests of the listed Company and other shareholders through such transactions.			
Commitments made upon asset restructuring	Qiu Jianping; Wang Lingling	Horizontal competition	1. I will not directly or indirectly engage in or participate in any business activity that constitutes potential direct or indirect competition with the business activities of the listed Company and its subsidiaries, and I will ensure that effective legal measures are taken to prevent other companies controlled by me from engaging in or participating in any business activities that competes	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>with the business activities of the listed Company and its subsidiaries.</p> <p>2. If the listed Company further expands its scope of business, I and other companies under my control will not compete with the listed Company's business activities under the expanded scope. If there is potential competition with the listed Company's business activities under the expanded scope, I and other companies under my control will exit the competition with the listed Company in the following ways: A) ceasing the business activities that constitute or may constitute competition with the listed</p>			
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			<p>Company; B) integrating the competing business activities into the listed Company's operations;</p> <p>C) transferring the competing business activities to an unrelated third party. 3. If I or other companies under my control have any commercial opportunity to engage in or participate in any activity that may compete with the listed Company's operations, I will immediately notify the listed Company of such commercial opportunity. If the listed Company confirms its willingness to take advantage of the opportunity within the reasonable period specified in the notification, I will make all efforts to</p>			
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			provide the commercial opportunity to the listed Company. 4. If I breach the above commitments , I am willing to bear all liability arising therefrom and fully indemnify the listed Company for all direct or indirect losses.			
Commitments made upon asset restructuring	GreatStar Group	Horizontal competition	1. The Company will not directly or indirectly engage in or participate in any business activity that constitutes potential direct or indirect competition with the business activities of the listed Company and its subsidiaries, and the Company will ensure that effective legal measures are taken to prevent other companies controlled by the Company from engaging in or participating in any	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>business activities that competes with the business activities of the listed Company and its subsidiaries.</p> <p>2. If the listed Company further expands its scope of business, the Company and other companies under its control will not compete with the listed Company's business activities under the expanded scope. If there is potential competition with the listed Company's business activities under the expanded scope, the Company and other companies under its control will exit the competition with the listed Company in the following ways: A) ceasing the business activities that constitute or</p>			
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			<p>may constitute competition with the listed Company; B) integrating the competing business activities into the listed Company's operations; C) transferring the competing business activities to an unrelated third party. 3. If the Company or other companies under its control have any commercial opportunity to engage in or participate in any activity that may compete with the listed Company's operations, the Company or other companies under its control will immediately notify the listed Company of such commercial opportunity. If the listed Company confirms its willingness to take</p>			
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			<p>advantage of the opportunity within the reasonable period specified in the notification, the Company or other companies under its control will make all efforts to provide the commercial opportunity to the listed Company. 4. If I breach the above commitments, the Company is willing to bear all liability arising therefrom and fully indemnify the listed Company for all direct or indirect losses.</p>			
Commitments made upon asset restructuring	Qiu Jianping; Wang Lingling	Maintaining the listed Company's independence	<p>I undertake that after the completion of this transaction, I will ensure that the listed Company continues to improve its corporate governance structure and independent operating Management system in accordance with the</p>	June 4, 2019	Perpetual	Being strictly fulfilled

			requirements of relevant laws, regulations and its Articles of Association and the listed Company will maintain its independence in terms of business, assets, finance, institutions, staffing and other aspects to effectively protect the interests of all shareholders.			
Commitments made upon asset restructuring	GreatStar Group	Maintaining the listed Company's independence	The Company undertakes that after the completion of this transaction, it will ensure that the listed Company continues to improve its corporate governance structure and independent operating Management system in accordance with the requirements of relevant laws, regulations and its Articles of Association and the listed Company will maintain its independence	June 4, 2019	Perpetual	Being strictly fulfilled

			in terms of business, assets, finance, institutions, staffing and other aspects to effectively protect the interests of all shareholders.			
Commitments made upon asset restructuring	All directors and senior managers of the Company	Other commitments	1. I undertake not to transfer benefits to other entities or individuals for free or on unfair terms, nor will I damage the Company's interests in any other way. 2. I undertake to restrain my job-related consumption. 3. I undertake not to use the Company's assets for investments or consumption activities unrelated to the fulfillment of my duties. 4. I undertake that the remuneration system formulated by the Board of Directors or the Remuneration and Evaluation Committee will be linked to the implementation of the	June 4, 2019	Perpetual	Being strictly fulfilled

			Company's measures to supplement returns. If I violate the above commitments and cause losses to the Company or shareholders, I shall be held liable for indemnification in accordance with the law.			
Commitments made upon asset restructuring	GreatStar Group	Other commitments	1. I will not overstep authority to interfere with the Company's operating and Management activities, nor will I infringe upon the Company's interests. 2. The Company will make supplementary commitments in accordance with the China Securities Regulatory Commission's regulations from the date of this commitment until the completion of this transaction, if the CSRC issues clear regulations on measures to supplement returns and	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>related commitments, and the above commitments cannot meet such CSRC regulations.</p> <p>3. The Company will strictly implement measures to supplement diluted immediate returns. If no such measures have been implemented, the Company will openly explain the specific reasons for not implementing the measures at the Company's General Meeting of Shareholders and apologize to the Company's shareholders and public investors. The Company will indemnify investors in accordance with the law for their losses in securities trading due to non-fulfillment of relevant commitments. If I violate</p>			
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			the above commitments and cause losses to the Company or shareholders, the Company shall be held liable for indemnification in accordance with the law.			
Commitments made upon asset restructuring	Qiu Jianping; Wang Lingling	Other commitments	1. I will not overstep authority to interfere with the Company's operating and Management activities, nor will I infringe upon the Company's interests. 2. The Company will make supplementary commitments in accordance with the China Securities Regulatory Commission's regulations from the date of this commitment until the completion of this transaction, if the CSRC issues clear regulations on measures to supplement returns and related commitments, and the above	June 4, 2019	Perpetual	Being strictly fulfilled

			<p>commitments cannot meet such CSRC regulations.</p> <p>3. I will strictly implement measures to supplement diluted immediate returns. If no such measures have been implemented, I will openly explain the specific reasons for not implementing the measures at the Company's General Meeting of Shareholders and apologize to the Company's shareholders and public investors. I will indemnify investors in accordance with the law for their losses in securities trading due to non-fulfillment of relevant commitments . If I violate the above commitments and cause losses to the Company or shareholders, I shall be held liable for</p>			
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			indemnificati on in accordance with the law.			
Commitment s made upon IPO or refinancing	All directors and senior managers of the Company	Other commitments	1. Undertaking not to transfer benefits to other entities or individuals for free or on unfair terms or damage the Company's interests in any other way. 2. Undertaking to restrain my job-related consumption by directors and senior managers. 3. Undertaking not to use the Company's assets for investments or consumption activities unrelated to the fulfillment of duties of oneself. 4. Undertaking that the remuneration system formulated by the Board of Directors or the Remuneration and Evaluation Committee will be linked to the implementati on of the Company's measures to supplement	November 23, 2018	Perpetual	Being strictly fulfilled

			<p>returns. 5. Undertaking that the exercise conditions of any future equity incentive plan of the Company will be linked to the implementation of the Company's measures to supplement returns. As one of the responsible persons for the measures to supplement returns, if I violate or refuse to fulfill the above commitments, I agree to accept relevant penalties or Management measures imposed by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and other regulatory authorities in accordance with their relevant regulations and rules, and I am willing to assume the corresponding legal liability.</p>			
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<p>Commitments made upon IPO or refinancing</p>	<p>GreatStar Group</p>	<p>Other commitments</p>	<p>Undertaking not to overstep authority to interfere with the Company's operating and Management activities or infringe upon the Company's interests. As one of the responsible persons for the measures to supplement returns, if the Company violates or refuses to fulfill the above commitments, the Company agrees to accept relevant penalties or Management measures imposed by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and other regulatory authorities in accordance with their relevant regulations and rules, and the Company is willing to assume the corresponding legal liability.</p>	<p>November 23, 2018</p>	<p>Perpetual</p>	<p>Being strictly fulfilled</p>
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Commitments made upon IPO or refinancing	Qiu Jianping; Wang Lingling	Other commitments	Undertaking not to overstep authority to interfere with the Company's operating and Management activities or infringe upon the Company's interests. As one of the responsible persons for the measures to supplement returns, if I violate or refuse to fulfill the above commitments, I agree to accept relevant penalties or Management measures imposed by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and other regulatory authorities in accordance with their relevant regulations and rules, and I am willing to assume the corresponding legal liability.	November 13, 2019	Perpetual	Being strictly fulfilled
Commitments made upon IPO or refinancing	GreatStar Group	Commitments regarding horizontal competition,	During the period when it is the controlling	April 5, 2009	As controlling shareholder of the	Being strictly fulfilled

		related party transactions and misappropriation of funds	shareholder of the issuer, GreatStar Holding Group Co., Ltd. and enterprises that it will directly or indirectly control in the future will not engage in or participate in any operations or activities in or outside China in any form (including but not limited to investment, acquisition, joint operation, joint venture, cooperation, partnership, contracting or leasing operations, or purchase of the listed Company's shares) that constitute or may constitute substantial competition with the issuer's main business activities. Nor will they support any third parties other than the issuer and its wholly-owned or controlled subsidiaries to engage in		Company	
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			<p>or participate in any operations or activities that constitute or may constitute substantial competition with the issuer's main business operations in or outside China in any form.</p> <p>GreatStar Holding Group Co., Ltd. will indemnify the issuer for all actual losses incurred by the issuer due to GreatStar's failure to fulfill the commitments and warranties made in the letter of commitment.</p>			
Commitments made upon IPO or refinancing	Qiu Jianping; Wang Lingling	Commitments regarding horizontal competition, related party transactions and misappropriation of funds	<p>During the period when they possess the actual control rights over the issuer, Qiu Jianping and his wife and enterprises that they directly or indirectly control other than the issuer and its wholly-owned or controlled subsidiaries will not engage in or participate in</p>	April 5, 2010	As actual controller of the Company	Being strictly fulfilled

			<p>any operations or activities in or outside China in any form (including but not limited to investment, acquisition, joint operation, joint venture, cooperation, partnership, contracting or leasing operations, or purchase of the listed Company's shares) that constitute or may constitute substantial competition with the issuer's main business activities. Nor will they support any third parties other than the issuer and its wholly-owned or controlled subsidiaries to engage in or participate in any operations or activities that constitute or may constitute substantial competition with the issuer's main business operations in or outside China in any</p>			
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			form. Qiu Jianping and his wife will indemnify the issuer for all actual losses incurred by the issuer due to their failure to fulfill the commitments and warranties made in the letter of commitment.			
Fulfilment of commitments as scheduled	Yes					

**2. If the Company's assets or projects are expected to generate revenues in the reporting period, the Company should explain whether the assets or projects have generated revenues as expected and reasons**

Applicable  Not Applicable

**II. Non-operational funds occupied by controlling shareholders and other related parties of the listed Company**

Applicable  Not Applicable

There was no occupation of non-operational funds of the listed Company by controlling shareholders and other related parties during the reporting period.

**III. Illegal external guarantee**

Applicable  Not Applicable

There is no illegal external guarantee during the reporting period.

**IV. Explanation of the Board of Directors on the Last "Non-standard Audit Report"**

Applicable  Not Applicable

**V. Explanation of the Board of Directors, the Board of Supervisors and independent directors (If Any) on the "Non-standard Audit Report" of the accounting firm in the current reporting period**

Applicable  Not Applicable

**VI. Notes on changes in accounting policies and accounting estimates and correction of major accounting Compared to the previous year's financial report**

Applicable  Not Applicable

See Section 10.V "Significant Accounting Policies and Accounting Estimates" and 35. "Changes in material accounting policies and accounting estimates"

**VII. Notes on changes in the scope of consolidated financial statements compared to the previous year's financial report**

Applicable  Not Applicable

See Section 10.VIII "Changes in the consolidation scope"

**VIII. Employment and dismissal of accounting firm**

Currently engaged accounting firm

Accounting firm in China	Pan-China Certified Public Accountants LLP (Special General Partnership)
Compensation for accounting firm in China (RMB 10,000)	89.5
Continuous duration of audit service of accounting firm in China	15
Name of the CPAs from accounting firm in China	Li Deyong and Hu Fujian
Continuous duration of audit service of CPAs from accounting firm in China	1
Accounting firm outside China (if any)	N/A
Continuous duration of service of accounting firm outside China (if any)	N/A
Name of the CPAs from accounting firm outside China (if any)	N/A
Continuous duration of audit service of CPAs from accounting firm outside China (if any)	N/A

Change to accounting firm

 Yes  No

Information on appointment of accounting for internal control audit, financial consultant or sponsor

 Applicable  Not Applicable**IX. Potential delisting situation after disclosure of annual report** Applicable  Not Applicable**X. Matters related to bankruptcy reorganization** Applicable  Not Applicable

No bankruptcy reorganization related matters occurred during the reporting period.

**XI. Major litigation and arbitration matters** Applicable  Not Applicable

Basic information of litigation (arbitration)	Amount involved (RMB ten thousand)	Whether projected liabilities are formed	Progress of litigation (arbitration)	Litigation (arbitration) hearing results and impacts	Enforcement of litigation (arbitration) judgments	Date of disclosure	Disclosure index
Summary of other matters not meeting the disclosure criteria for material litigation (the Company as plaintiff)	352.15	No	As of December 31, 2023, the amount of money involved in cases that have been successfully arbitrated is RMB 1,560,900, that	For litigation matters, the Company will: 1. Successful litigation or mediation to recover the funds involved; 2. Require the	In execution		

			involved in cases that have been lost in arbitration is RMB 1,208,700, that involved in cases have been appealed in arbitration is RMB 291,300, and that involved in cases that have been mediated is RMB 460,600.	involved unit and its associated legal person to naturally provide guarantee for the execution of the debt, so as to guarantee the recovery of the involved funds; 3. Make provision for bad debt in accordance with accounting standards and Company Management systems. In summary,			
Summary of other matters not meeting the disclosure criteria for material litigation (the Company as defendant)	260.66	No	As of December 31, 2023, the amount of money involved in cases that have been successfully arbitrated is RMB 3,000, and that involved in cases that have been mediated is RMB 2,603,600.	For litigation matters, the Company will: 1. Successful litigation or mediation to recover the funds involved; 2. Require the involved unit and its associated legal person to naturally provide guarantee for the execution of the debt to	Enforcement concluded		

				<p>guarantee the recovery of the involved funds; 3. Make provision for bad debt in accordance with accounting standards and Company Management systems. In summary, this litigation has no material impact on the Company.</p>			
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## XII. Punishment and rectification

Applicable  Not Applicable

The Company did not invest in any case of punishment or rectification during the reporting period.

## XIII. Integrity of the Company, its controlling shareholders and actual controller

Applicable  Not Applicable

During the reporting period, the Company and its controlling shareholder, GreatStar Group, and the actual controller, Mr. Qiu Jianping, were in good faith, and there were no cases of failing to perform court judgments in force, or debts incurred in high amounts that have not been settled by the due date.

## XIV. Significant Related-party Transactions

### 1. Related-party transactions relevant to routine operations

Applicable  Not Applicable

The Company has no related-party transactions relevant to routine operations in the reporting period.

### 2. Related-party transactions arising from acquisition and sale of assets or equity

Applicable  Not Applicable

The Company has no related-party transactions arising from acquisition and sale of assets or equity in the reporting period.

### 3. Related-party transactions with joint investments

Applicable  Not Applicable

The Company has no related-party transactions with joint investments in the reporting period.

**4. Credits and liabilities with related parties**

Applicable  Not Applicable

The Company has no credits and liabilities with related parties in the reporting period.

**5. Transactions with related finance companies**

Applicable  Not Applicable

There was no deposit, loan, credit granting or other financial business between the Company and related finance companies or parties.

**6. Transactions between financial companies controlled by the Company and related parties**

Applicable  Not Applicable

There was no deposit, loan, credit granting or other financial business between financial companies controlled by the Company and related parties.

**7. Other significant related-party transactions**

Applicable  Not Applicable

The Company has no other significant related-party transactions in the reporting period.

**XV. Material contracts and their performance****1. Trusteeships, Contracts, and Leases****(1) Trusteeships**

Applicable  Not Applicable

The Company has no trusteeships in the reporting period.

**(2) Contracts**

Applicable  Not Applicable

The Company has no contracts in the reporting period.

**(3) Leases**

Applicable  Not Applicable

The Company has no leases in the reporting period.

**2. Material guarantee**

Applicable  Not Applicable

Unit: RMB ten thousand

External guarantees of the Company and its subsidiaries (excluding guarantees for subsidiaries)										
Guaranteed party	Disclosure date of announcement relating to guarantee quota	Guarantee quota	Occurrence date of actual guarantee	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Performance completed or not	Guarantee for related parties or not
N/A						N/A	N/A	N/A		

The Company's guarantee to its subsidiaries										
Guaranteed party	Disclosure date of announcement relating to guarantee quota	Guarantee quota	Occurrence date of actual guarantee	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Performance completed or not	Guarantee for related parties or not
GreatStar Europe AG	December 4, 2021	27,507.2	December 27, 2021	21,926.23	General guarantee	N/A	N/A	2021.12.27-2029.06.30	No	Yes
Zhongsan Geelong Industry Co., Ltd.	September 24, 2022	8,400	November 3, 2022	7,082.7	General guarantee	N/A	N/A	3 years	No	Yes
Arrow Fastener Co., LLC	May 9, 2023	7,082.7	May 17, 2023	708.27	General guarantee	N/A	N/A	1 year	No	Yes
Prime Line Products, LLC	May 9, 2023	5,312.03	May 17, 2023	5,312.03	General guarantee	N/A	N/A	1 year	No	Yes
Shop-Vac USA, LLC	May 9, 2023	7,082.7	May 17, 2023	7,082.7	General guarantee	N/A	N/A	1 year	No	Yes
Suzhou Xindadi Hardware Product Co., Ltd	May 9, 2023	10,000	June 22, 2023	6,200	General guarantee	N/A	N/A	3 years	No	Yes
Total guarantee quota for subsidiaries approved in the reporting period (B1)		29,477.43		Total guarantee amount actually incurred for subsidiaries in the reporting period (B2)		19,303				
Total guarantee quota approved for subsidiaries as of the end of the reporting period (B3)		65,384.63		Total actual guarantee balance for subsidiaries as of the end of the reporting period (B4)		48,311.92				
Subsidiaries' guarantee to subsidiaries										
Guaranteed	Disclosure date	Guarantee	Occurrence	Actual guarantee	Type of guarantee	Collateral (if	Counter	Guarantee	Performance	Guarantee for

party	of announcement relating to guarantee quota	quota	date of actual guarantee	amount	amount	any)	guarantee (if any)	period	completed or not	related parties or not
N/A										
Total guarantee quota for subsidiaries approved in the reporting period (C1)		0	Total guarantee amount actually incurred for subsidiaries in the reporting period (C2)		0					
Total guarantee quota approved for subsidiaries as of the end of the reporting period (C3)		0	Total actual guarantee balance for subsidiaries as of the end of the reporting period (C4)		0					
The Company's total guarantee amount (i.e., the sum of the first three items)										
Total guarantee quota approved in the reporting period (A1+B1+C1)		29,477.43	Total guarantee amount actually incurred in the reporting period (A2+B2+C2)		19,303					
Total guarantee quota approved as of the end of the reporting period (A3+B3+C3)		65,384.63	Total actual guarantee balance during as of the end of the reporting period (A4+B4+C4)		48,311.92					
Proportion of the actual guarantee amount (A4+B4+C4) to the Company's net assets			3.25%							
Including:										
Guarantee balance for shareholders, actual controller and their related parties (D)			0							
Balance of debt guarantee provided directly or indirectly to the guaranteed party with an asset-liability ratio of higher than 70% (E)			40,520.95							
Amount in total guarantee amount exceeding 50% of net assets (F)			0							
Total amount of the above three items (D+E+F)			40,520.95							
Notes on unexpired guarantee contracts where guarantee liabilities occurred or there is evidence indicating potential joint liabilities for debt repayment during the reporting period (if any)			None							
Notes on provision of external guarantees in violation of stipulated procedures (if any)			None							

Description on the specific situation of the composite guarantee

### 3. Entrusted Management of Cash Assets

#### (1) Entrusted Wealth Management

Applicable  Not Applicable

Information on entrusted wealth Management during the reporting Period

Unit: RMB ten thousand

Type	Sources of funds for entrusted wealth Management	Amount of funds for entrusted wealth Management	Balance not yet due	Overdue amount not recovered	Overdue wealth Management has been deducted impairment amount
Bank financial products	Self-owned funds	26,300	10,824.43	0	0
Total		26,300	10,824.43	0	0

Specific cases of high-risk entrusted wealth Management with substantial amount of money, low security and poor liquidity

Applicable  Not Applicable

Entrusted wealth Management is expected to fail to recover the principal or exist other circumstances that may lead to impairment

Applicable  Not Applicable

#### (2) Entrusted loans

Applicable  Not Applicable

The Company had no entrusted loans during the reporting period.

### 4. Other material contracts

Applicable  Not Applicable

The Company has no other material contracts in the reporting period.

### XIII. Other Major Issues

Applicable  Not Applicable

1. During the reporting period, the Company has received the "Announcement on the Filing of the High-tech Enterprises Recognized by Zhejiang Provincial Certification Authority in 2022" issued by the National High-tech Enterprise Certification Management Leading Group Office, and has successfully passed the filing of the high-tech enterprise certification. High-tech enterprise certificate No.: GR202233005456; Issue date: December 24, 2022; Validity: 3 years.

2. During the reporting period, the restricted period for the redemption of the GDRs issued by the Company expired on March 14, 2023 (Swiss time), and the GDRs issued can be converted into the Company's A shares from March 15, 2023 onwards. As of the end of the reporting period, all GDRs issued have been converted into A shares of the Company.

During the reporting period, the Company obtained procurement confirmation from a large retail Company in the United States, the procurement subject is cordless lithium battery power tools and related spare parts, the purchase scope is all the sales and services of this series of products in about 2,000 stores in North America in the next three

years, the order amount is expected to be not less than USD 40 million per year, exceeding 10% of the revenue of the Company's 2022 power tool products.

4. The Company received the "Partner of the Year" award from D59 Storage of the key client The Home Depot, Inc. ("Home Depot") again and the "Vendor Partner of the Year" award from the key client Tooling unit of Lowe's Companies, Inc. ("Lowe's") during the reporting period.

5. The Company intended to purchase all TESA Group assets held by Hexagon Smart Solutions AB in cash, including the 100% equity of TESA Precision Measurement Instruments Sarl and related assets of Chinese, American and French companies, in a transaction price not more than 40 million euros. As of the date of this report, the above-mentioned assets have been delivered.

#### **XIV. Significant Matters of Subsidiaries of the Company**

Applicable  Not Applicable

## Section VII Changes in Shares and Information about Shareholders

## I. Changes in shares

## 1. Changes in shares

Unit: share

	Before change		Increase/decrease (+, -)					After change	
	Quantity	Proportion	New shares issued	Bonus shares	Conversion of capital reserve into share capital	Other	Subtotal	Quantity	Proportion
I. Conditional shares	49,531,304	4.12%				1,941,600	1,941,600	51,472,904	4.28%
1. State-owned shares									
2. Legal person shares of state									
3. Shares held by other domestic capital	49,531,304	4.12%				1,941,600	1,941,600	51,472,904	4.28%
Of which: Domestic legal person shares									
Domestic natural person shares	49,531,304	4.12%				1,941,600	1,941,600	51,472,904	4.28%
4. Shares held by overseas capital									
Of which: Overseas legal person shares									
Overseas natural person shares									

II. Unconditional shares	1,152,970,688	95.88%				-1,941,600	-1,941,600	1,151,029,088	95.72%
1. RMB-denominated ordinary shares	1,152,970,688	95.88%				-1,941,600	-1,941,600	1,151,029,088	95.72%
2. Foreign capital shares listed in China									
3. Foreign capital stocks listed overseas									
4. Others									
III. Total number of shares	1,202,501,992	100.00%				0	0	1,202,501,992	100.00%

Reasons for changes in shares

Applicable  Not Applicable

Approval of share changes

Applicable  Not Applicable

Transfer of share ownership

Applicable  Not Applicable

Impacts of share changes on the basic EPS, diluted EPS, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators for the last year and the last reporting period

Applicable  Not Applicable

Other contents that the Company considers necessary, or are required by the securities regulatory authorities, to disclose

Applicable  Not Applicable

## 2. Changes in restricted shares

Applicable  Not Applicable

Unit: share

Name of shareholders	Number of shares restricted for sale in the beginning of the period	Number of additional shares restricted for sales in the current period	Number of shares discharged from restriction for sale in the current	Number of shares restricted for sale in the end of the period	Cause for restriction	Date of discharge

			period			
Qiu Jianping	36,522,343	1,739,100	0	38,261,443	Shares locked for directors	25% of the total number of shares discharged from restricted holdings at the beginning of each year within the tenure
Zhou Siyuan	450,000	202,500	0	652,500	Shares locked for executives	25% of the total number of shares discharged from restricted holdings at the beginning of each year within the tenure
Total	36,972,343	1,941,600	0	38,913,943	--	--

## II. Issue and Listing of Securities

### 1. Securities issuance during the reporting period (excluding preferred shares)

Applicable  Not Applicable

### 2. Explanation of changes in the total shares of the Company, the shareholder structure, and the assets-liabilities structure of the Company

Applicable  Not Applicable

### 3. Existing internal employee shares

Applicable  Not Applicable

## III. Shareholders and the actual controller

### 1. Total number of shareholders and their shareholdings

Unit: share

Total number of ordinary shareholders at the end of the reporting period	31,368	Total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report	33,519	Total number of preferred shareholders whose voting rights were restored at the end of the reporting period (if any)	0	Total number of preferred shareholders whose voting rights were restored at the end of the previous month before the disclosure date of the annual report (if any) (Note 8)	0
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(Note 8)								
Shareholding of shareholders holding more than 5% of the shares or the top 10 shareholders (excluding shares lent through refinancing)								
Name of shareholders	Nature of shareholder	Holding proportion	Number of shares at the end of the reporting period	Changes during the reporting period	Number of restricted shares	Number of unrestricted shares	Pledged, marked or frozen	
							Share status	Quantity
GreatStar Holding Group Co., Ltd.	Domestic non-state-owned legal person	38.56%	463,739,864	11,434,000	0	463,739,864	N/A	0
Hong Kong Securities Clearing Company Limited	Offshore legal entity	4.60%	55,270,995	30,226,372	0	55,270,995	N/A	0
Qiu Jianping	Domestic natural person	4.24%	51,015,258	2,318,800	38,261,443	12,753,815	N/A	0
Industrial and Commercial Bank of China - Full goal Tianhui Selected Growth Fund (LOF)	Other	1.61%	19,306,800	9,303,400	0	19,306,800	N/A	0
National Social Security Fund 418 Portfolio	Other	1.23%	14,752,300	3,116,580	0	14,752,300	N/A	0
CITIC Securities Company Limited - Social Security Fund 17052 Portfolio	Other	1.15%	13,793,219	4,032,921	0	13,793,219	N/A	0
Wang Lingling	Domestic natural person	1.08%	12,950,960	0	9,713,220	3,237,740	N/A	0
National Social Security Fund 115 Portfolio	Other	1.06%	12,800,000	500,000	0	12,800,000	N/A	0
Monetary	Offshore	1.01%	12,202,200	5,599,876	0	12,202,200	N/A	0

Authority of Macao - Own funds	legal entity		8			8		
China Construction Bank Corporation - BOCOM Schroder Economic New Dynamic Hybrid Securities Investment Fund	Other	1.00%	12,070,647	-7,288,637	0	12,070,647	N/A	0
Strategic investors or general legal persons becoming the top 10 shareholders owing to the placement of new shares (if any) (Note 3)	None							
Description of the relationship or concerted action among the above shareholders	GreatStar Group Co., Ltd., Qiu Jianping and Wang Lingling are related and are parties acting in concert as defined in the “Measures for the Administration of Takeovers of Listed Companies”.							
Descriptions on entrusting/entrusted voting and waiver of voting right by the above-mentioned shareholders	None							
Description on the top 10 shareholders with special repurchase accounts (if any) (Note 10)	None							
Shareholding of the top 10 shareholders with unrestricted shares								
Name of shareholders	Number of unrestricted shares at the end of the reporting period	Type of shares						
		Type of shares	Quantity					
GreatStar Holding Group Co., Ltd.	463,739,864	RMB Ordinary Shares	463,739,864					
Hong Kong Securities Clearing Company Limited	55,270,995	RMB Ordinary Shares	55,270,995					
Qiu Jianping	51,015,258	RMB Ordinary Shares	51,015,258					
Industrial and Commercial Bank of China - Full goal Tianhui Selected	19,306,800	RMB Ordinary Shares	19,306,800					

Growth Fund (LOF)			
National Social Security Fund 418 Portfolio	14,752,300	RMB Ordinary Shares	14,752,300
CITIC Securities Company Limited - Social Security Fund 17052 Portfolio	13,793,219	RMB Ordinary Shares	13,793,219
Wang Lingling	12,950,960	RMB Ordinary Shares	12,950,960
National Social Security Fund 115 Portfolio	12,800,000	RMB Ordinary Shares	12,800,000
Monetary Authority of Macao - Own funds	12,202,208	RMB Ordinary Shares	12,202,208
China Construction Bank Corporation - BOCOM Schroder Economic New Dynamic Hybrid Securities Investment Fund	12,070,647	RMB Ordinary Shares	12,070,647
Description on connected relation or concerted action among the top 10 shareholders with outstanding unrestricted shares and between the top 10 shareholders with outstanding unrestricted shares and the top 10 shareholders	GreatStar Group Co., Ltd., Qiu Jianping and Wang Lingling are related and are parties acting in concert as defined in the “Measures for the Administration of Takeovers of Listed Companies”.		
Description of the participation of the top 10 common shareholders in the financing and securities loans (if any) (Note 4)	None		

Description on the top 10 shareholders engaging in lending shares through refinancing

Applicable  Not Applicable

Unit: share

Description on the top 10 shareholders engaging in lending shares through refinancing				
Name of shareholders (full name)	Number of shares held by common securities accounts and credit securities accounts at the beginning of the	Number of shares lent through refinancing and have not yet returned at the beginning of the period	Number of shares held by common securities accounts and credit securities accounts at the end of the period	Number of shares lent through refinancing and have not yet returned at the end of the period

	period							
	Total number	Percentage of total share capital (%)	Total number	Percentage of total share capital (%)	Total number	Percentage of total share capital (%)	Total number	Percentage of total share capital (%)
GreatStar Holding Group Co., Ltd.	452,305,864	37.61%	11,434,000	0.95%	463,739,864	38.56%	0	0.00%
Monetary Authority of Macao - Own funds	6,602,332	0.55%	0	0.00%	12,202,208	1.01%	342,600	0.03%
National Social Security Fund 115 Portfolio	12,300,000	1.02%	500,000	0.04%	12,800,000	1.06%	0	0.00%

The top 10 shareholders have changed from the previous period

Applicable  Not Applicable

Unit: share

Description on the changes in the top 10 shareholders from the end of the previous period					
Name of shareholders (full name)	Enter/Slip out of the top 10 during the reporting period	Number of shares lent through refinancing and have not yet returned at the end of the period		Number of shares held by common securities accounts and credit securities accounts and shares lent through refinancing and have not yet returned at the end of the period	
		Total number	Percentage of total share capital (%)	Total number	Percentage of total share capital (%)
Citibank, National Association	Slip out of	0	0.00%	0	0.00%
China Merchants Bank Corporation - BOCOM Schroder Innovation Pilot Hybrid Securities Investment Fund	Enter	0	0.00%	0	0.00%
CITIC Securities Company Limited - Social	Enter	0	0.00%	0	0.00%

Security Fund 17052 Portfolio					
Monetary Authority of Macao - Own funds	Enter	342,600	0.03%	12,544,808	1.04%

Whether the Company's top 10 common shareholders and top 10 common shareholders unrestricted for sale engaged in agreed repurchase within the reporting period

Yes  No

The Company's top 10 common shareholders and top 10 common shareholders unrestricted for sale did not engage in agreed repurchase within the reporting period.

## 2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Natural person

Name of Controlling Shareholder	Nationality	Whether to obtain residency permits in other countries or regions
Qiu Jianping	China	No
Main occupation and position	Chairman of the Company, Chairman of the GreatStar Group	
Shareholdings of other domestic and overseas listed companies that controlled and owned during the reporting period	Hangcha Group Co., Ltd., Stock code: 603298, Stock name: Hangcha Group; the Company was listed on the Shanghai Stock Exchange on December 27, 2016, and is mainly engaged in industrial vehicles such as forklifts and smart vehicles and related main parts. Zhejiang Xinchai Co., Ltd., Stock code: 301032, Stock name: Zhejiang Xinchai; the Company was listed on the Shenzhen Stock Exchange on July 22, 2021, and is mainly engaged in the research and development, production and sales of non-road diesel engines and related parts.	

Changes in controlling shareholders during the reporting period

Applicable  Not Applicable

No change was recorded in the controlling shareholders of the Company during the reporting period.

## 3. Actual controller of the Company and persons acting in concert

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

Name of the actual controller	Relationship with the actual controller	Nationality	Whether to obtain residency permits in other countries or regions
Qiu Jianping	The actual controller	China	No
Main occupation and position	Chairman of the Company, Chairman of the GreatStar Group		
Overseas listed companies controlled over the past decade	Mr. Qiu Jianping is the actual controller of Hangcha Group Co., Ltd. (Stock code: 603298) and Zhejiang Xinchai Co., Ltd. (Stock code: 301032).		

Change in actual controllers during the reporting period

Applicable  Not Applicable

No change was recorded in the actual controllers of the Company during the reporting period.

Block diagram showing the property rights and control relationships between the Company and the actual controller

The actual controller controls the Company via asset Management methods such as trust

Applicable  Not Applicable

**4. The accumulative number of pledged shares of the Company's controlling shareholder or the largest shareholder and its persons acting in concert account for more than 80% of the Company's shares held by them**

Applicable  Not Applicable

**5. Other legal person shareholders holding more than 10% of the shares**

Applicable  Not Applicable

**6. Restrictions on shareholding reduction of the controlling shareholder, the actual controller, the reorganizing party and other committing entities**

Applicable  Not Applicable

#### **IV. Implementation progress of share repurchase during the reporting period**

Implementation progress of share repurchase

Applicable  Not Applicable

Implementation progress of reducing share repurchase via centralized bidding transactions

Applicable  Not Applicable

**Section VIII Preferred Shares**

Applicable  Not Applicable

The Company had no preferred shares during the reporting period.

### Section IX Securities

Applicable  Not Applicable

## Section X Financial Report

### I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of the Audit Report	April 24, 2024
Auditing Firm	Pan-China Certified Public Accountants LLP (Special General Partnership)
Document No. of the Audit Report	Tian Jian Shen (2024) No. 3682
Name of the CPAs	Li Deyong and Hu Fujian

#### Audit Report

All shareholders of Hangzhou GreatStar Industrial Co., Ltd.:

#### I. Opinion

We have audited the Financial Statements of Hangzhou GreatStar Industrial Co., Ltd. (hereinafter referred to as "GreatStar"), which comprise the consolidated and parent Company's balance sheets at December 31, 2023, the consolidated and parent Company's income statements, the consolidated and parent Company's cash flow statements and the consolidated and parent Company's statements of changes in owner's equity for 2023, and the notes to the related Financial Statements.

In our opinion, the Companying Financial Statements, in all material respects, have been prepared in accordance with the provisions of Accounting Standards for Business Enterprises, presenting fairly the consolidated and parent Company's financial positions of GreatStar as at December 31, 2023, and the consolidated and parent Company's financial performance and cash flows for 2023.

#### II. Basis for Opinion

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

#### III. Critical Audit Matters

Critical audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters shall be addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### (I) Revenue recognition

###### 1. Description

Refer to Note V (II)-1 and Note III (XXVI) to these Financial Statements.

GreatStar's operating revenues are mainly generated from the Hand Tools, Power Tools, Laser Measurement and Storage. GreatStar has achieved the operating revenue of RMB 10,929.9928 million in 2023. As operating revenue is one of the key performance indicators of GreatStar, there may be an inherent risk that the Management of GreatStar (hereinafter referred to as the "Management") may resort to inappropriate revenue recognition to achieve specific objectives or expectations. Therefore, we included revenue recognition as a critical audit matter.

###### 2. Audit response

In response to this critical audit matter, we performed the following major audit procedures:

- (1) Obtained an understanding of the key internal controls related to revenue recognition, evaluated the design of these controls, identified whether they are implemented, and tested whether the relevant internal controls function effectively;
- (2) Assessed the sales contract, obtained an understanding of the main terms and conditions of contracts, and evaluated whether the revenue recognition method is appropriate;
- (3) Analyzed the operating revenues and gross profit margin on a monthly basis, by products and by clients, to identify whether there are major or abnormal fluctuations, and to identify the reasons for the fluctuations;
- (4) For the domestic sales revenue, assessed the supporting document of selected items, such as sales contracts, orders, sales invoices, stock-out document and clients' receipts; for the export revenue, collected electronic port data and compared it with accounts and assessed the supporting document of selected items, such as sales contracts, export declarations, bills of lading, clients' receipts and sales invoices;
- (5) Issued letters to solicit proof the sales revenues for selected items with the letter proving of accounts receivable from the major clients;
- (6) Performed a cut-off test on the operating revenues to check whether the operating revenues have been recognized within the appropriate period; and
- (7) Assessed whether the information related to the operating revenues has been appropriately presented in the Financial Statements.

## (II) Impairment of goodwill

### 1. Description

Refer to Note III (XXI) and Note V (I)-19 to these Financial Statements.

As of December 31, 2023, the original carrying value of goodwill of GreatStar was RMB 2,750,291,615.37, and the provision for impairment was RMB 150,679,689.23, resulting in a carrying value of RMB 2,599,611,926.14.

When conducting the goodwill impairment test, the Management has combined goodwill with its related asset group or combination of asset groups, and the recoverable amount of the related asset group or combination of asset groups is confirmed based on the present value of estimated future cash flows.

Considering that the goodwill is of significant value and that the goodwill impairment test may impact critical Management judgment, we included impairment of goodwill as a critical audit matter.

### 2. Audit response

In response to impairment of goodwill, we performed the following major audit procedures:

- (1) Obtained an understanding of the key internal controls related to impairment of goodwill, evaluated the design of these controls, identified whether they are implemented, and tested whether the relevant internal controls function effectively;
- (2) Reviewed the Management's estimation of the present value of future cash flows in previous years, or required the Management to make re-estimation;
- (3) Assessed the competence, professionalism and objectivity of external valuation experts engaged by the Management;
- (4) Evaluated the suitability and consistency of the methods used by the Management in the impairment test;
- (5) Evaluated the suitability of the key assumptions used by the Management in the impairment test, and reviewed whether the relevant assumptions are consistent with the business situation, historical experience and approved budgets;
- (6) Assessed the suitability, relevance and reliability of the data used by the Management in the impairment test, and reviewed the consistency of the relevant information in the impairment test;

(7) Tested whether the Management's calculation of the present value of estimated future cash flows is accurate; and

(8) Assessed whether the information related to impairment of goodwill has been appropriately presented in the Financial Statements.

#### IV. Other information

The Management of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the Financial Statements and our Audit Report thereon.

Our audit opinion on the Financial Statements does not cover the other information and we do not express any form of appraisal conclusion thereon.

We are responsible for reading the other information based on our audit of the Financial Statements and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement of the other information based on the work we have performed, we are required to report that fact. We have nothing to report in this regard.

#### V. Responsibilities of the Management and those charged with governance for the Financial Statements

The Management of the Company is responsible for the preparation of the Financial Statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal controls, so as to ensure that the Financial Statements are free from material misstatement, whether due to fraud or error.

The Management is responsible for assessing GreatStar's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using assumption of ongoing concern in preparing the Financial Statements, unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance at GreatStar (hereinafter referred to as "those charged with governance") are responsible for overseeing GreatStar's financial reporting process.

#### VI. Responsibilities of the CPAs for the audit of the Financial Statements

We aim to obtain reasonable assurance about whether the Financial Statements are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CSA 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 the CSA, 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 processes responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. As fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, the risk of failing to detect a material misstatement resulting from fraud is higher than the risk of failing to detect a material misstatement resulting from error.

(II) Obtain an understanding of internal controls relevant to the audit in order to design appropriate audit processes.

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

(IV) Conclude on the appropriateness of the Management's use of the assumption of ongoing concern, and on whether a material uncertainty exists related to events or conditions that may cast significant doubt on GreatStar's ability to continue as a going concern based on the audit evidence obtained. In accordance with the CSA, we are required to draw attention in our audit report to the related disclosures in the Financial Statements if we conclude that a material uncertainty exists, or to issue an audit report containing the modified opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause GreatStar to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the Financial Statements, and whether the Financial Statements give a true and fair view of the underlying transactions and events.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within GreatStar to issue an audit opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit, and we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding matters such as 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them on all relationships and other matters that may reasonably be considered to bear on our independence, and relevant preventive measures which are applicable.

Based on the matters communicated with those charged with governance, we determine the matters that are of most significance in the audit of the Financial Statements of the current period and are therefore the critical audit matters. We describe such matters in our audit report unless law or regulation precludes public disclosure of the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP (Special General Partnership) China CPA:

(Project Partner)

Hangzhou China CPA:

April 24, 2024

## II. Financial Statements

Unit in notes to financial statements: RMB

### 1. Consolidated balance sheet

Prepared by: Hangzhou GreatStar Industrial Co., Ltd.

31 December 2023

Unit: RMB

Item	31 December 2023	January 1, 2023
Current assets:		
Monetary assets	5,178,727,811.76	4,863,206,182.40
Settlement funds	0.00	0.00
Loans to other banks	0.00	0.00
Held-for-trading financial assets	122,650,783.01	70,230,104.24
Derivative financial assets	0.00	0.00
Notes receivable	18,703,655.36	18,765,981.83
Accounts receivable	2,101,643,079.19	1,896,685,590.11
Receivables financing	266,675,016.64	324,557,679.71
Advances paid	103,522,565.06	128,254,093.87
Premiums receivable	0.00	0.00
Reinsurance accounts receivable	0.00	0.00
Reinsurance reserve receivable	0.00	0.00
Other receivables	66,293,368.61	58,325,042.10
Including: Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Financial assets under reverse repo	0.00	0.00
Inventories	2,569,302,478.80	2,812,572,525.68
Contract assets	0.00	0.00
Assets held for sale	0.00	0.00
Non-current assets due within one year	108,310.38	98,061.60
Other current assets	128,790,614.47	134,130,648.58
Total current assets	10,556,417,683.28	10,306,825,910.12
Non-current assets:		
Loans and advances	0.00	0.00
Debt investments	0.00	0.00
Other debt investments	0.00	0.00
Long-term receivables	335,454.55	2,872,179.47
Long-term equity investments	2,950,574,477.94	2,544,523,517.55
Other equity instrument investments	16,550,000.00	16,550,000.00
Other non-current financial assets	0.00	0.00
Investment property	117,273,455.37	122,158,556.01
Fixed assets	1,726,806,882.04	1,518,902,232.96
Construction in progress	270,199,288.71	304,599,362.46
Productive biological assets	0.00	0.00
Oil & gas assets	0.00	0.00
Right-of-use assets	378,820,165.25	417,129,361.41
Intangible assets	887,953,084.78	712,798,866.46
Development expenditures	0.00	0.00
Goodwill	2,599,611,926.14	2,436,140,794.66
Long-term prepayments	33,173,513.74	29,683,274.34
Deferred tax assets	92,688,356.60	109,614,608.72

Other non-current assets	53,392,982.77	74,507,127.95
Total non-current assets	9,127,379,587.89	8,289,479,881.99
Total assets	19,683,797,271.17	18,596,305,792.11
Current liabilities:		
Short-term borrowings	1,103,247,899.65	1,379,062,713.11
Central bank loans	0.00	0.00
Loans from other banks	0.00	0.00
Held-for-trading financial liabilities	3,227,726.23	48,413,710.29
Derivative financial liabilities	0.00	0.00
Notes payable	18,253,448.48	21,096,540.03
Accounts payable	1,567,046,072.54	1,366,875,268.71
Advances received	0.00	0.00
Contractual liabilities	147,202,549.06	131,898,420.14
Financial liabilities under repo	0.00	0.00
Absorbing deposit and interbank deposit	0.00	0.00
Deposit for agency security transaction	0.00	0.00
Deposit for agency security underwriting	0.00	0.00
Employee benefits payable	243,435,045.23	270,678,187.82
Taxes and rates payable	132,452,194.11	176,943,955.53
Other payables	37,629,238.62	21,198,376.32
Including: Interest payable	0.00	0.00
Dividend payable	8,400,000.00	0.00
Handling fee and commission payable	0.00	0.00
Reinsurance accounts payable	0.00	0.00
Liabilities held for sale	0.00	0.00
Non-current liabilities due within one year	978,130,617.03	323,296,833.40
Other current liabilities	2,050,790.27	2,136,266.97
Total current liabilities	4,232,675,581.22	3,741,600,272.32
Non-current liabilities:		
Insurance policy reserve	0.00	0.00
Long-term borrowings	708,270.00	798,604,951.84
Bonds payable	0.00	0.00
Including: Preferred shares	0.00	0.00
Perpetual bonds	0.00	0.00
Lease liabilities	283,800,769.92	318,221,349.99
Long-term payables	0.00	0.00
Long-term employee benefits payable	19,098,027.87	19,223,856.97
Provisions	7,702,646.75	4,548,413.90
Deferred income	2,518,392.49	2,364,687.74
Deferred tax liabilities	124,722,086.70	86,792,014.84
Other non-current liabilities	0.00	0.00
Total non-current liabilities	438,550,193.73	1,229,755,275.28
Total liabilities	4,671,225,774.95	4,971,355,547.60
Equity:		
Share capital	1,202,501,992.00	1,202,501,992.00
Other equity instruments	0.00	0.00
Including: Preferred shares	0.00	0.00
Perpetual bonds	0.00	0.00
Capital reserve	3,999,886,029.16	3,950,778,936.53
Less: Treasury shares	236,625,962.00	236,625,962.00

Other comprehensive income	231,453,437.99	115,008,916.12
Special reserve	0.00	0.00
Surplus reserve	788,960,468.06	663,843,379.04
General risk reserve	0.00	0.00
Undistributed profit	8,861,804,110.41	7,702,625,494.43
Total equity attributable to the parent Company	14,847,980,075.62	13,398,132,756.12
Non-controlling interest	164,591,420.60	226,817,488.39
Total equity	15,012,571,496.22	13,624,950,244.51
Total liabilities & equity	19,683,797,271.17	18,596,305,792.11

Legal representative: Qiu Jianping    Person in charge of accounting: Ni Shuyi    Person in charge of accounting department: Ni Shuyi

## 2. Balance sheet of the parent Company

Unit: RMB

Item	31 December 2023	January 1, 2023
Current assets:		
Monetary assets	2,400,684,069.57	1,959,109,461.78
Held-for-trading financial assets	0.00	0.00
Derivative financial assets	0.00	0.00
Notes receivable	8,033,890.80	6,303,252.22
Accounts receivable	1,638,745,287.87	1,094,304,301.40
Receivables financing	262,013,539.68	321,247,171.36
Advances paid	11,438,698.21	11,356,975.59
Other receivables	1,445,999,317.30	2,755,900,353.60
Including: Interest receivable	0.00	0.00
Dividend receivable	0.00	0.00
Inventories	101,143,349.48	67,443,090.27
Contract assets	0.00	0.00
Assets held for sale	0.00	0.00
Non-current assets due within one year	0.00	0.00
Other current assets	66,731,233.06	56,338,463.11
Total current assets	5,934,789,385.97	6,272,003,069.33
Non-current assets:		
Debt investments	0.00	0.00
Other debt investments	0.00	0.00
Long-term receivables	0.00	0.00
Long-term equity investments	7,703,097,944.18	6,646,597,702.06
Other equity instrument investments	16,550,000.00	16,550,000.00
Other non-current financial assets	0.00	0.00
Investment property	117,273,455.37	122,158,556.01
Fixed assets	239,950,369.38	164,458,168.94
Construction in progress	0.00	32,000,978.77
Productive biological assets	0.00	0.00
Oil & gas assets	0.00	0.00
Right-of-use assets	0.00	0.00
Intangible assets	26,740,634.44	21,448,416.46
Development expenditures	0.00	0.00
Goodwill	0.00	0.00
Long-term prepayments	0.00	0.00
Deferred tax assets	18,122,919.74	16,436,967.81
Other non-current assets	932,619.13	2,422,590.14
Total non-current assets	8,122,667,942.24	7,022,073,380.19

Total assets	14,057,457,328.21	13,294,076,449.52
Current liabilities:		
Short-term borrowings	450,357,500.00	656,030,197.16
Held-for-trading financial liabilities	1,167,281.60	13,075,775.62
Derivative financial liabilities	0.00	0.00
Notes payable	0.00	100,000,000.00
Accounts payable	1,238,382,198.05	1,107,917,284.47
Advances received	0.00	0.00
Contractual liabilities	58,701,562.32	43,237,007.23
Employee benefits payable	61,070,459.75	52,247,521.65
Taxes and rates payable	32,211,961.74	35,226,805.80
Other payables	15,986,880.08	3,392,054.12
Including: Interest payable	0.00	0.00
Dividend payable	0.00	0.00
Liabilities held for sale	0.00	0.00
Non-current liabilities due within one year	875,578,132.08	73,583,468.23
Other current liabilities	917,003.08	604,815.09
Total current liabilities	2,734,372,978.70	2,085,314,929.37
Non-current liabilities:		
Long-term borrowings	708,270.00	792,728,586.65
Bonds payable	0.00	0.00
Including: Preferred shares	0.00	0.00
Perpetual bonds	0.00	0.00
Lease liabilities	0.00	0.00
Long-term payables	0.00	0.00
Long-term employee benefits payable	0.00	0.00
Provisions	0.00	0.00
Deferred income	327,332.57	795,332.50
Deferred tax liabilities	3,375,906.47	2,413,918.11
Other non-current liabilities	0.00	0.00
Total non-current liabilities	4,411,509.04	795,937,837.26
Total liabilities	2,738,784,487.74	2,881,252,766.63
Equity:		
Share capital	1,202,501,992.00	1,202,501,992.00
Other equity instruments	0.00	0.00
Including: Preferred shares	0.00	0.00
Perpetual bonds	0.00	0.00
Capital reserve	3,999,622,372.57	3,958,727,598.88
Less: Treasury shares	236,625,962.00	236,625,962.00
Other comprehensive income	-32,965,723.38	-54,066,268.84
Special reserve	0.00	0.00
Surplus reserve	785,212,171.15	660,095,082.13
Undistributed profit	5,600,927,990.13	4,882,191,240.72
Total equity	11,318,672,840.47	10,412,823,682.89
Total liabilities & equity	14,057,457,328.21	13,294,076,449.52

### 3. Consolidated income statement

Unit: RMB

Item	2023	2022
I. Total operating revenue	10,929,992,802.32	12,610,189,590.33
Including: Operating income	10,929,992,802.32	12,610,189,590.33
Interest income	0.00	0.00
Premiums earned	0.00	0.00

Revenue from handling charges and commission	0.00	0.00
II. Total operating cost	9,240,335,423.72	11,041,030,293.49
Including: Operating cost	7,454,122,092.19	9,266,922,304.75
Interest expenses	0.00	0.00
Handling charges and commission expenditures	0.00	0.00
Surrender value	0.00	0.00
Net payment of insurance claims	0.00	0.00
Net provision of insurance reserve	0.00	0.00
Premium bonus expenditures	0.00	0.00
Reinsurance expenses	0.00	0.00
Taxes and surcharges	43,711,142.65	47,328,748.68
Selling expenses	851,283,975.98	757,228,439.80
Administrative expenses	776,183,642.34	760,961,439.86
R&D expenses	322,536,093.62	319,444,535.16
Financial expenses	-207,501,523.06	-110,855,174.76
Including: Interest expense	84,769,466.12	102,114,891.52
Interest income	139,528,683.81	83,482,441.75
Add: Other earnings	38,182,241.65	50,671,622.68
Investment income (or less: losses)	241,291,566.77	176,927,540.37
Including: Earnings from the investment in associated Company and joint venture	342,117,235.54	186,224,854.43
Gains from derecognition of financial assets at amortized cost	0.00	0.00
Gains on foreign exchange (losses presented by "-")	0.00	0.00
Gains on net exposure to hedging risk (or less: losses)	0.00	0.00
Gains on changes in fair value (losses presented by "-")	50,175,050.93	-50,580,428.04
Credit impairment losses (losses presented by "-")	-3,493,974.10	19,113,580.83
Assets impairment loss (losses presented by "-")	-24,884,814.56	-61,324,795.37
Gains on asset disposal (losses presented by "-")	5,810,457.76	-16,894,964.73
III. Operating profit (or less: losses)	1,996,737,907.05	1,687,071,852.58
Add: Non-operating revenue	2,829,375.43	1,183,010.44
Less: Non-operating expenditure	10,858,078.80	20,981,657.35
IV. Profit before tax (or less: total loss)	1,988,709,203.68	1,667,273,205.67
Less: Income tax expenses	293,995,290.66	222,099,594.42
V. Net profit ("-") for net loss)	1,694,713,913.02	1,445,173,611.25
(I) Categorized by the continuity of operations		
1. Net profit from continuing operations ("-") for net loss)	1,694,713,913.02	1,445,173,611.25
2. Net profit from discontinuing operations ("-") for net loss)	0.00	0.00
(II) Categorized by the portion of equity ownership		
1. Net profit attributable to shareholders of the parent Company	1,691,612,756.79	1,419,854,709.56
2. Net profit attributable to non-	3,101,156.23	25,318,901.69

controlling interests		
VI. Other comprehensive income after tax	117,066,457.29	345,138,127.53
Items attributable to the owners of the parent Company	116,444,521.87	344,782,951.32
(I) Not to be reclassified subsequently to profit or loss	-5,844,140.40	-57,181,824.00
1. Remeasurement profits or losses of a defined benefit plan	-5,844,140.40	-57,181,824.00
2. Other comprehensive income using the equity method that will not be reclassified to profit or loss	0.00	0.00
3. Changes in fair value of other equity instrument investments	0.00	0.00
4. Changes in fair value of enterprise's own credit risk	0.00	0.00
5. Others	0.00	0.00
(II) To be reclassified subsequently to profit or loss	122,288,662.27	401,964,775.32
1. Other comprehensive income that can be reclassified to profit or loss in equity method	21,100,545.46	30,873,368.37
2. Changes in fair value of other debt investments	0.00	0.00
3. Amount of financial assets reclassified into other comprehensive income	0.00	0.00
4. Provision for credit impairment of other debt investments	0.00	0.00
5. Cash flow hedging reserves	0.00	0.00
6. Exchange differences on translation of foreign currency financial statements	101,188,116.81	371,091,406.95
7. Others	0.00	0.00
Items attributable to non-controlling shareholders	621,935.42	355,176.21
VII. Total comprehensive income	1,811,780,370.31	1,790,311,738.78
Total comprehensive income attributable to owners of the parent Company	1,808,057,278.66	1,764,637,660.88
Total comprehensive income attributable to non-controlling interests	3,723,091.65	25,674,077.90
VIII. Earnings per share		
(I) Basic EPS (yuan per share)	1.4162	1.2446
(II) Diluted EPS (yuan per share)	1.4162	1.2446

If a combination of enterprises under common control occurs during the current period, the net profit realized by the combined Company before the combination: RMB , net profit realized by the combined Company in the prior period: RMB

Legal representative: Qiu Jianping Person in charge of accounting: Ni Shuyi Person in charge of accounting department: Ni Shuyi

#### 4. Income statement of parent Company

Unit: RMB

Item	2023	2022
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I. Business revenue	5,100,581,314.29	4,823,927,494.05
Less: Business cost	3,792,527,183.47	3,916,985,810.07
Taxes and surcharges	7,715,724.52	7,125,272.26
Selling expenses	173,392,838.87	157,616,107.21
Administrative expenses	166,179,737.65	158,154,677.59
R&D expenses	187,893,193.78	172,795,285.87
Financial expenses	-143,455,738.47	-118,107,418.16
Including: Interest expense	46,016,538.72	61,350,280.13
Interest income	108,657,184.31	81,159,347.99
Add: Other earnings	17,451,841.60	26,535,450.88
Investment income (or less: losses)	445,995,857.81	212,798,675.79
Including: Earnings from the investment in associated Company and joint venture	343,264,489.19	185,125,266.05
Gains on derecognition of financial assets measured at amortized cost ("-"for loss)	0.00	0.00
Gains on net exposure to hedging risk (or less: losses)	0.00	0.00
Gains on changes in fair value (losses presented by "-")	11,908,494.02	-15,881,175.62
Credit impairment losses (losses presented by "-")	-4,822,719.73	-19,083,749.36
Assets impairment loss (losses presented by "-")	-1,720,872.69	-766,503.26
Gains on asset disposal (losses presented by "-")	-2,578.20	70,451.00
II. Operating profit ("-" for loss)	1,385,138,397.28	733,030,908.64
Add: Non-operating revenue	21,839.75	624.86
Less: Non-operating expenditure	1,221,834.95	118,114.79
III. Total profit ("-" for loss)	1,383,938,402.08	732,913,418.71
Less: Income tax expenses	132,767,511.86	79,911,394.57
IV. Net profit ("-" for net loss)	1,251,170,890.22	653,002,024.14
(I) Net profit from continuing operations ("-" for net loss)	1,251,170,890.22	653,002,024.14
(II) Net profit from discontinued operations ("-" for net loss)	0.00	0.00
V. Other comprehensive income after tax	21,100,545.46	30,873,368.37
(I) Not to be reclassified subsequently to profit or loss	0.00	0.00
1. Remeasurement profits or losses of a defined benefit plan	0.00	0.00
2. Other comprehensive income using the equity method that will not be reclassified to profit or loss	0.00	0.00
3. Changes in fair value of other equity instrument investments	0.00	0.00
4. Changes in fair value of enterprise's own credit risk	0.00	0.00
5. Others	0.00	0.00
(II) To be reclassified subsequently to profit or loss	21,100,545.46	30,873,368.37
1. Other comprehensive income that can be reclassified to profit or loss in equity method	21,100,545.46	30,873,368.37
2. Changes in fair value of other	0.00	0.00

debt investments		
3. Amount of financial assets reclassified into other comprehensive income	0.00	0.00
4. Provision for credit impairment of other debt investments	0.00	0.00
5. Cash flow hedging reserves	0.00	0.00
6. Exchange differences on translation of foreign currency financial statements	0.00	0.00
7. Others	0.00	0.00
VI. Total comprehensive income	1,272,271,435.68	683,875,392.51
VII. Income per share		
(I) Basic EPS (yuan per share)		
(II) Diluted EPS (yuan per share)		

### 5. Consolidated statement of cash flows

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash receipts from sales of goods or rendering of services	11,048,006,862.67	12,910,612,353.48
Net increase of client deposit and interbank deposit	0.00	0.00
Net increase of central bank loans	0.00	0.00
Net increase of loans from other financial institutions	0.00	0.00
Cash receipts from original insurance contract premium	0.00	0.00
Net cash receipts from reinsurance	0.00	0.00
Net increase of policy-holder deposit and investment	0.00	0.00
Cash receipts from interest, handling charges and commission	0.00	0.00
Net increase of loans from others	0.00	0.00
Net increase of repurchase	0.00	0.00
Net cash receipts from agency security transaction	0.00	0.00
Receipts of tax refund	583,201,648.50	767,676,772.01
Other cash receipts related to operating activities	208,205,906.01	172,081,769.11
Subtotal of cash inflows from operating activities	11,839,414,417.18	13,850,370,894.60
Cash payments for goods purchased and services received	5,989,741,586.47	8,589,229,524.03
Net increase of loans and advances to clients	0.00	0.00
Net increase of central bank deposit and interbank deposit	0.00	0.00
Cash payments for insurance indemnities of original insurance contracts	0.00	0.00
Net increase of loans to others	0.00	0.00
Cash payments for interest, handling charges and commission	0.00	0.00

Cash payments for policy bonus	0.00	0.00
Cash paid to and on behalf of employees	2,120,346,828.58	2,037,598,678.58
Cash payments for taxes and rates	452,373,215.20	419,820,083.63
Other cash payments related to operating activities	1,151,097,861.28	1,171,885,965.97
Subtotal of cash outflows from operating activities	9,713,559,491.53	12,218,534,252.21
Net cash flows from operating activities	2,125,854,925.65	1,631,836,642.39
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	215,228,000.00	167,680,415.22
Cash receipts from investment income	2,073,898.69	67,654,596.08
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	23,946,188.31	40,203,072.92
Net cash receipts from the disposal of subsidiaries & other business units	0.00	0.00
Other cash receipts related to investing activities	33,448,671.74	70,195,704.98
Subtotal of cash inflows from investing activities	274,696,758.74	345,733,789.20
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	437,785,839.58	432,498,640.04
Cash payments for investments	264,938,405.70	221,000,000.00
Net increase of pledged borrowings	0.00	0.00
Net cash payments for the acquisition of subsidiaries & other business units	127,498,351.89	76,724,758.42
Other cash payments related to investing activities	106,497,712.80	129,876,712.70
Subtotal of cash outflows from investing activities	936,720,309.97	860,100,111.16
Net cash flows from investing activities	-662,023,551.23	-514,366,321.96
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	0.00	1,087,601,650.11
Including: Cash received by subsidiaries from non-controlling shareholders as investments	0.00	0.00
Cash receipts from borrowings	2,366,725,718.44	3,498,929,736.98
Other cash receipts related to financing activities	219,062,966.67	104,266,666.67
Subtotal of cash inflows from financing activities	2,585,788,685.11	4,690,798,053.76
Cash payments for repayment of borrowings	3,007,635,287.44	4,431,592,234.99
Cash payments for distribution of dividends or profits and for interest expenses	485,345,579.38	84,667,826.94

Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	3,661,540.00	13,170,580.97
Other cash payments related to financing activities	324,405,035.75	784,289,697.86
Subtotal of cash outflows from financing activities	3,817,385,902.57	5,300,549,759.79
Net cash flows from financing activities	-1,231,597,217.46	-609,751,706.03
IV. Effect of foreign exchange rate changes on cash & cash equivalents	-41,681,587.83	284,522,324.89
V. Net increase in cash and cash equivalents	190,552,569.13	792,240,939.29
Add: Opening balance of cash and cash equivalents	4,793,427,180.47	4,001,186,241.18
VI. Closing balance of cash and cash equivalents	4,983,979,749.60	4,793,427,180.47

## 6. Cash flow of parent Company

Unit: RMB

Item	2023	2022
I. Cash flows from operating activities:		
Cash receipts from sales of goods or rendering of services	4,835,766,166.56	4,918,593,279.27
Receipts of tax refund	430,347,044.12	478,049,259.74
Other cash receipts related to operating activities	120,761,810.00	91,105,691.64
Subtotal of cash inflows from operating activities	5,386,875,020.68	5,487,748,230.65
Cash payments for goods purchased and services received	4,225,129,108.58	3,482,411,796.27
Cash paid to and on behalf of employees	336,593,149.20	316,096,416.76
Cash payments for taxes and rates	144,878,031.37	135,425,402.10
Other cash payments related to operating activities	300,115,796.73	274,272,238.19
Subtotal of cash outflows from operating activities	5,006,716,085.88	4,208,205,853.32
Net cash flows from operating activities	380,158,934.80	1,279,542,377.33
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	79,878,183.33	119,399.32
Cash receipts from investment income	137,938,460.00	78,605,425.60
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	30,597.86	731,000.00
Net cash receipts from the disposal of subsidiaries & other business units	0.00	0.00
Other cash receipts related to investing activities	1,500,029,015.02	103,688,450.77
Subtotal of cash inflows from	1,717,876,256.21	183,144,275.69

investing activities		
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	55,045,787.35	39,019,508.60
Cash payments for investments	617,551,952.54	154,755,189.04
Net cash payments for the acquisition of subsidiaries & other business units	0.00	0.00
Other cash payments related to investing activities	260,731,453.45	1,360,257,082.16
Subtotal of cash outflows from investing activities	933,329,193.34	1,554,031,779.80
Net cash flows from investing activities	784,547,062.87	-1,370,887,504.11
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	0.00	1,087,601,650.11
Cash receipts from borrowings	1,989,119,500.00	2,986,019,388.00
Other cash receipts related to financing activities	0.00	18,857,097.90
Subtotal of cash inflows from financing activities	1,989,119,500.00	4,092,478,136.01
Cash payments for repayment of borrowings	2,190,236,500.00	3,637,460,412.39
Cash payments for distribution of dividends or profits and for interest expenses	454,071,750.47	42,758,384.71
Other cash payments related to financing activities	17,897,921.26	676,660,516.57
Subtotal of cash outflows from financing activities	2,662,206,171.73	4,356,879,313.67
Net cash flows from financing activities	-673,086,671.73	-264,401,177.66
IV. Effect of foreign exchange rate changes on cash & cash equivalents	-50,071,484.72	108,079,052.78
V. Net increase in cash and cash equivalents	441,547,841.22	-247,667,251.66
Add: Opening balance of cash and cash equivalents	1,957,673,368.78	2,205,340,620.44
VI. Closing balance of cash and cash equivalents	2,399,221,210.00	1,957,673,368.78

## 7. Consolidated statement of changes in owners' equity

Amount for the current period

Unit: RMB

Item	2023													Non-controlling interest	Total equity	
	Owners' equity attributable to the parent Company															
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	Subtotal			
Preferred shares		Perpetual bonds	Other													

							me								
I. End ing bala nce of the prev ious year	1,20 2,50 1,99 2.00	0.00	0.00	0.00	3,95 0,77 8,93 6.53	236, 625, 962. 00	115, 010, 556. 85	0.00	663, 843, 379. 04	0.00	7,70 2,43 8,64 1.41	0.00	13,3 97,9 47,5 43.8 3	226, 581, 692. 93	13,6 24,5 29,2 36.7 6
Add : Cha nges in acco unti ng poli cies	0.00	0.00	0.00	0.00	0.00	0.00	- 1,64 0.73	0.00	0.00	0.00	186, 853. 02	0.00	185, 212. 29	235, 795. 46	421, 007. 75
Corr ecti on for prev ious erro rs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oth er	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Ope ning bala nce for the curr ent year	1,20 2,50 1,99 2.00	0.00	0.00	0.00	3,95 0,77 8,93 6.53	236, 625, 962. 00	115, 008, 916. 12	0.00	663, 843, 379. 04	0.00	7,70 2,62 5,49 4.43	0.00	13,3 98,1 32,7 56.1 2	226, 817, 488. 39	13,6 24,9 50,2 44.5 1
III. Am ount of incr ease /dec reas e with in the curr ent peri od	0.00	0.00	0.00	0.00	49,1 07,0 92.6 3	0.00	116, 444, 521. 87	0.00	125, 117, 089. 02	0.00	1,15 9,17 8,61 5.98	0.00	1,44 9,84 7,31 9.50	- 62,2 26,0 67.7 9	1,38 7,62 1,25 1.71

("-" for less)															
(I) Total comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00	116,444,521.87	0.00	0.00	0.00	1,691,612,756.79	0.00	1,808,057,278.66	3,723,091.65	1,811,780,370.31
(II) Owners' investment and reductions in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Common shares invested by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Capital contribution from holders of other equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Am	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

ount of share-based payments recognized in owners' equity															
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	125,117,089.02	0.00	-532,434,140.81	0.00	-407,317,051.79	-12,061,540.00	-419,378,591.79
1. Withdrawal of surplus reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	125,117,089.02	0.00	-125,117,089.02	0.00	0.00	0.00	0.00
2. Provision for general risk reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Distribution to owners (or shareholders)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-407,317,051.79	0.00	-407,317,051.79	-12,061,540.00	-419,378,591.79

4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(IV) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital surplus transferred to paid-in capital (or share capital)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Surplus reserve transferred to paid-in capital (or share capital)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Surplus reserve to	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

cover losses															
4. Changes in defined benefit plans carried over to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Other comprehensive income carried over to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(V) Special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Withdrawn for the current period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

2. Use d for the curr ent peri od	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(VI) Oth ers	0.00	0.00	0.00	0.00	49,107,092.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	49,107,092.63	-53,887,619.44	-4,780,526.81
IV. End ing bala nce of the curr ent peri od	1,202,501,992.00	0.00	0.00	0.00	3,999,886,029.16	236,625,962.00	231,453,437.99	0.00	788,960,468.06	0.00	8,861,804,110.41	0.00	14,847,980,075.62	164,591,420.60	15,012,571,496.22

Amount in the previous period

Unit: RMB

Item	2022														
	Owners' equity attributable to the parent Company													Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	Subtotal		
	Prefere d shares	Perpetua l bonds	Other												
I. End ing bala nce of the prev ious year	1,143,438,492.00	0.00	0.00	0.00	2,924,951,844.93	186,441,914.48	-229,774,189.10	0.00	598,543,176.63	0.00	6,348,179,336.72		10,598,896,746.70	214,393,044.14	10,813,289,790.84
Add: Changes in acco unti ng	0.00	0.00	0.00	0.00	0.00	0.00	153.9	0.00	0.00	0.00	-108,349.44		-108,195.54	647.73	-107,547.81

poli cies															
Corr ecti on for prev ious erro rs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oth er	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Ope ning bala nce for the curr ent year	1,14 3,43 8,49 2.00	0.00	0.00	0.00	2,92 4,95 1,84 4.93	186, 441, 914. 48	- 229, 774, 035. 20	0.00	598, 543, 176. 63	0.00	6,34 8,07 0,98 7.28	10,5 98,7 88,5 51.1 6	214, 393, 691. 87	10,8 13,1 82,2 43.0 3	
Am ount of incr ease /dec reas e with in the curr ent peri od ("-" for less)	59,0 63,5 00.0 0	0.00	0.00	0.00	1,02 5,82 7,09 1.60	50,1 84,0 47.5 2	344, 782, 951. 32	0.00	65,3 00,2 02.4 1	0.00	1,35 4,55 4,50 7.15	2,79 9,34 4,20 4.96	12,4 23,7 96.5 2	2,81 1,76 8,00 1.48	
(I) Tota l com preh ensi ve inco me	0.00	0.00	0.00	0.00	0.00	0.00	344, 782, 951. 32	0.00	0.00	0.00	1,41 9,85 4,70 9.56	1,76 4,63 7,66 0.88	25,6 74,0 77.9 0	1,79 0,31 1,73 8.78	
(II) Ow ners ' inve stm ent and	59,0 63,5 00.0 0	0.00	0.00	0.00	1,01 2,26 4,79 6.24	0.00	0.00	0.00	0.00	0.00	0.00	1,07 1,32 8,29 6.24	0.00	1,07 1,32 8,29 6.24	

reductions in capital															
1. Commission on shares invested by owners	59,063,500.00	0.00	0.00	0.00	1,012,264,796.24	0.00	0.00	0.00	0.00	0.00	0.00		1,071,328,296.24	0.00	1,071,328,296.24
2. Capital contribution from holders of other equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
3. Amount of share-based payments recognized in owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00

(III) Prof it distr ibuti on	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	65,300,202.41	0.00	-65,300,202.41		0.00	-13,170,580.97	-13,170,580.97
1. Wit hdra wal of surp lus rese rve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	65,300,202.41	0.00	-65,300,202.41		0.00	0.00	0.00
2. Pro visi on for gen eral risk rese rve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
3. Dist ribu tion to own ers (or shar ehol ders )	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	-13,170,580.97	-13,170,580.97
4. Oth ers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
(IV) Inte rnal carr y- for war d of own ers' equi ty	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
1. Cap ital surp lus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00

transferred to paid-in capital (or share capital)															
2. Surplus reserve transferred to paid-in capital (or share capital)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
3. Surplus reserve to cover losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
4. Changes in defined benefit plans carried over to retained	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00

earnings															
5. Other comprehensive income carried over to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
6. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
(V) Special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
1. Withdrawn for the current period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
2. Used for the current period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
(VI) Others	0.00	0.00	0.00	0.00	13,562,295.36	50,184,047.52	0.00	0.00	0.00	0.00	0.00		-36,621,752.16	-79,700.41	-36,701,452.57
IV. Ending balance of	1,202,501,992.00	0.00	0.00	0.00	3,950,778,936.53	236,625,962.00	115,008,916.12	0.00	663,843,379.04	0.00	7,702,625,494.43		13,398,132,756.12	226,817,488.39	13,624,950,244.51



current period ("-" for less)												
(I) Total comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00	21,100,545.46	0.00	0.00	1,251,170,890.22	0.00	1,272,271,435.68
(II) Owners' investment and reductions in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Common shares invested by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Capital contribution from holders of other equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Amount of share-based payments recognized in owners'	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

equity												
4. Other s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(III) Profit distri butio n	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	125,117,089.02	-532,434,140.81	0.00	-407,317,051.79
1. Withd rawal of surplus reserv e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	125,117,089.02	-125,117,089.02	0.00	0.00
2. Distri butio n to owner s (or share holde rs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-407,317,051.79	0.00	-407,317,051.79
3. Other s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(IV) Intern al carry-forwa rd of owner s' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capit al surplus transf erred to paid-in capita l (or share capita l)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Surpl us reserv	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

e transferred to paid-in capital (or share capital)												
3. Surplus reserve to cover losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Changes in defined benefit plans carried over to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Other comprehensive income carried over to retained earnings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(V) Special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Withd	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

ravn for the curre nt perio d												
2. Used for the curre nt perio d	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(VI) Other s	0.00	0.00	0.00	0.00	40,89 4,773. 69	0.00	0.00	0.00	0.00	0.00	0.00	40,89 4,773. 69
IV. Endin g balan ce of the curre nt perio d	1,202, 501,9 92.00	0.00	0.00	0.00	3,999, 622,3 72.57	236,6 25,96 2.00	- 32,96 5,723. 38	0.00	785,2 12,17 1.15	5,600, 927,9 90.13	0.00	11,31 8,672, 840.4 7

Amount in the previous period

Unit: RMB

Item	2022											
	Share capita l	Other instruments equity			Capit al reserv e	Less: Treas ury shares	Other comp rehen sive incom e	Speci al reserv e	Surpl us reserv e	Undis tribut ed profit	Other	Total equity
		Prefer red shares	Perpe tual bonds	Other								
I. Endin g balan ce of the previ ous year	1,143, 438,4 92.00	0.00	0.00	0.00	2,930, 657,5 01.76	186,4 41,91 4.48	- 84,93 9,637. 21	0.00	594,7 94,87 9.72	4,298, 560,6 64.99		8,696, 069,9 86.78
Add: Chan ges in accou nting polici es	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Corre ction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00

for previous errors												
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
II. Opening balance for the current year	1,143,438,492.00	0.00	0.00	0.00	2,930,657,501.76	186,441,914.48	-84,939,637.21	0.00	594,794,879.72	4,298,560,664.99		8,696,069,986.78
Amount of increase/decrease within the current period ("-" for less)	59,063,500.00	0.00	0.00	0.00	1,028,070,097.12	50,184,047.52	30,873,368.37	0.00	65,300,202.41	583,630,575.73		1,716,753,696.11
(I) Total comprehensive income	0.00	0.00	0.00	0.00	0.00	0.00	30,873,368.37	0.00	0.00	653,002,024.14		683,875,392.51
(II) Owners' investment and reductions in capital	59,063,500.00	0.00	0.00	0.00	1,012,264,796.24	0.00	0.00	0.00	0.00	0.00		1,071,328,296.24
1. Common shares invested by owners	59,063,500.00	0.00	0.00	0.00	1,012,264,796.24	0.00	0.00	0.00	0.00	0.00		1,071,328,296.24
2. Capital contri	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00

butio n from holde rs of other equity instru ments												
3. Amou nt of share- based paym ents recog nized in owner s' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
4. Other s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
(III) Profit distrib ution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	65,30 0,202. 41	- 65,30 0,202. 41		0.00
1. Withd rawal of surplu s reserv e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	65,30 0,202. 41	- 65,30 0,202. 41		0.00
2. Distri butio n to owner s (or share holde rs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
3. Other s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
(IV) Intern al carry- forwa rd of owner	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00

s' equity												
1. Capit al surpl s transf erred to paid- in capita l (or share capita l)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
2. Surpl us reserv e transf erred to paid- in capita l (or share capita l)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
3. Surpl us reserv e to cover losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
4. Chan ges in define d benefi t plans carrie d over to retain ed earnin gs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
5. Other comp	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00

rehe sive incom e carrie d over to retain ed earnin gs												
6. Other s	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
(V) Speci al reserv e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
1. Withd rawn for the curre nt perio d	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
2. Used for the curre nt perio d	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
(VI) Other s	0.00	0.00	0.00	0.00	15,80 5,300. 88	50,18 4,047. 52	0.00	0.00	0.00	- 4,071, 246.0 0		- 38,44 9,992. 64
IV. Endin g balan ce of the curre nt perio d	1,202, 501,9 92.00	0.00	0.00	0.00	3,958, 727,5 98.88	236,6 25,96 2.00	- 54,06 6,268. 84	0.00	660,0 95,08 2.13	4,882, 191,2 40.72		10,41 2,823, 682.8 9

### III. Basic Information of the Company

Jointly established by natural persons Qiu Jianping, Wang Lingling, Li Zheng, Wang Weiyi and Wang Min, Hangzhou GreatStar Industrial Co., Ltd. (hereinafter referred to "Company" or the "Company") was approved by the Hangzhou Administration for Industry and Commerce and registered with the Hangzhou Administration for Industry and Commerce headquartered in Hangzhou, Zhejiang on August 9, 2001. The Company holds the business license and its Unified Social Credit Code is 91330000731506099D, with registered capital of RMB

1,202,501,992.00 and a total of 1,202,501,992 shares (par value of RMB 1 per share), including 51,472,904 outstanding A-shares restricted for sale and 1,151,029,088 outstanding A-shares unrestricted for sale. The Company's shares have been listed for trading on July 13, 2010 on the Shenzhen Stock Exchange.

The Company is a player under the hardware industry, mainly engaged in the research and development, production and sale of hand tools, power tools, laser measurement tools, storage cabinets.

The Financial Statements have been authorized for issuance with the approval of the 6th Meeting of the 6th Board of Directors on April 24, 2024.

#### IV. Basis for Preparing the Financial Statements

##### 1. Basis for preparation

These Financial Statements of the Company are prepared on a going concern basis.

##### 2. Going concern

There are no matter or circumstance that results in any significant doubt about the Company's ability to continue as a going concern for a period of 12 months from the end of the reporting period.

#### V. Significant Accounting Policies and Accounting Estimates

Reminder to specific accounting policies and accounting estimates:

Important Notes: The Company formulated specific accounting policies and estimates for transactions or matters such as impairment of financial instruments, inventory, depreciation of fixed assets, construction in progress, intangible assets, and revenue recognition.

##### 1. Statement of compliance with accounting standards for business enterprises

These Financial Statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give an authentic and complete picture of the Company's financial position, results of operations and cash flows, and other relevant information.

##### 2. Accounting period

The fiscal year starts from January 1 to December 31 on Gregorian calendar.

##### 3. Business cycle

The Company features a short period of business operations, with 12 months as the standard for the liquidity of its assets and liabilities.

##### 4. Recording currency

The Company and its domestic subsidiaries take Renminbi (RMB) as recording currency. Hong Kong GreatStar International Co., Ltd., GreatStar Tools USA, Inc, GreatStar Europe AG, and other overseas subsidiaries, which are engaged in foreign operations, select the currency of the principal economic environments in which they operate as the recording currency.

##### 5. Determination method and selection basis of materiality standard

Applicable  Not Applicable

Item	Materiality standard
Important construction in progress	The Company recognizes the construction in progress whose amount exceeds 0.5% of the total assets as an important construction in progress
Important goodwill	The Company recognizes the combination of asset groups whose original book value of goodwill exceeds 10% of the total original book value of the Group's goodwill as an important goodwill
Important cash flow from investing activities	The Company recognizes the cash flow from investing activity exceeding 5% of the total assets as an important

	cash flow from investment activities
Important overseas operating entity	The Company recognizes overseas operating entities whose total revenue exceeds 5% of the Group's total revenue as important overseas operating entities
Important subsidiary and non-wholly owned subsidiary	The Company recognizes subsidiaries whose total revenue exceeds 15% of the Group's total revenue as important subsidiaries and important non-wholly owned subsidiaries
Important joint venture	The Company recognizes joint ventures whose total revenue exceeds 15% of the Group's total revenue as important joint ventures
Important commitments	The Company recognizes the commitment whose amount exceeds 0.5% of the total assets as an important commitment
Important contingencies	The Company recognizes the contingent event whose amount exceeds 0.5% of the total assets as an important contingent event
Important events subsequent to the balance sheet date	The Company recognizes the event subsequent to the balance sheet date whose amount exceeds 0.5% of the total assets as an important event subsequent to the balance sheet date

## 6. Accounting method for consolidation of enterprises under or not under the joint control

### 1. Accounting methods for consolidation of enterprises under the joint control

Assets and liabilities acquired by the Company in a consolidation are measured at the book value of the party being consolidated in the consolidated financial statements of ultimate controlling party at the date of consolidation. The Company adjusts capital surplus by the difference between the share of the book value of the owners' equity of the party being consolidated in the consolidated financial statements of the ultimate controlling party and the book value of the consideration paid for the consolidation or the total nominal value of the shares issued. If capital surplus is insufficient for write-down, the retained earnings shall be adjusted.

### 2. Accounting methods for consolidation of enterprises not under the joint control

The Company recognizes the difference of the cost of consolidation minus the share of fair value of the identifiable net assets of the acquiree acquired in the consolidation at the date of purchase as the goodwill. If the cost of consolidation is less than the share of fair value of the identifiable net assets of the acquiree acquired in the consolidation, the Company firstly reviews the fair value of each of identifiable assets, liabilities and contingent liabilities acquired from the acquiree as well as the measurement of consolidation cost; and if the cost of consolidation remains less than the share of fair value of the identifiable net assets of the acquiree acquired in the consolidation upon review, the difference is recognized in the current profits or losses.

## 7. Criteria for joint control and methods for preparing consolidated financial statements

### 1. Recognition of control

Control is recognized if one entity has the power over the invested entity, enjoying variable returns through participating in related activities of the invested entity, and has the ability to use the power over the invested entity to influence its variable return amount.

### 2. Method of preparing consolidated financial statements

The parent company includes all its controlled subsidiaries in the scope of the consolidated financial statements. The consolidated financial statements are based on the financial statements of the parent company and its subsidiaries and other relevant data and are prepared by the parent company in accordance with *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*.

## 8. Classification of joint venture arrangements and accounting method for joint operations

### 1. Joint venture arrangements are divided into joint operation and joint venture.

2. Where the Company is a joint party in a joint operation, the following items related to the share of interest in the joint operation shall be recognized:

- (1) To recognize the assets held assumed solely by the Company and the assets held assumed jointly as per the shares of the Company;
- (2) To recognize the liabilities held assumed solely by the Company and the assets held assumed jointly as per the shares of the Company;
- (3) To recognize revenue from disposal of the share of joint operations of the Company to be sold;
- (4) To recognize revenue from joint operations arising from the sale of assets based on the shares held by the Company; and
- (5) To recognize fees solely occurred by Company and recognize fees from joint operations in appropriation to the share of the Company.

## 9. Recognition criteria of cash and cash equivalents

Cash set out in the cash flow statement refers to stock cash and bank deposits that can be used for payment at any time. Cash equivalent refers to investment that is held for a short period, highly mobile, easily convertible into given amount of cash and unlikely to change in value.

## 10. Translation of foreign-currency transactions and foreign-currency financial statements

### 1. Translation of foreign-currency transactions

In the initial recognition of foreign currency transactions, amounts in foreign currency are translated into amounts in RMB at the spot exchange rate on the transaction date. Foreign-currency monetary items at the balance sheet date are translated with the spot exchange rate on the same date, and the exchange differences arising from different exchange rates, except for the exchange differences on the principal of and interest on special foreign-currency borrowings relating to the acquisition and setup of assets eligible for capitalization, are recognized in current gains/losses; foreign currency non-monetary items measured with historical cost are still converted based on the spot exchange rate on the transaction date, without changing its RMB amount; and for the foreign currency non-monetary items measured with fair value, conversion is made as per the spot exchange rate on the date when the fair value is defined, with the different stated as the current profits or losses or other comprehensive income.

### 2. Translation of foreign-currency financial statements

The asset items and liability items in the balance sheet adopt the exchange rate of the balance sheet date for translation; the owners' equity items adopt the exchange rate of date when the transactions occurred, except for the items of "undistributed profit"; and the revenues and expenses items in the income statements are translated by the rate similar to the spot rate on the date of transaction. Differences in translation of foreign-currency financial statements arising from the foregoing are stated as other comprehensive income.

## 11. Financial instruments

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

Financial assets are classified into the three categories at initial recognition: (1) Financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; and (3) financial assets measured at fair value through current gains/losses.

Financial liabilities are classified into four categories at initial recognition: (1) Financial liabilities measured at fair value through current gains/losses; (2) financial liabilities resulting from unqualified transfer of financial assets on derecognition or from continued involvement in the transferred financial assets; (3) financial guarantee contracts that do not fall under (1) or (2) above and loan commitments that fall out of (1) above and that are loaned out at a lower-than-market interest rate; and (4) financial liabilities measured at amortized cost.

### 2. Basis of recognition, measurement method and derecognition conditions of financial assets and financial liabilities

- (1) Basis of recognition and initial measurement of financial assets and financial liabilities

The Company recognizes an item of financial asset or financial liability at the time when it becomes one party to a contract of the financial instruments. On initial recognition, a financial asset or financial liability is measured at fair value; for financial assets and financial liabilities at fair value through current profits or losses, the related transaction costs are recognized directly in the current profits or losses; for other categories of financial assets or financial liabilities, relevant transaction costs are included in the amount of initial recognition. However, if the receivables initially recognized by the Company exclude significant financing components or if the Company does not consider any financing component in a contract of less than a year, the Company initially measures the receivables in accordance with the transaction price as defined in *Accounting Standards for Business Enterprises No. 14 -Revenue*.

## (2) Subsequent measurement of financial assets

### 1) Financial assets measured at amortized cost

Such financial liabilities are measured subsequently at amortized cost by the actual interest rate method. Profits or losses arising from financial assets measured at amortized cost that are not part of any hedging relationship are recognized in the current profits or losses when they are derecognized, reclassified, amortized by the effective interest rate method or recognized as impairment.

### 2) Investment in debt instruments measured at fair value through other comprehensive income

Such financial asset is measured subsequently at fair value. Interest, impairment losses or gains and exchange gains/losses calculated using the method of effective interest rate are recognized in the current profits or losses for the period. Upon derecognition, the cumulative profits or losses previously recognized in other comprehensive income is transferred out and recognized in current gains/losses.

### 3) Investment in equity instruments at fair value through other comprehensive income

Such financial asset is measured subsequently at fair value. Dividends received (except for those attributable to the investment costs recovered) are recognized in current gains/losses, and other profits or losses are recognized in other comprehensive income. Upon derecognition, the cumulative profits or losses previously recognized in other comprehensive income is transferred therefrom to retained earnings.

### 4) Financial assets measured at fair value through current gains/losses

Profits or losses arising from subsequent measurement at fair value, including interest and dividend income, are stated as current gains/losses unless the financial assets are part of a hedging relationship.

## (3) Subsequent measurement of financial liabilities

### 1) Financial liabilities at fair value through current gains/losses

Such financial liabilities comprise those held for trading (including derivatives that are financial liabilities) and those designated for measurement at fair value through current gains/losses. Such financial liabilities are measured subsequently at fair value. The amount of changes in the fair value of financial liabilities designated for measurement at fair value through current gains/losses arising from changes in the Company's credit risk is recognized in other comprehensive income, unless such disposal would create or enlarge the accounting mismatch in gains/losses. Other profits or losses arising from such financial liabilities (including interest cost and changes in fair value other than those arising from changes in the Company's credit risk) are recognized in current gains/losses, unless the financial liabilities are part of a hedging relationship. Upon derecognition, the cumulative profits or losses previously recognized in other comprehensive income is transferred therefrom to retained earnings.

### 2) Financial liabilities resulting from unqualified transfer of financial assets on derecognition or from continued involvement in the transferred financial assets

Such financial liabilities are measured in accordance with *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*.

### 3) Financial guarantee contracts that do not fall under (1) or (2) above and loan commitments that fall out of (1) above and that are loaned out at a lower-than-market interest rate

Subsequent measurement after initial recognition is based on, whichever is higher: (i) The amount of the provision for losses determined in accordance with the regulations on impairment of financial instruments; or (ii) difference

between the amount initially recognized minus the amount of cumulative amortization defined in accordance with *Accounting Standards for Business Enterprises No. 14 - Revenue*.

#### 4) Financial liabilities measured at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Profits or losses arising from financial liabilities measured at amortized cost and not part of any hedging relationship are recognized in the current gains/losses at the time of derecognition and amortized by effective interest method.

#### (4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized if one of the following conditions is satisfied:

(i) The contractual right to receive cash flows from financial assets is terminated;

(ii) The financial asset is transferred, and such transfer satisfies the regulations on derecognition of financial assets under *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*.

2) Where a financial liability (or a portion thereof) is discharged from a present obligation, such financial liability (or such portion thereof) is derecognized accordingly.

#### 3. Basis of recognition and measurement methods of financial assets

If the Company transfers nearly all the risks and rewards of ownership of a financial asset, such financial asset is derecognized, and the right and obligation arising from or retained in the transfer is recognized as an asset or a liability; if nearly all the risks and rewards on the ownership of a financial asset are retained, the transferred financial asset continues to be recognized. If the Company neither transfers nor retains nearly all risks and rewards on the ownership of a financial asset, the Company shall: (1) derecognize the financial asset and recognize the right and obligation arising from or retained in the transfer if it has no control over the asset; and (2) recognize the relevant financial asset and relevant financial liability by the extent of its continued involvement in the transferred financial asset if it has control over the said financial asset.

If the overall transfer of a financial asset satisfies the conditions for derecognition, the difference between (1) the book value of the transferred financial asset on the date of derecognition; and (2) the sum of the consideration from the transfer of the financial asset and the amount of derecognized portion in the accumulated changes of fair value originally stated as other comprehensive income (the financial asset involved in transfer is an investment in a debt instrument measured at fair value through other comprehensive income) is recognized in current gains/losses. Should a portion of a financial asset be transferred and such transferred portion as a whole is qualified for derecognition, the book value of such financial asset as a whole before the transfer is apportioned between the derecognized portion and the portion for continued recognition based on their respective fair value on the date of transfer; and the difference between (1) the book value of the derecognized portion and (2) the sum of the consideration for the derecognized portion and the amount of derecognized portion in the accumulated changes of fair value originally stated as other comprehensive income (the financial asset involved in transfer is an investment in a debt instrument measured at fair value through other comprehensive income) is recognized in current gains/losses.

#### 4. Methods for determining the fair value of financial assets and financial liabilities

The Company employs the appraisal technique that is applicable in current period and is supported by sufficient available data and other information to determine the fair value of financial assets and financial liabilities. The Company categorizes the inputs used in the valuation technique in the following levels and applies such inputs in a certain order:

(1) Level-1 inputs are unadjusted offers in any active market for identical assets or liabilities that are available on the measurement date;

(2) Level-2 inputs are those other than the Level-1 inputs and observable for underlying assets or liabilities, directly or indirectly, including offers for similar assets or liabilities in any active market; offers for identical or similar assets or liabilities in any inactive market; observable inputs other than offers (e.g., interest rates and yield curves observable in normal intervals of offering; and market-validated inputs;

(3) Level-3 inputs are unobservable inputs for the underlying assets or liabilities, including interest rates that are not directly observable or cannot be verified with observable market data, stock volatility, future cash flows assuming retirement obligations in a business consolidation, and financial projections with self-owned data.

#### 5. Impairment of financial instruments

The Company impairs and recognizes provisions for loss based on expected credit losses on financial assets measured at amortized cost, investments in debt instruments at fair value through other comprehensive income, contract assets, receivables from leasing, loan commitments other than those classified as financial liabilities measured at fair value through current gains/losses, and financial guarantee contracts that are not classified as financial liabilities measured at fair value through current gains/losses or financial liabilities resulting from unqualified transfer of financial assets on derecognition or from continued involvement in the transferred financial assets.

Expected credit loss refers to the weighted average of credit loss of financial instruments weighted by the risk of default. Credit loss represents the difference between all contractual cash flows discounted at the original effective interest rate and receivable under the contract and all cash flows expected to be collected, i.e., the present value of the entire cash shortfall. In particular, for any financial asset purchased or originated by the Company with credit impaired, such asset is discounted at effective interest rate upon credit adjustment.

For any financial asset purchased or originated by the Company with credit impaired, the Company recognizes only the cumulative changes in expected credit losses over the entire period of existence from initial recognition as the provision for losses on the balance sheet date.

For the receivables and contract assets that result from transactions governed by *Accounting Standards for Business Enterprises No. 14 -Revenue* and do not contain any significant financing component or for which the Company does not consider a financing component in any contract of no more than a year, the Company applies a simplified measurement method to measure the provision for losses at an amount equivalent to the expected credit losses over the entire period of existence.

For any financial asset other than those measured by the above-mentioned methods, the Company evaluates on each balance sheet date whether the credit risk of such asset sees significant increase after initial recognition. If the credit risk has increased significantly since initial recognition, the Company measures the provision for losses based on the amount of expected credit losses over the entire period of existence; if not, the Company measures the provision for losses based on the amount of expected credit losses of such financial instrument over the next 12 months.

The Company uses reasonably available and supportable information, including forward-looking information, to determine whether the credit risk of a financial instrument sees significant increase after initial recognition by comparing the risk of default of the said financial instrument on the balance sheet date with the risk of default on the date of initial recognition.

On the balance sheet date, if the Company believes that a financial instrument features a low credit risk, it shall be assumed that its credit risk has not increased significantly since initial recognition.

The Company evaluates expected credit risks and measures expected credit losses based on a single financial instrument or a portfolio of financial instruments. Where a portfolio of financial instruments is applied, the Company classifies financial instruments into portfolios based on common risk features.

The Company remeasures expected credit losses on each balance sheet date, from which the amount increased or reversed from the provision for losses resulted is recognized as impairment profits or losses in current gains/losses. For any financial asset measured at amortized cost, the provision for losses is offset against the book value of such financial asset as stated in the balance sheet; for any debt investment measured at fair value through other comprehensive income, the Company recognizes its provision for losses in other comprehensive income, without offsetting the book value of the financial asset.

#### 6. Offset between financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not mutually offset. However, where both of the following conditions are met, the financial assets and financial liabilities will be presented in the balance sheet with the net amount after mutual offset: (1) The Company has the legal right to offset the recognized amount, which is executable for; and (2) the Company plans to make settlement in net amount, or realizes the financial assets and settles the financial liabilities simultaneously.

When a financial asset is transferred without satisfying the conditions for derecognition, the Company does offset such transferred financial asset and related liabilities.

## 12. Notes receivable

The Company refers to the historical credit loss and combines the current situation and the projections of future economic situation, in a bid to calculate the expected credit loss based on the default risk exposure and the expected credit loss rate of the whole duration.

## 13. Accounts receivables

### 1. Accounts receivable and contract assets with expected credit losses measured on a portfolio basis

Category	Basis for portfolio determination	Methods to measure expected credit losses
Receivables - Ageing combination	Ageing	The Company refers to the historical credit loss, combines the current situation and the projections of future economic situation, and prepares a comparison table between the ageing of accounts receivables and expected credit loss rate, in a bid to calculate the expected credit loss
Other receivables - Ageing combination	Ageing	The Company refers to the historical credit loss, combines the current situation and the projections of future economic situation, and prepares a comparison table between the ageing of other receivables and expected credit loss rate, in a bid to calculate the expected credit loss
Other receivables - Portfolio of receivables from connected parties with consolidated scope	Receivables from and payables to connected parties within the consolidation scope	The Company calculates expected credit losses by reference to historical credit loss, taking into current conditions and projections of future economic conditions through default exposures and expected credit loss rate over the entire period of existence.
Prepayments - Ageing combination	Ageing	The Company refers to the historical credit loss, combines the current situation and the projections of future economic situation, and prepares a comparison table between the ageing of prepayments and expected credit loss rate, in a bid to calculate the expected credit loss

### 2. The comparison table between the ageing of accounts receivables and expected credit loss rate

Ageing	Accounts receivable Expected credit loss rate (%)	Other receivables Expected credit loss rate (%)	Advances paid Expected credit loss rate (%)
Within one year (inclusive, the same below)	5	5	5
1-2 years	10	10	10
2-3 years	20	20	20
3-4 years	30	30	30
4-5 years	50	50	50

Ageing	Accounts receivable Expected credit loss rate (%)	Other receivables Expected credit loss rate (%)	Advances paid Expected credit loss rate (%)
More than 5 years	100	100	100

The aging of accounts receivable/other receivables/prepayments starts from the month in which the payment actually occurs.

3. Identification standards for accounts receivable and contract assets with expected credit losses measured on a single item basis

For accounts receivable and contract assets whose credit risk is significantly different from the portfolio credit risk, the Company measures expected credit losses on a single item basis.

#### 14. Contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the fulfillment of performance obligations and clients' payment. The contractual assets and liabilities under the same contract are shown on a net basis after mutual offset.

The Company presents the right to receive consideration from a client that it owns unconditionally (i.e., depending only on the passage of time) as a receivable and the right to receive consideration for a commodity transferred to a client (depending on any factor other than the passage of time) as a contract asset.

#### 15. Inventory

##### 1. Category of inventories

Inventories include finished products or commodities held for sale in daily operations, or work in progress, or materials and supplies to be consumed in production or provision of labor.

##### 2. Method for appraising outgoing inventories

The Company appraises outgoing inventories with weighted-average system at the end of the month.

##### 3. Stocktaking system of inventories

Stocktaking is based on perpetual inventory system.

##### 4. Amortization of low-value consumables and packages

###### (1) Low-value consumables

Low-value consumables are amortized by lump sum.

###### (2) Packages

Low-value consumables are amortized by lump sum.

##### 5. Provision for decline in value of inventories

Recognition criteria and accrual method for provision for decline in value of inventories

Inventories are valued at lower of cost and NRV (net realizable value) at the balance sheet date, and the provision for decline in value of inventories are made based on the difference between cost and NRV. The net realizable value of an inventory directly for sale is determined in the normal production and operation by its estimated selling price minus estimated selling expense(s) and related tax (es); and that of an inventory requiring processing is determined in normal production and operation by the estimated selling price of the finished product minus estimated cost(s) to incur by the time of completion, estimated selling expense (s) and related tax (es). In case the price of part of an inventory is specified in the contract but that of the other parts is not specified in the contract by the balance sheet date, their net realizable values are determined separately and compared with their corresponding costs in order to determine the amount for withdrawal or reversal of provision for inventory depreciation.

## 16. Assets held for sale

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

The Company classifies non-current assets or disposal groups as held for sale where both of the following conditions are satisfied: (1) The sale is imminent under current conditions based on the common practice of selling such assets or disposal groups in similar transactions; and (2) the sale is highly possible, i.e., the Company has resolved on a plan for the sale and obtained a firm commitment to purchase, and the sale is expected to be completed within one year.

Non-current assets or disposal groups acquired by the Company for the sole purpose of resale are classified as held for sale on the date of acquisition if, on the date of acquisition, the condition that "the sale is expected to be completed within one year" is satisfied and other conditions for classification as held for sale are also likely to be satisfied within a short period of time (normally three months).

If any transaction between or among unconnected parties fails to be completed within one year for any of the following reasons beyond the control of the Company, and the Company remains committed to selling the non-current assets or disposal groups, such assets or groups will continue to be classified as held for sale: (1) The buyer or any other party unexpectedly sets conditions that result in a delay in the sale, and the Company has acted on those conditions in a timely manner and expects to successfully resolve the delay within one year upon the setting; (2) any rare event occurs that causes the sale of the non-current assets or disposal groups held for sale not to be completed within one year, and the Company has addressed such event within the initial year, for which the conditions for classification of those held for sale have been satisfied.

### 2. Accounting method for non-current assets or disposal groups held for sale

#### (1) Initial measurement and subsequent measurement

At the initial measurement of and remeasurement on balance sheet date of non-current assets or disposal groups held for sale, if the book value is higher than the fair value less costs to sell, the book value is written down to a net amount of fair value less costs to sell, and the amount of write-down is stated as an impairment loss on the assets through current gains/losses and a provision for impairment of the assets held for sale is withdrawn.

Non-current assets or disposal groups classified as held for sale on the date of acquisition measured at whichever is lower, amount of initial measurement that would have been determined assuming that they were not classified as held for sale or the net amount of fair value less costs to sell. Except for the non-current assets or disposal groups acquired in a business consolidation, the difference arising from the initial measurement of a non-current asset or disposal group at fair value less costs to sell is recognized in current gains/losses.

The amount of asset impairment loss recognized for a disposal group held for sale is offset against the book value of goodwill in the disposal group and then against the book value of each non-current asset on a pro rata basis by its proportion in the disposal group.

Non-current assets held for sale or in the disposal groups shall not be depreciated or amortized, and interest and other expenses of liabilities in the disposal groups held for sale shall be recognized.

#### (2) Accounting method for reversal of assets impairment loss

If the net amount of the fair value of non-current assets held for sale after subtracting the selling expense increases at subsequent balance sheet dates, the amount previously written down shall be restored. Moreover, the amount of assets impairment loss recognized after non-current assets are classified as held for sale shall be reversed and recorded in profit or loss for the current period. The assets impairment loss recognized before non-current assets are classified as held for sale shall not be reversed.

If the net amount of the fair value of disposal groups held for sale after subtracting the selling expense increases at subsequent balance sheet dates, the amount previously written down shall be restored. Moreover, the amount of assets impairment loss recognized after non-current assets are classified as held for sale shall be reversed and recorded in profit or loss for the current period. The book value of goodwill that has been written off and the assets impairment loss recognized before non-current assets are classified as held for sale shall not be reversed.

For the subsequently reversed amount of the asset impairment loss recognized on disposal groups held for sale, the book value shall be increased based on the proportion of the book value of each non-current asset except goodwill in the disposal group.

### (3) Discontinued classification as held for sale and derecognition

When non-current assets or disposal groups are no longer classified as held for sale because they do not meet the corresponding conditions or non-current assets are removed from disposal groups held for sale, they shall be measured at the lower of the following: 1) the book value before being classified as held for sale, adjusted for depreciation, amortization or impairment that would have been recognized had they not been classified as held for sale; 2) the recoverable amount.

At the time of derecognition of non-current assets or disposal groups held for sale, the unrecognized profits or losses shall be recorded in profit or loss for the current period.

### 3. Recognition criteria for discontinued operations

A separately distinguishable component that has been disposed of or is held for sale and meets one of the following conditions is recognized as a discontinued operation:

- (1) The component represents an independent main business or an independent main business area;
- (2) The component is part of a plan concerning the proposed disposal of an independent main business or an independent main business area;
- (3) This component is a subsidiary acquired exclusively for resale.

### 4. Presentation method for discontinued operations

The Company presents the profit or loss from continuing operations and the profit or loss from discontinued operations separately in the income statement. Operating profit or loss and profit or loss from disposal such as the impairment loss and the reversed amount from discontinued operations are reported as profit or loss from discontinued operations. For the discontinued operations reported in the current period, the data originally presented as the profit or loss from continuing operations shall be re-presented as the profit or loss from discontinued operations for the comparable period in the current financial statements. If the discontinued operation no longer meets the criteria to be classified as held for sale, the data originally presented as the profit or loss from discontinued operations shall be re-presented as the profit or loss from continuing operations for the comparable period in the current financial statements.

## 17. Long-term equity investments

### 1. Recognition of joint control and significant influence

Joint control refers to the shared control over an arrangement, regarding which activities can be decided on only with the unanimous consent of the parties sharing control, as agreed upon. Significant influence refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies.

### 2. Determination of investment cost

(1) For business combination under common control, where long-term equity investments are obtained by cash paid, non-Monetary funds paid, assumed liabilities or equity securities issued as consideration by the combining party, on the combination date, the initial investment cost shall be taken as the share of the owner's equity of the combined party at book value in the final control party's consolidated financial statements. According to the difference between the initial investment cost of long-term equity investments and the book value of the consideration paid or the aggregate nominal value of shares issued, capital reserve shall be written down. If the capital reserve is not sufficient to be written down, then the retained earnings shall be written down.

For long-term equity investments resulting from business combinations involving entities under common control, which are achieved step by step in multiple transactions, the Company will assess whether these transactions constitute a "package deal". Each of these transactions shall be accounted for as a transaction for acquisition of control if they constitute a "package deal". Otherwise, the initial investment cost shall be recognized on the combination date according to the share of the combined party's net assets to be acquired after combination at book

value in the final control party's consolidated financial statements. According to the difference between the initial investment cost of long-term equity investments on the combination date and the sum of the book value of long-term equity investments before combination plus the book value of the consideration paid for further acquisition of shares on the combination date, capital reserve shall be written down. If the capital reserve is not sufficient to be written down, then the retained earnings shall be written down.

(2) For business combination not under common control, on the combination date, the initial investment cost of long-term equity investments shall be taken as the fair value of the consideration paid.

For long-term equity investments resulting from business combinations involving entities not under common control, which are achieved step by step in multiple transactions, different approaches in accounting method are adopted for individual financial statements and consolidated financial statements as follows:

1) For individual financial statements, the initial investment cost is calculated as the sum of the book value of investments in equity originally held plus the additional investment cost using the cost method.

2) For consolidated financial statements, whether these transactions constitute a "package deal" will be assessed. Each of these transactions shall be accounted for as a transaction for acquisition of control if they constitute a "package deal". For transactions do not constitute a "package deal", the target entity's equity held before the purchase date shall be remeasured at the fair value of the equity on the purchase date, and the difference between the fair value and book value of the equity shall be recorded in investment income for the current period; if the target entity's equity held before the purchase date involves other comprehensive income accounted with the equity method, other comprehensive income associated, except when arising from the changes due to remeasurement of net liabilities or net assets of defined benefit plan by the investor, shall be transferred to income for the current period on the purchase date.

(3) Other long-term equity investments not resulting from business combination: For long-term equity investments obtained by cash paid, the initial investment cost shall be the amount actually paid. For those obtained by equity securities issued, the initial investment cost shall be the fair value of equity securities issued. For those obtained by debt restructuring, the initial investment cost shall be recognized according to *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*. For those obtained by the exchange of non-Monetary funds, the initial investment cost shall be recognized according to *Accounting Standards for Business Enterprises No. 7 Exchange of Non-Monetary funds*.

### 3. Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, long-term equity investments are accounted for using the cost method. Long-term equity investments in associates and joint ventures are accounted for using the equity method.

### 4. Accounting method for disposal of investments in subsidiaries step by step in multiple transactions and loss of control

#### (1) Judgment principles of whether the transactions constitute a "package deal"

Where the equity investment in a subsidiary is disposed of step by step through multiple transactions until it loses control, the Company shall judge whether the transactions constitute a "package deal" based on information including the terms of the transaction agreement, the consideration of disposal obtained, the object of the sale of the equity, the method of disposal, and the time of disposal for each step of the step-by-step transaction. The multiple transactions constitute a "package deal" when the terms, conditions and economic impacts of the multiple transactions meet the following one or more conditions:

- 1) These transactions are entered into at the same time or after considering their impacts on each other;
- 2) These transactions as a whole may reach a complete business result;
- 3) The occurrence of a transaction depends on at least the occurrence of another transaction;
- 4) An individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions.

#### (2) Accounting methods do not constitute a "package deal"

### (1) Individual financial statements

For the equity to be disposed of, the difference between its book value and the actual acquisition price shall be recorded in profit or loss for the current period. The residual equity which still has a significant influence on the investee or for which joint control is exercised over the investee shall be accounted for using the equity method. If no control or joint control is exercised over the investee or there is no significant influence on the investee, the accounting method shall be subject to *Accounting Standards for Business Enterprises No. 22 Recognition and Measurement of Financial Instruments*.

### (2) Consolidated financial statements

Prior to the loss of control, according to the difference between the disposal price and the share of long-term equity investments disposed of in the net assets of subsidiaries to be held and continuously calculated from the combination date, capital reserve (capital premium) shall be written down. If the capital reserve is not sufficient to be written down, then the retained earnings shall be written down.

For the loss of control over former subsidiaries, the residual equity shall be remeasured at the fair value on the date of such loss. The difference between the sum of the consideration received from the disposal of the equity plus the fair value of the residual equity and the share of former subsidiaries' net assets to be held and continuously calculated from the combination date based on the shareholding ratio shall be recorded in investment income for the current period in which the loss of control occurs, and goodwill shall be written down. Other comprehensive income related to equity investments in former subsidiaries shall be transferred to investment income for the current period at the time of the loss of control.

### (3) Accounting methods constitute a "package deal"

#### (1) Individual financial statements

Each of these transactions shall be accounted for as a transaction relating to disposal of investments in subsidiaries and loss of control. However, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposal investment shall be recognized as other comprehensive income in individual financial statements prior to the loss of control and, at the time of the loss of control, transferred to profit or loss for the current period in which the loss of control occurs.

#### (2) Consolidated financial statements

Each of these transactions shall be accounted for as a transaction relating to disposal of investments in subsidiaries and loss of control. However, the difference between the disposal price and the share of investments disposed of in the net assets of subsidiaries to be held shall be recognized as other comprehensive income in consolidated financial statements prior to the loss of control and, at the time of the loss of control, transferred to profit or loss for the current period in which the loss of control occurs.

## 18. Investment properties

Measurement model of investment properties

Cost model

Method of depreciation or amortization

1. Investment properties include land use rights leased out, land use rights held and to be transferred after appreciation and buildings leased out.
2. Investment properties are measured initially at cost and subsequently using the cost model and depreciated or amortized in the same way as fixed assets and intangible assets.

## 19. Fixed assets

### (1) Recognition criteria

Fixed assets refer to tangible assets held for the purpose of commodity production, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets shall be recognized when economic benefits are likely to flow in and costs can be measured reliably.

**(2) Depreciation method**

Category	Depreciation method	Depreciable life	Residual rate	Annual depreciation rate
Buildings	Straight-line method	20-25 years	0%, 5%	5.00%-3.80%
General equipment	Straight-line method	3-10 years	0%, 10%	33.33%-9.00%
Special equipment	Straight-line method	5-15 years	0%, 10%	20.00%-6.00%
Transportation facilities	Straight-line method	4-10 years	5%, 10%	23.75%-9.00%

**20. Construction in progress**

1. The construction in progress shall be recognized when the economic benefits are likely to flow to the Company, and the cost can be measured reliably. The construction in progress is measured at the actual cost incurred before it is ready for its intended use.

2. The construction in progress shall be transferred to fixed assets at actual cost when it is ready for its intended use. It shall be transferred to fixed assets at estimated value when it is ready for its intended use but the final settlement of account has not been finished. The estimated value shall be adjusted according to the actual cost after the final settlement of account, while the accrued depreciation shall not be adjusted.

Category	The standard and time node for the construction in progress to be transferred to fixed assets
Machinery and equipment	The machinery and equipment meet the design requirements or the standards stipulated in the contract
Buildings	(1) The substantial construction, including installation, has been finished completely or substantially; (2) The amount of continuing disbursements for the houses and buildings under acquisition and construction is very small, or nearly no such disbursement incurs; (3) The houses and buildings under acquisition and construction have met the design or contract requirements, or are basically in compliance with the design or contract requirements; (4) If the final settlement of account has not been completed while the construction project reaching the designed usable conditions, the construction project shall be transferred to fixed assets using estimated value based on the actual cost of the project from the date of reaching the expected usable state

**21. Borrowing costs****1. Recognition criteria for capitalization of borrowing costs**

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred.

**2. Capitalization period of borrowing costs**

(1) Borrowing costs can only begin to be capitalized if the following three conditions are all met simultaneously: 1) The expenditures to acquire assets have been incurred; 2) The borrowing costs have been incurred; 3) The acquisition, construction or production activities to make the asset ready for its intended use or sale have begun.

(2) If the acquisition, construction or production of assets that meet the conditions for capitalization is suspended abnormally, and the suspension lasts for more than 3 months, the capitalization of borrowing costs will be suspended. The borrowing costs incurred during the suspension period will be recognized as current expenses until the acquisition, construction or production of such assets is resumed.

(3) When the acquired, constructed or produced asset that meets the conditions for capitalization is ready for its intended use or sale, the capitalization of borrowing costs will be stopped.

### 3. Capitalization rate and capitalized amount of borrowing costs

If a special loan is borrowed for the acquisition, construction or production of assets that meet the capitalization conditions, the amount of interest expenses (including amortization of discounts or premiums determined using the effective interest method) actually incurred in the current period of the special loan shall be recognized as the interest amount to be capitalized after deduction of the interest income obtained by depositing the unused loan funds in the bank or the income from temporary investment. If general borrowings are occupied for the purpose of acquisition, construction or production of assets that meet the capitalization conditions, the Company shall calculate and determine the amount of interest of general borrowings to be capitalized based on the weighted average value of asset expenditures over which the accumulated asset expenditure exceeds the special borrowings multiplied by the capitalization rate of the occupied general borrowings.

## 22. Intangible assets

### (1) Useful life and the basis for determination, estimates, amortization method or review process thereof

1. Intangible assets include land ownership, land use rights, patent rights, trademark rights, proprietary technologies, Management software and emission rights and are initially measured at cost.

2. Intangible assets with limited useful lives shall be systematically and reasonably amortized during their useful lives according to the expected realization mode of economic benefits relating to such assets, and where the expected realization mode cannot be reliably determined, the assets shall be amortized using the straight-line method. The details are listed below:

Item	Useful life and basis for determination	Amortization method
Land use rights	50 or 30 years, referring to the years of land available for use	Straight Line Method
Patent rights	10 years, referring to the years that it can bring economic benefits to the Company	Straight Line Method
Trademark rights	10 years, referring to the years that it can bring economic benefits to the Company	Straight Line Method
Proprietary technologies	5 years, referring to the years that it can bring economic benefits to the Company	Straight Line Method
Management software	3-10 years, referring to the years that it can bring economic benefits to the Company	Straight Line Method
Emission rights	10 years, referring to the years that it can bring economic benefits to the Company	Straight Line Method

The Company does not amortize intangible assets with indefinite useful lives, and the Company reviews the United States lives of these intangible assets in each accounting period. For intangible assets with indefinite useful life, the assessment basis for indefinite useful life is that the period to bring future economic benefits to the Company is unforeseeable. The Company's intangible assets with indefinite useful life are land ownership.

### (2) Adscription ranges of expenditures on research and development and relevant accounting method

#### (1) Personnel and labor costs

Personnel and labor costs cover the wages and salaries of the Company's R&D personnel, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, maternity insurance premiums and housing provident funds, as well as labor costs for external R&D personnel.

For R&D personnel serving multiple R&D projects at the same time, the labor costs are confirmed based on the working hours records of the R&D personnel of each R&D project provided by the Management department of the Company, and are distributed among different R&D projects on a proportional basis.

For personnel directly engaged in R&D activities and external R&D personnel engaged in non-R&D activities at the same time, the Company will distribute the actual personnel and labor costs incurred among R&D expenses and production and operation expenses based on working hours records of R&D personnel in different positions by adopting reasonable methods such as the proportion of actual working hours.

#### (2) Direct investment costs

Direct investment costs refer to the relevant expenses actually incurred by the Company for the implementation of R&D activities, including: 1) the cost of materials, fuel and power directly consumed; 2) the development and manufacturing cost of molds and process equipment for intermediate testing and trial production, the purchase cost of samples, prototypes and general testing methods that do not constitute fixed assets, and the inspection cost of trial products; 3) the operation and maintenance, adjustment, inspection, testing and overhaul of instruments and equipment for R&D activities.

#### (3) Depreciation expense and long-term deferred expenses

Depreciation expense represents the depreciation expense of instruments, equipment and buildings in use used in R&D activities.

For instruments, equipment and buildings in use used both in R&D activities and non-R&D activities, the necessary records shall be kept on the United States of such instruments, equipment and buildings in use, and the actual depreciation expense incurred is allocated between R&D expenses and production and operating expenses by reasonable methods, with reference to factors such as actual working hours and usable area.

Long-term deferred expenses represent the long-term deferred expenses in the process of reconstruction, modification, decoration and repair of R&D facilities, which are aggregated according to actual expenditures and amortized in equal instalments over a specified period of time.

#### (4) Amortization expense of intangible assets

Amortization expense of intangible assets represents the amortization expense of software, intellectual property rights and non-patented technologies (proprietary technology, licenses, designs, computational methods, etc.) used in R&D activities.

#### (5) Design expense

Design expense refers to expense incurred in the conception, development and manufacture of new products and processes and design of processes, technical specifications, protocols, operational characteristics, etc., including costs related to creative design activities carried out for developing innovative, creative and breakthrough products.

#### (6) Commissioning expense and test expense of equipment

Commissioning expense refers to expense incurred for R&D activities in the preparation of tooling process, including expense incurred for activities such as the development of special and dedicated production machines, changes in production and quality control procedures, or the formulation of new methods and standards.

Expense incurred for routine preparation for the tooling process and industrial engineering for large-scale batch production and commercial production are not included in the aggregation scope.

Test expense includes clinical trial expense for the development of new drugs, field test expense for exploration and development technologies, and field trial expense.

#### (7) Expense for commissioned external R&D

Expense for commissioned external R&D refers to expenses incurred by the Company for R&D activities entrusted to other organizations or individuals inside or outside the country (the results of the R&D activities are owned by the Company and are closely related to the Company's main business).

#### (8) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to the R&D activities, including information costs for technical books, data translation fees, expert consultation fees, high-tech research and development insurance premiums, search, demonstration, review, appraisal and acceptance fees of R&D results,

intellectual property rights application fees, registration fees, agency fees, conference fees, travel costs, communication fees, etc.

4. Expenditures for the research phase of internal R&D projects are recognized in the profit and loss for the current period when incurred. Expenditures incurred during the development phase of internal research and development projects shall be recognized as intangible assets if the following conditions are all met simultaneously: (1) It is technically feasible to complete the intangible asset so that it can be used or sold; (2) There is intention to complete the intangible asset for use or sales; (3) The methods for intangible assets to generate economic benefits are useful, and there is a potential market for the products manufactured by applying the intangible assets or for the intangible assets themselves (for intangible assets to be used internally, the usefulness can be proved); (4) Adequate technical, financial and other resources are available to finish the development of the intangible assets and use or sell the intangible assets; (5) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

### **23. Long-term assets impairment**

For long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with limited useful lives and other long-term assets, where there are indications of impairment at the balance sheet date, the recoverable amount shall be estimated. For goodwill arising from a business combination or intangible assets with indefinite useful lives, regardless of whether there are indications of impairment, an impairment test shall be conducted every year. Goodwill shall, together with the related asset group or combination of asset groups, be subject to the impairment test.

If the recoverable amount of any of the above-mentioned long-term assets is lower than its book value, the provision for assets impairment shall be recognized according to the difference and recorded in profit or loss for the current period.

### **24. Long-term deferred expenses**

Long-term amortized expenses refer to expenses that have been paid and whose amortization period is more than 1 year (excluding 1 year). Long-term amortized expenses are recorded at the actual amounts incurred and amortized evenly over the benefit period or specified period. If a long-term amortized expense item does not bring benefits over the subsequent accounting periods, the amortized value of the item that has not been amortized shall be fully transferred to profit or loss for the current period.

### **25. Contractual liabilities**

The obligation to transfer goods to a client, for which consideration has been received or is receivable from the client, is shown as a contractual liability.

### **26. Employee benefits**

#### **(1) Accounting method of short-term employee benefits**

In the accounting period in which employees have rendered services, the Company recognizes the short-term employee benefits actually incurred as a liability and charges to profit or loss for the current period or the cost of related assets.

#### **(2) Accounting method of post-employment benefits**

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

(1) During the accounting period in which employees have rendered services, the Company recognizes the contributions to be paid according to the defined contribution plans as a liability and charges to profit or loss for the current period or the cost of related assets.

(2) The accounting method of defined benefit plans generally covers the following steps:

1) It is necessary to use unbiased and mutually compatible actuarial assumptions based on the projected unit credit method to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plans and determine the periods to which the obligations are attributable. Furthermore, the obligations under the defined benefit plans shall be discounted to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the deficit or surplus by deducting the present value of the defined benefit plan obligations from the fair value of the defined benefit plan assets shall be recognized as a net liability or net asset of the defined benefit plan. The net asset of the defined benefit plan shall be measured at the lower of the surplus in the defined benefit plan and the asset ceiling.

3) At the end of the period, the employee benefit costs arising from defined benefit plans shall be recognized as the cost of service, the net interest on net liabilities or assets of defined benefit plans and the changes resulting from the remeasurement of net liabilities or assets of defined benefit plans. The cost of service and the net interest on net liabilities or assets of defined benefit plans are recorded in profit or loss for the current period or the cost of related assets, while the changes resulting from the remeasurement of net liabilities or assets of defined benefit plans are included in other comprehensive income and shall not be transferred back to profit or loss in subsequent accounting periods. However, the amounts recognized as other comprehensive income may be transferred within the scope of equity.

### **(3) Accounting method of termination benefits**

Termination benefits provided to employees are recognized as an employee benefit liability and charged to profit or loss for the current period at the earlier of the following dates: (1) The Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; (2) The Company recognizes costs or expenses related to the reconstructing that involves the payment of termination benefits.

### **(4) Accounting method of other long-term employee benefits**

Other long-term employee benefits provided to employees are accounted for in accordance with the requirements relating to defined contribution plans if the conditions for classifying as a defined contribution plan are met and otherwise are accounted for in accordance with the requirements relating to defined benefit plans. To simplify the relevant accounting method process, the employee benefit costs incurred are recognized as the cost of service, the net interest on net liabilities or assets of other long-term employee benefits and the changes resulting from the remeasurement of net liabilities or assets of other long-term employee benefits. The total net amount is included in profit or loss for the current period or the cost of related assets.

## **27. Estimated liabilities**

1. The Company recognizes an obligation arising from the provision of external guarantees, litigation matters, product quality assurance, loss contract, and other contingencies as a present obligation of the Company when it is probable that the performance of the obligation will result in an outflow of economic benefits from the Company and the amount of the obligation can be measured reliably, as a provision for liabilities.

2. The Company initially measures the provision for liabilities based on the best estimate of the expenditures required to meet the relevant present obligations and reviews the carrying amount of the provision for liabilities at the balance sheet date.

## **28. Share-based payment**

### **1. Types of share-based payments**

Include equity-settled share-based payments and cash-settled share-based payments.

### **2. Accounting for the implementation, modification and termination of share-based payment plans**

#### **(1) Equity-settled share-based payments**

Equity-settled share-based payments in exchange for staff services that are immediately available upon grant are included in the related costs or expenses at the fair value of the equity instruments at the date of grant, with a corresponding adjustment to the capital reserve. Equity-settled share-based payments in exchange for staff services that are contingent upon completion of services in the waiting period or satisfaction of specified performance conditions, the services received in the present period are included in the related costs or expenses at fair value on the date of grant of the equity instruments, based on the best estimate of the number of contingent equity instruments, at each balance sheet date in the waiting period, with a corresponding adjustment to the capital reserve.

Equity-settled share-based payments in exchange for services rendered by other parties, if the fair value of the services rendered by the other parties can be measured reliably, is measured at the fair value of the services rendered

by the other party at the acquisition date; If the fair value of the services provided by other parties cannot be reliably measured, but the fair value of the equity instrument can be reliably measured, it is measured at the fair value of the equity instrument at the date when the services are obtained and included in the related cost or expense, with a corresponding increase in owner's equity.

## (2) Cash-settled share-based payments

Cash-settled share-based payments in exchange for staff services that are immediately available after the grant are included in the related costs or expenses at the date of grant at the fair value of the liability assumed by the Company, with a corresponding increase in the liability. Cash-settled share-based payments in exchange for staff services that are contingent upon the completion of services in the waiting period or satisfaction of specified performance conditions, are included in the related costs or expenses and the corresponding liabilities for services rendered in the present period at the fair value of the liabilities assumed by the Company on the basis of the best estimate of the right to perform at each balance sheet date during the waiting period.

## (3) Amending or terminating the Share-based Payment Plan

If the modification increases the fair value of the equity instruments granted, the Company recognizes an increase in services received in response to the increase in fair value of the equity instruments; If the modification increases the number of equity instruments granted, the Company recognizes the fair value of the increased equity instruments as an increase in access to services accordingly; If the Company modifies the vesting conditions in a manner beneficial to the employees, the Company considers the modified vesting conditions when dealing with the vesting conditions.

If the modification reduces the fair value of the equity instruments granted, the Company continues to recognize the amount of services received based on the fair value of the equity instruments at the date of grant, irrespective of the decrease in fair value of the equity instruments; If the modification reduces the number of equity instruments granted, the Company treats the reduction as a cancellation of the equity instruments granted; If the vesting condition is modified in a manner detrimental to the employees, the modified vesting condition is not considered when dealing with the vesting condition.

If the Company cancels an equity instrument granted or settles an equity instrument granted within the waiting period (unless canceled because the vesting condition is not met), the cancellation or settlement is treated as an accelerated vesting, immediately recognizing the amount that would have been recognized within the remaining waiting period.

## 29. Revenue

Disclosure of accounting policies used in revenue recognition and measurement by business type

### 1. Revenue recognition principle

At the commencement date of a contract, the Company performs an assessment of the contract, identifies the individual performance obligation contained in the contract, and determines whether the individual performance obligation is performed within a certain period of time or at a certain point in time.

A performance obligation is satisfied within a certain period of time when one of the following conditions is met; otherwise, the performance obligation is satisfied at a certain point in time: (1) the client obtains and consumes the economic benefits brought by the performance of the Company while the Company performs; (2) the client is able to control the goods under construction during the performance of the Company; (3) Commodities produced in the course of the Company's performance have an irreplaceable use and the Company is entitled to collect payments for the part of performance that has been completed so far during the entire contract period.

For performance obligations performed over a period of time, the Company recognizes revenue based on the progress of the performance over that period of time. When the performance progress cannot be reasonably determined, if the costs incurred are expected to be compensated, revenue is recognized based on the amount of costs incurred until the performance progress can be reasonably determined. For performance obligations performed at a certain point in time, revenue is recognized at the point in time when the client obtains control of the related goods or services. In determining whether the client has obtained control of the commodity, the Company considers the following indicators: (1) the Company has a present collection right in respect of the commodity, i.e. the client has a present payment obligation in respect of the commodity; (2) the Company has transferred the legal ownership of the commodity to the client, i.e. the client has owned the legal ownership of the commodity; (3) The Company

has physically transferred the commodity to the client, i.e. the client has physically occupied the commodity; (4) the Company has transferred the principal risks and rewards of ownership of the commodity to the client, i.e. the client has obtained the principal risks and rewards of ownership of the commodity; (5) the client has accepted the commodity; (6) Other indicators that the client has obtained control of the commodity.

## 2. Revenue measurement principles

(1) The Company measures revenue at the transaction price allocated to the individual performance obligation. The transaction price is the amount of consideration to which the Company is expected to be entitled to collect for the transfer of goods or services to the client, excluding amounts received on behalf of third parties and amounts expected to be returned to the client.

(2) Where there is a variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the amount that is most likely to occur, but the transaction price that contains the variable consideration does not exceed the amount by which it is highly probable that a significant reversal of the cumulative revenue recognized will not occur when the relevant uncertainty is eliminated.

(3) Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable that is assumed to be paid in cash when the client obtains control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest method over the contract period. At the commencement date of the contract, if the Company expects the client to obtain control of the goods or services within one year of the customer paying the price, it does not consider the significant financing component in the contract.

(4) If the contract contains two or more performance obligations, the Company shall, on the commencement date of the contract, allocate the transaction price to the individual performance obligation based on the relative proportion of the individual selling prices of the commodities promised by the individual performance obligation.

## 3. Specific methods of revenue recognition

Sales of products such as the Company's Hand Tools, Power Tools, Laser Measurement and Storage are performance obligations performed at a certain point in time, and revenue from domestic sales is recognized when the Company delivers the product to the contractually agreed place of delivery and the client confirms acceptance, has received the price or has the right to receive the payment and the related economic benefits are likely to flow in. Export revenue is recognized when the Company has declared the product in accordance with the contract, obtained a bill of lading or arrived at the destination specified by the client and the client confirms the acceptance, has received the payment for goods or has obtained the right to receive payment and the related economic benefits are likely to flow in.

Similar businesses adopt different business models and involve different revenue recognition and measurement methods

## 30. Contract cost

Incremental costs of the Company to acquire a contract that are expected to be recovered are recognized as an asset as contract acquisition cost. If contract acquisition cost is amortized over a period not exceeding one year, such costs are recognized directly in current gains/losses when incurred.

Costs of the Company for the performance of a contract, which fall out of the scope of regulation on standards about inventories, fixed assets, or intangible assets and fall in the following conditions, are recognized as an asset as contract performance cost:

1. Such cost is directly related to a current contract or a contract expected to be awarded, including the cost on direct labor, direct materials, manufacturing expense (or similar cost), cost explicitly attributable to a client and any other cost incurred solely as a result of contract;
2. Such cost increases the resources available to the Company to fulfil its performance obligations in the future; and
3. Such cost is expected to be recovered.

The Company amortizes assets related to contract costs on the same basis as income recognition for the commodities or services to which the asset connects through current gains/losses.

If the book value of an asset related to contract costs is greater than the remaining consideration expected to be received for the transfer of commodities or services related to the asset, less estimated costs estimated to be incurred, the Company withdraws a provision for impairment and recognizes an asset impairment loss for the excess. If, as a result of subsequent changes to the factors to impair the asset in a previous period, the residual consideration expected to be received for the transfer of the commodities or services on the asset, less estimated costs to be incurred, is greater than the book value of the asset, the original provision for impairment of the asset is reversed and stated as current gains/losses, provided that the book value of the asset after the reversal is no greater than what the asset would have been had no provision for impairment been withdrawn by the date of the reversal.

### **31. Government grants**

1. A government grant is recognized when both of the following conditions are met: (1) the Company is able to meet the conditions attached to the government grant; (2) The Company is able to receive government grants. Where government grants are monetary funds, they are measured at the amount received or receivable. Government grants that are non-Monetary funds are measured at fair value; Where the fair value cannot be reliably obtained, it is measured at the nominal amount.

2. Basis for judging government grants related to assets and accounting methods

Government documents provide that government grants used to purchase, build or otherwise forming long-term assets are classified as government grants related to the assets. If the government documents are not clear, the judgment shall be based on the basic conditions necessary to obtain the grant, and the government grant whose basic conditions are to purchase, build or otherwise form long-term assets shall be deemed as the government grant related to the asset. Government grants relating to assets offset against the carrying amount of the related assets or are recognized as deferred income. Where government grants relating to assets are recognized as deferred income, they are credited to profit or loss over the United States life of the relevant assets in a reasonable and systematic manner. Government grants measured at nominal amounts are credited directly to profit or loss for the current period. Where the relevant asset is sold, transferred, scrapped or damaged before the end of its useful life, the undistributed balance of the relevant deferred income is transferred to the profit or loss of the current period in which the asset is disposed of.

3. Basis for judging government grants related to income and accounting method

Government grants other than those relating to assets are classified as income-related government grants. For government grants that contain both asset-related and revenue-related components, those that are difficult to distinguish between asset-related and income-related are classified as income-related government grants in their entirety. Government grants relating to income that compensate for related costs, expenses or losses in subsequent periods are recognized as deferred income, and are credited to profit or loss or reduced to related costs in the current period in which the related costs, expenses or losses are recognized; Those used to compensate the related costs or losses incurred are directly included in the current profit or loss or offset against the related costs.

4. Government grants relating to the Company's daily operating activities are included in other revenue or offset against related costs and expenses in accordance with the substance of the economic business. Government grants that are not related to the Company's daily activities are included in the non-operating revenue and expenses.

### **32. Deferred tax assets/deferred tax liabilities**

1. A deferred income tax asset or a deferred income tax liability is recognized based on the difference between the carrying amount of an asset or liability and its tax basis (or the difference between the carrying amount of an item that is not recognized as an asset or liability and the tax basis if its tax basis can be determined in accordance with the provisions of the tax law) at the tax rates applicable in the period in which the asset is expected to be recovered or the liability is settled.

2. Deferred income tax assets are recognized to the extent of the amount of the taxable income that is likely to be obtained and deducted from deductible temporary difference. On the balance sheet date, deferred income tax assets that have not been recognized in previous accounting periods shall be recognized if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset deductible temporary differences.

3. On the balance sheet date, the carrying value of deferred income tax assets is reviewed and, if it is probable that sufficient taxable income will not be available in future periods to offset the benefits of the deferred income tax assets, the carrying value of the deferred income tax assets is written down. The amount written down is reversed when it is probable that sufficient taxable income will be available.

4. The current corporate income tax and deferred income tax are included in the current profit or loss as income tax expense or earnings, but do not include income tax arising from (1) business combination; (2) Transactions or events recognized directly in owner's equity.

5. The Company will list the deferred tax assets and deferred tax liabilities as the net amounts upon offsetting where all the following conditions are met: (1) It has the statutory right to offset current tax assets against current tax liabilities; (2) The deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers, but during any future period in which important deferred tax assets or liabilities are reversed, the taxpayers involved have the intention to offset the current tax assets against the current tax liabilities, or acquire assets and settle liabilities concurrently.

### **33. Lease**

#### **(1) Accounting method for lease as lessee**

At the commencement date of the lease term, the Company considers a lease that has a lease term of not more than 12 months and does not contain a purchase option as a short-term lease; Leases that have a lower value when the individual leased asset is an entirely new asset are considered to be leases of low-value assets. Where the Company subleases or expects to sublease the leased asset, the original lease is not deemed as a lease of low-value assets.

For all short-term leases and leases of low-value assets, the Company includes the amount of lease payments into the relevant asset cost or current profit and loss according to the straight-line method during each period of the lease term.

In addition to the short-term leases and leases of low-value assets with simplified treatment described above, the Company recognizes right-of-use assets and lease liabilities for leases at the commencement date of the lease term.

##### **(1) Right-of-use assets**

Right-of-use assets are initially measured at cost, which includes: 1) the amount initially measured for the lease liability; 2) the amount of lease payments paid on or before the commencement date of the lease term, if there is a lease incentive, less the amount of the lease incentive already enjoyed; 3) initial direct costs incurred by the lessee; 4) the costs that the lessee expects to incur to dismantle and remove the leased asset, restore the site on which the leased asset is located, or restore the leased asset to the condition agreed upon in the lease terms.

The Company depreciates the right-of-use assets on a straight-line basis. If it is reasonably certain that the ownership of assets leased will be obtained at the end of the lease term, the Company conducts depreciation during the remaining useful life of the leased assets. Otherwise, depreciation is conducted during the lease term or the remaining useful life of the leased assets, whichever is shorter.

##### **(2) Lease liabilities**

At the commencement date of the lease term, the Company recognizes the present value of the unpaid lease payments as the lease liabilities. The present value of lease payments is calculated using the interest rate implicit in the lease as the discount rate. If the interest rate implicit in the lease cannot be determined, the corporate incremental borrowing rate is used as the discount rate. The difference between the lease payments and their present value is treated as an unrecognized finance charge. Interest expense is recognized in profit or loss for each lease term period at the discount rate used to recognize the present value of the lease payments. Variable lease payments that are not included in the measurement of lease liabilities are included in current profit or loss when they actually occur.

After the commencement date of the lease term, when there is a change in the amount of substantially fixed payments, a change in the amount expected to be payable for the remaining value of the guarantee, a change in the index or rate used to determine the amount of the lease payments, a change in the outcome of an assessment of a purchase option, a renewal option or a termination option, or a change in the actual exercise, the Company remeasures the lease liability based on the present value of the changed lease payments and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the remaining amount is included in the current profit or loss.

## 2. The Company as lessor

At the commencement date of a lease, the Company classifies a lease as a finance lease in which substantially all the risks and rewards associated with ownership of the leased asset are transferred, with the exception of an operating lease.

### (1) Operating leases

The Company recognizes lease receipts as rental income on a straight-line basis over each period of the lease term, capitalizes the initial direct costs incurred and allocates them on the same basis as rental income recognition and is credited to profit or loss in installments. Variable lease payments relating to operating leases obtained by the Company that are not included in the lease receipts are included in profit or loss as they actually occur.

### (2) Finance lease

At the commencement date of the lease term, the Company recognizes the finance lease payments receivable based on the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts outstanding at the commencement date discounted at the interest rate implicit in the lease) and derecognizes the finance lease asset. The Company calculates and recognizes interest income at the interest rate implicit in the lease for each period of the lease term.

Variable lease payments received by the Company that are not included in the measurement of net lease investment are included in profit or loss as they actually occur.

## 3. Sale and leaseback

### (1) The Company operates as a lessee

The Company assesses whether the transfer of assets in a sale-and-leaseback transaction is a sale in accordance with the provisions of Accounting Standards for Business Enterprises No. 14 - Revenues.

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset's carrying value that relates to the right-of-use acquired through the leaseback, and recognizes a gain or loss related to the right transferred to the lessor only.

If the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company continues to recognize the transferred asset and, at the same time, recognizes a financial liability equal to the transfer proceeds and accounts for the financial liability in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

### (2) Accounting method for lease as lessor

The Company assesses whether the transfer of assets in a sale-and-leaseback transaction is a sale in accordance with the provisions of Accounting Standards for Business Enterprises No. 14 - Revenues.

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company accounts for the purchase of assets in accordance with other applicable Accounting Standards for Business Enterprises and accounts for the lease of assets in accordance with Accounting Standards for Business Enterprises No. 21 - Leases.

If the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds and accounts for the financial asset in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

## 34. Other significant accounting policies and accounting estimates

### 1. Segment report

The Company determines its operating segment based on its internal organizational structure, Management requirements and internal reporting system. An operating segment is a component of the Company that satisfies all the following conditions:

(1) The component is able to generate revenues and incur expenses in daily operations;

(2) The operating results of the component are able to be regularly reviewed by the Management to determine resources to be allocated to the segment and to assess its performance; and

(3) The information on financial position, operating results and cash flows of the segment is available to the Company via analysis.

### 35. Changes in significant accounting policies and accounting estimates

Since January 1, 2023, the Company has implemented the provision of "Accounting Treatment of No Application of Initial Recognition Exemption to Deferred Income Tax Related to Assets and Liabilities from Individual Transactions" in the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance and made adjustments to individual transactions to which the provision applies from the beginning of the earliest reporting period appearing on the financial statements to which the provision applies to the first date on which the provision was applied. For lease liabilities and right-of-use assets recognized from individual transactions to which the provision applies to at the beginning of the earliest reporting period appearing on the financial statements to which the provision applies, and the estimated liabilities related to asset retirement obligations and corresponding related assets, the Company has made adjustment to the opening retained earnings and other relevant financial statement items of the earliest reporting period appearing on the financial statements to which the provision applies with the cumulative effects in the case of occurrence of taxable and deductible temporary differences in accordance with the provision and the Accounting Standards for Business Enterprises No. 18 - Income Taxes. The major changes are as follows:

Report items significantly affected	Amount affected	Remarks
Items of the balance sheet for December 31, 2022		
Deferred tax assets	16,750,995.34	
Deferred tax liabilities	16,329,987.59	
Other comprehensive income	-1,640.73	
Undistributed profit	186,853.02	
Non-controlling interest	235,795.46	
Items of the 2022 Income Statement		
Income tax expenses	-530,186.38	

## VI. Taxes

### 1. Major taxes and tax rates

Taxes	Tax basis	Tax rate
Value-added tax	The output tax is calculated based on the income from sales of goods and taxable services calculated in accordance with the provisions of the tax law. After deducting the deductible input tax for the current period, the difference is the value-added tax payable.	13%, 6%
Property tax	If levied on an ad valorem basis, calculated and paid at 1.2% of the residual value after deducting 30% from the original value of the property; If levied on the rental, calculated and paid at 12% of the rental income	1.2%, 12%

Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%, 1%
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%
Business income tax	Taxable amount of income	For details, please refer to the description of the business income tax rates of the taxpayers with different tax rates.

## Description of the business income tax rates of the taxpayers with different tax rates

Name of tax payer	Income tax rate
The company	15%
Hong Kong GreatStar International Co., Ltd.	16.50%
Prim' Tools Limited	16.50%
Hong Kong Goldblatt Industrial Co., Ltd	16.50%
Hong Kong International Huada Kejie Opto-Electro Instruments Co., Ltd.	16.50%
Hongkong Shop-Vac International Co., Limited	16.50%
Geelong Sales Company International (HK) Limited	16.50%
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.	15%
Hangzhou Lianhe Electric Manufacturing Co., Ltd.	15%
Dongguan Ouda Electronics Co., Ltd.	15%
Hangzhou Lianhe Tools Manufacturing Co., Ltd.	15%
Hangzhou Liansheng Tools Manufacturing Co., Ltd.	20%
Zhejiang Yiyang Tool Manufacturing Co., Ltd.	15%
Suzhou Xindadi Hardware Product Co., Ltd	15%
Zhongshan Geelong Industry Co., Ltd.	15%
Ningbo Fenghua GreatStar Tools Co., Ltd.	15%
Geelong Investment Holding Limited	15%
GreatStar Europe AG and its subsidiaries	13.42%, 19%, 19.41%, 20.60%, 21%, 22%, 23.50%, 24%, 25%, 27.90%, 29.13%, 30%
GreatStar United Kingdom Ltd and its subsidiaries	23.50%
Zhejiang Guoxin Tools Co., Ltd.	20%
Haining GreatStar Hardware Tools Co., Ltd.	20%

Hangzhou GreatStar Craftsman Tools Co., Ltd.	20%
Hangzhou GreatStar Sheffield Trading Co., Ltd.	20%
Ningbo Fenghua GreatStar Tools Co., Ltd.	20%
Yiyang Tools Manufacturing Co., Ltd	20%
PREXISO Laser Measurement Tool (Hangzhou) Co., Ltd	20%
Shanghai Endura Tools Co., Ltd.	20%
Changzhou Huada Kejie Construction Machinery Co., Ltd.	20%
GreatStar Vietnam Co., Ltd	20%
Vietnam United Co., Ltd	20%
TGH (Cambodia) Industrial Co., LTD	20%
Geelong (Thailand) Co., Ltd	20%
GreatStar Industrial Vietnam Co., Ltd	20%
XDD Products (USA) LLC	21%
GreatStar Tools USA, Inc and its subsidiaries	25.1745%, according to the regulations of Internal Revenue Code of the United States, GreatStar Industrial USA, LLC, Arrow Fastener Co., LLC, Prime-Line Products, LLC, 4900 Highlands Parkway, LLC, Shop-Vac USA, LLC and SK Hand Tool, LLC, as LLC, are not required to report and pay business income tax, and the taxpayer is GreatStar Tools USA, Inc
GreatStar Japan Co., Ltd	Corporate tax is payable at progressive rates
GreatStar International Holdings Limited	Is a company incorporated in the British Virgin Islands. There is no need to pay business income tax under the British Virgin Islands tax regime .
Geelong Orchid Holding Limited	Is a company incorporated in the British Cayman Islands. There is no need to pay business income tax under the British Cayman Islands tax regime.
Geelong Holdings Limited	Is a company incorporated in the British Cayman Islands. There is no need to pay business income tax under the British Cayman Islands tax regime.
Other taxpayers other than those mentioned above	25%

## 2. Tax incentives

1. In accordance with the relevant provisions of the Administrative Measures for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.32) and the Administrative Work Guide for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.195), the Company was identified as a high-tech enterprise and obtained the High-tech Enterprise Certificate numbered GR202233005456, which was valid for 3 years (2022 to 2024), and was subject to business income tax at the rate of 15% in the year of 2023.

2. In accordance with the relevant provisions of the Administrative Measures for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.32) and the Administrative Work Guide for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.195), the subsidiary Changzhou Huada Kejie Opto-Electronic Instruments Co., Ltd. was identified as a high-tech enterprise and obtained the High-tech Enterprise Certificate numbered GR202332000640, which was valid for 3 years (2023 to 2025) and was subject to business income tax at a rate of 15% in the of 2023.

3. In accordance with the relevant provisions of the Administrative Measures for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.32) and the Administrative Work Guide for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.195), the subsidiary Hangzhou Lianhe Electric Manufacturing Co., Ltd. was identified as a high-tech enterprise and obtained the High-tech Enterprise Certificate numbered GR202233010022, which was valid for 3 years (2022 to 2024) and was subject to business income tax at a rate of 15% in the of 2023.

4. According to the relevant provisions of the Administrative Measures for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.32) and the Administrative Work Guide for the Identification of High-tech Enterprises (Guo Ke Fa Huo [2016] No.195), the subsidiary Dongguan Ouda Electronics Co., Ltd. was identified as a high-tech enterprise and obtained the High-tech Enterprise Certificate numbered GR202144002851, which was valid for 3 years (2021-2023) and was subject to business income tax at the rate of 15% for the year of 2023.

5. According to the "Reply on the Record of High-tech Enterprises in Zhejiang Province in 2020" (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group of National New High-tech Enterprise Certification & Management, the subsidiary Hangzhou Lianhe Tool Manufacturing Co., Ltd has been accredited as a high-tech enterprise and obtained the "High-tech Enterprise Certificate" with the number of GR202133002795, which is valid for 3 years (2021-2023), and was subject to business income tax at a rate of 15% in the of 2023.

6. In accordance with the relevant provisions of the Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 32) and the Guidelines for Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 195), the sub-subsidiary, Zhejiang Yiyang Tools Manufacturing Co., Ltd. has been accredited as a high-tech enterprise and has obtained High-tech Enterprise Certificate with the number of GR202233007785, which is valid for 3 years (from 2022 to 2024), and was subject to business income tax at the rate of 15% for the year of 2023.

7. In accordance with the relevant provisions of the Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 32) and the Guidelines for Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 195), the subsidiary, Suzhou Xindadi Hardware Product Co., Ltd has been accredited as a high-tech enterprise and has obtained the High-tech Enterprise Certificate with the number of GR202132006099, which is valid for 3 years (from 2021 to 2023), and was subject to business income tax at a rate of 15% in the of 2023.

8. In accordance with the relevant provisions of the Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 32) and the Guidelines for Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 195), the sub-subsidiary, Zhongshan Geelong Industry Co., Ltd has been accredited as a high-tech enterprise and has obtained the High-tech Enterprise Certificate with the number of GR202244011605, which is valid for 3 years (from 2022 to 2024), and was subject to business income tax at the rate of 15% for the year of 2023.

9. In accordance with the relevant provisions of the Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 32) and the Guidelines for Administrative Measures for the Accreditation of High and New Technology (Guo Ke Fa Huo [2016] No. 195), the subsidiary, Ningbo Fenghua Juxing Tools Co., Ltd has been accredited as a high-tech enterprise and has obtained the High-tech Enterprise Certificate with the

number of GR202233100274, which is valid for 3 years (from 2022 to 2024), and was subject to business income tax at the rate of 15% for the year of 2023.

10. In accordance with the Notice on Issuing Administrative Measures on Preferential Policies on Value-added Tax for Promoting the Employment of Persons with Disabilities (Cai Shui [2016] No. 52) issued by the Ministry of Finance and State Taxation Administration, the subsidiary Company, Longyou Hugong Forging Three Tools Co., Ltd, which accommodated persons with disabilities for employment, is entitled to enjoy preferential policies on immediate withdrawal of value-added tax (VAT) quota in the current period, after the filing for the competent tax authorities.

11. According to the document "Announcement on Preferential Policies on Income Tax for Small and Micro-Enterprises" (Announcement No. 6 of the Ministry of Finance and the Taxation Administration, 2022) of the Ministry of Finance and the Taxation Administration, during the period from January 1, 2023 to December 31, 2024, the portion of the annual taxable income of small and micro-enterprises that does not exceed 1 million is to be included in the taxable income at a reduced rate of 25.00%, and the enterprise income tax shall be paid at a rate of 20%. From January 1, 2023 to December 31, 2023, Hangzhou Liansheng Tool Manufacturing Co., Ltd., Zhejiang Guoxin Tools Co., Ltd., Haining GreatStar Hardware Tools Co., Ltd., Hangzhou GreatStar Craftsman Tools Co., Ltd., Hangzhou Juxing Sheffield Trading Co., Ltd., Longyou Yiyang Forging Co., Ltd., PREXISO Laser Measurement Tool (Hangzhou) Co., Ltd., Shanghai Endura Tools Co., Ltd., and Changzhou Huada Kejie Engineering Machinery Co., Ltd. are eligible for this income tax preferential policy, and are subject to a corporate income tax rate of 20%.

### (1) Other debt investments due within one year

### 3. Right-of-use assets

## VII. Notes to the Consolidated Financial Statements Items

### (I) Notes to the consolidated balance sheet items

#### 1. Monetary capital

##### (1) Detailed information

Item	Closing balance	Opening balance
Cash on hand	700,564.56	4,328,053.84
Bank deposits	4,982,842,025.49	4,788,725,570.94
Other monetary capital	195,185,221.71	70,152,557.62
Total	5,178,727,811.76	4,863,206,182.40
Of which: Total amount of funds deposited beyond China	1,695,139,084.93	1,073,586,253.48

##### (2) Other notes

Other monetary capital at the end of the period included short-term loan deposits of RMB 144,071,225.10, forward exchange settlement deposits of RMB 21,496,066.60, letter of credit deposits of RMB 16,290,210.00, bank acceptance deposits of RMB 6,388,901.19, credit card deposits of RMB 3,541,350.00, customs duty bond deposits of RMB 1,416,859.57, rent deposits of RMB 1,494,449.70, deposits held in Alipay of RMB 437,159.55, and ETC deposit of RMB 49,000.00. Other monetary capital at the beginning of the period included forward exchange settlement deposits of RMB 33,448,671.74, short-term loan deposits of RMB 20,893,800.00, letter of credit deposits of RMB 6,616,370.00, bank acceptance deposits of RMB 7,384,067.19, customs duty bond deposits of RMB 1,393,093.00, deposits held in Alipay of RMB 373,555.69, and ETC deposit of RMB 43,000.00.

#### 2. Financial assets for trading

Item	Closing balance	Opening balance
Financial assets measured at fair value and the changes thereof are included in current profits and losses	122,650,783.01	70,230,104.24
including: derivative financial assets	14,406,531.52	10,230,104.24
Bank financial products	108,244,251.49	60,000,000.00
Total	122,650,783.01	70,230,104.24

## 3. Notes receivable

## (1) Detailed information

Item	Closing balance	Opening balance
Bankers' acceptance bill	18,203,655.36	18,765,981.83
Commercial acceptance bill	500,000.00	
Total	18,703,655.36	18,765,981.83

## (2) Provision for bad debts

## 1) Detailed information in category

Type	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision made on a portfolio basis	18,703,655.36	100.00			18,703,655.36
including: Bankers' acceptance bill	18,203,655.36	97.33			18,203,655.36
Commercial acceptance bill	500,000.00	2.67			500,000.00
Total	18,703,655.36	100.00			18,703,655.36

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision made on a portfolio basis	18,765,981.83	100.00			18,765,981.83

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
including: Bankers' acceptance bill	18,765,981.83	100.00			18,765,981.83
Commercial acceptance bill					
Total	18,765,981.83	100.00			18,765,981.83

## 2) Notes receivable with bad debt provision by combination

Item	Closing balance		
	Book balance	Provision for bad debts	Percentage of Provision (%)
Bankers' acceptance bill as a combination	18,203,655.36		
Commercial acceptance bill as a combination	500,000.00		
Subtotal	18,703,655.36		

## 4. Accounts receivables

## (1) Information on ageing

Ageing	Closing book balance	Opening book balance
Within 1 year	2,176,117,907.81	1,970,425,386.97
1-2 years	23,191,769.49	25,344,201.58
2-3 years	13,428,736.08	5,830,575.46
3-4 years	3,543,090.14	696,290.54
4-5 years	470,644.20	454,657.11
More than 5 years	1,070,863.59	972,453.32
Total	2,217,823,011.31	2,003,723,564.98

## (2) Provision for bad debts

## 1) Detailed information in category

Type	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	2,217,823,011.31	100.00	116,179,932.12	5.24	2,101,643,079.19
Total	2,217,823,011.31	100.00	116,179,932.12	5.24	2,101,643,079.19

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt	3,780,753.57	0.19	3,780,753.57	100.00	
Provision made on a portfolio basis	1,999,942,811.41	99.81	103,257,221.30	5.16	1,896,685,590.11
Total	2,003,723,564.98	100.00	107,037,974.87	5.34	1,896,685,590.11

## 2) Accounts receivable with bad debt provision by ageing combination

Ageing	Closing balance		
	Book balance	Provision for bad debts	Percentage of Provision (%)
Within 1 year	2,176,117,907.81	108,805,895.17	5.00
1-2 years	23,191,769.49	2,319,176.96	10.00
2-3 years	13,428,736.08	2,685,747.22	20.00
3-4 years	3,543,090.14	1,062,927.05	30.00
4-5 years	470,644.20	235,322.13	50.00
More than 5 years	1,070,863.59	1,070,863.59	100.00
Subtotal	2,217,823,011.31	116,179,932.12	5.24

## (3) Change of provision for bad debts

Item	Opening balance	Amount of change during the period				Closing balance
		Make provision	Recovery or reversal	Write-offs	Other	
Provision for Individual bad debt	3,780,753.57		96,458.50	3,684,295.07		
Provision made on a portfolio basis	103,257,221.30	11,105,061.48		394,047.93	2,211,697.27	116,179,932.12
Total	107,037,974.87	11,105,061.48	96,458.50	4,078,343.00	2,211,697.27	116,179,932.12

4. The accounts receivable actually written off during the period was RMB 4,078,343.00.

#### 5. Top five accounts receivable

The aggregate amount of top five accounts receivable and contractual assets at the end of the period was RMB 168,601,296.68, accounting for 52.69% of the aggregate amount of accounts receivable and contractual assets at the end of the period, and the aggregate amount of corresponding provision for bad debts and that for contractual assets was RMB 58,430,541.96.

### 5. Receivables financing

#### (1) Detailed information

Item	Closing balance	Opening balance
Bankers' acceptance bill	4,661,476.96	3,310,508.35
Accounts receivable	262,013,539.68	321,247,171.36
Total	266,675,016.64	324,557,679.71

#### (2) Provision for impairment

##### 1) Detailed information in category

Type	Closing balance				
	Cost		Cumulative provision for impairment	confirmed for credit	Book value
	Amount	Percentage (%)	Amount	Percentage of Provision (%)	
Provision for impairment by combination	280,465,202.94	100.00	13,790,186.30	4.92	266,675,016.64
including: Bankers' acceptance bill	4,661,476.96	1.66			4,661,476.96
Accounts receivable	275,803,725.98	98.34	13,790,186.30	5.00	262,013,539.68

Type	Closing balance				
	Cost		Cumulative confirmed provision for credit impairment		Book value
	Amount	Percentage (%)	Amount	Percentage of Provision (%)	
Total	280,465,202.94	100.00	13,790,186.30	4.92	266,675,016.64

(Continued)

Type	Opening balance				
	Cost		Cumulative confirmed provision for credit impairment		Book value
	Amount	Proportion (%)	Amount	Make provision Percentage (%)	
Provision for impairment by combination	341,465,425.57	100.00	16,907,745.86	4.95	324,557,679.71
including: Bankers' acceptance bill	3,310,508.35	0.97			3,310,508.35
Accounts receivable	338,154,917.22	99.03	16,907,745.86	5.00	321,247,171.36
Total	341,465,425.57	100.00	16,907,745.86	4.95	324,557,679.71

## 2) Receivables financing with provision for impairment by combination

Item	Closing balance			
	Cost	Cumulative provision for impairment	confirmed for credit	Percentage of Provision (%)
Bankers' acceptance bill as a combination	4,661,476.96			
Receivables - Ageing combination	275,803,725.98	13,790,186.30		5.00
Subtotal	280,465,202.94	13,790,186.30		4.92

## (3) Change of provision for credit impairment

Item	Opening balance	Amount of change during the period				Closing balance
		Make provision	Recovery or reversal	Write-offs	Other	
Provision for impairment by combination	16,907,745.86	-3,117,559.56				13,790,186.30
Total	16,907,745.86	-3,117,559.56				13,790,186.30

(4) Receivables financing endorsed or discounted by the Company at the end of the period and not yet due at the balance sheet date

Item	Amounts derecognized at the end of the period
Bankers' acceptance bill	13,808,004.57
Subtotal	13,808,004.57

The acceptors of bankers' acceptance bills are commercial banks with a high credit standing. The Company derecognizes such bankers' acceptance bills that have been endorsed or discounted, as the commercial banks have a high level of creditworthiness and the likelihood of non-payment of bankers' acceptance bill at maturity is low. However, if such bills are not paid at maturity, the Company will still be jointly and severally liable to the bearer in accordance with the provisions of the Bills of Exchange Act.

(5) Accounts receivable of which recognition is terminated due to transfer of financial assets

Item	Amounts derecognized	Gain or loss related to derecognition	Method of transferring financial assets
Loans	1,913,440,543.28 [Note]	-17,897,921.26	Assignment in receivables financing without recourse
Subtotal	1,913,440,543.28	-17,897,921.26	

[Note]: Of which, the US dollar amount of assignment in receivables financing without recourse were USD264,804,135.43. The US dollar amount of assignment in receivables financing without recourse translated into RMB at the closing exchange rate, was RMB1,875,528,250.01.

## 6. Prepayments

### (1) Ageing analysis

Ageing	Closing balance				Opening balance			
	Book balance	Percent age (%)	Provision for impairment	Book value	Book balance	Percent age (%)	Provision for impairment	Book value
Within 1 year	106,611,225.38	97.48	5,330,561.49	101,280,663.89	129,634,797.70	95.02	6,481,739.86	123,153,057.84
1-2 years	1,816,906.88	1.66	181,690.68	1,635,216.20	4,204,728.69	3.08	420,472.87	3,784,255.82
2-3 years	617,246.80	0.56	123,449.36	493,797.44	1,011,134.97	0.74	202,226.99	808,907.98
3-4 years	78,182.89	0.07	23,454.86	54,728.03	608,856.38	0.45	182,656.91	426,199.47
4-5 years	116,319.01	0.11	58,159.51	58,159.50	163,345.53	0.12	81,672.77	81,672.76
More than 5 years	126,013.32	0.12	126,013.32		811,464.85	0.59	811,464.85	
Total	109,365,894.28	100.00	5,843,329.22	103,522,565.06	136,434,328.12	100.00	8,180,234.25	128,254,093.87

(2) The provision for bad debts in the period was RMB -1,814,906.71, with an increase of RMB 163,409.68 to the provision for bad debts due to exchange rate fluctuations.

(3) The actual prepaid amount written off in the period was RMB 685,408.00.

(4) Top five prepayments

The aggregate amount of prepayments in the top 5 at the end of the period was RMB36,117,972.97, accounting for 33.02% of the aggregate amount of prepayments at the end of the period.

## 7. Other receivables

(1) Classification by nature

Nature of payment	Closing book balance	Opening book balance
Deposit Guarantee	25,769,009.71	30,880,521.21
Export tax refund receivable	36,262,490.59	24,697,312.44
Temporary payments receivable	9,062,266.44	5,617,725.38
Other	2,406,414.47	2,327,676.34
Employee reserves	516,688.29	1,529,914.18
Total	74,016,869.50	65,053,149.55

(2) Information on ageing

Ageing	Closing book balance	Opening book balance
Within 1 year	60,333,551.96	52,430,223.89
1-2 years	4,497,031.02	1,990,783.43
2-3 years	1,406,745.06	7,755,521.23
3-4 years	5,173,757.51	588,931.41
4-5 years	364,280.00	215,910.64
More than 5 years	2,241,503.95	2,071,778.95
Total	74,016,869.50	65,053,149.55

(3) Provision for bad debts

1) Detailed information in category

Type	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	74,016,869.50	100.00	7,723,500.89	10.43	66,293,368.61
Total	74,016,869.50	100.00	7,723,500.89	10.43	66,293,368.61

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	65,053,149.55	100.00	6,728,107.45	10.34	58,325,042.10
Total	65,053,149.55	100.00	6,728,107.45	10.34	58,325,042.10

## 2) Other receivables with bad debt provision by combination

Name of combination	Closing balance		
	Book balance	Provision for bad debts	Percentage of Provision (%)
Ageing combination	74,016,869.50	7,723,500.89	10.43
Including: within 1 year	60,333,551.96	3,016,677.58	5.00
1-2 years	4,497,031.02	449,703.10	10.00
2-3 years	1,406,745.06	281,349.01	20.00
3-4 years	5,173,757.51	1,552,127.25	30.00
4-5 years	364,280.00	182,140.00	50.00
More than 5 years	2,241,503.95	2,241,503.95	100.00
Total	74,016,869.50	7,723,500.89	10.43

## (4) Change of provision for bad debts

Item	Phase I	Phase II	Phase III	Total
	Next 12 months Expected credit losses	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment occurred)	
Opening balance	2,621,511.17	199,078.34	3,907,517.94	6,728,107.45
Opening balance during the period	—	—	—	
-- Transferred to Phase II	-224,851.55	224,851.55		
--Transferred to Phase III		-140,674.51	140,674.51	
-- Reversed to Phase II				
-- Reversed to Phase I				
Provision during the period	-3,053,996.59	166,447.72	208,927.76	-2,678,621.11
Recovery or reversal during the period				
Write-offs during the period				
Impact of exchange rate changes	3,674,014.55			3,674,014.55
Closing balance	3,016,677.58	449,703.10	4,257,120.21	7,723,500.89
Percentage of Provision for bad debts at end of period	5.00	10.00	46.34	10.43

The basis for phase division: a period of less than one year represents that the credit risk failed to increase significantly after initial recognition (Phase I); a period of 1-2 years represents that the credit risk increased significantly after initial recognition (Phase II) but did not result in credit impairment; a period of over 2 years represents that credit impairment occurred after initial recognition (Phase III).

(5) Top five other receivables

Unit name	Nature of payment	Closing book balance	Ageing	Percentage of balance of other receivables (%)	Provision for bad debts at end of period
Export tax refund receivable	Export tax refund receivable	36,262,490.59	Within 1 year	48.99	1,813,124.53
Công ty cổ phần Tường Viên Grand Park	Deposit Guarantee	3,075,787.51	3-4 years	4.16	922,736.25
Administrative Committee of Hangzhou Qiantang Smart City	Deposit Guarantee	1,908,000.00	Over 5 years	2.58	1,908,000.00
		1,007,000.00	3-4 years	1.36	302,100.00
Contribution to employee's social insurance	Temporary payments receivable	2,502,296.97	Within 1 year	3.38	125,114.85

Unit name	Nature of payment	Closing book balance	Ageing	Percentage of balance of other receivables (%)	Provision for bad debts at end of period
premium and housing provident funds					
China Construction Electronic Commerce Co., Ltd	Deposit Guarantee	2,150,000.00	Within 1 year	2.90	107,500.00
Subtotal		46,905,575.07		63.37	5,178,575.63

## 8. Inventories

## (1) Detailed information

Item	Closing balance		
	Book balance	Provision for decline	Book value
Raw materials	669,059,988.90	8,495,823.44	660,564,165.46
Work in progress	274,146,569.34		274,146,569.34
Inventory	1,651,616,654.30	34,234,466.08	1,617,382,188.22
Commissioned processing materials	14,520,201.78		14,520,201.78
Low-value consumables	2,689,354.00		2,689,354.00
Total	2,612,032,768.32	42,730,289.52	2,569,302,478.80

(Continued)

Item	Opening balance		
	Book balance	Provision for decline	Book value
Raw materials	763,015,426.57	11,758,583.43	751,256,843.14
Work in progress	346,179,403.66		346,179,403.66
Inventory	1,769,035,629.25	72,251,465.32	1,696,784,163.93
Commissioned processing materials	16,699,727.54		16,699,727.54
Low-value consumables	1,652,387.41		1,652,387.41
Total	2,896,582,574.43	84,010,048.75	2,812,572,525.68

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

## 1) Detailed information

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Make provision	Impact of exchange rate changes	Write off	Write-offs	
Raw materials	11,758,583.43	4,049,820.79	6,328.08	6,638,914.64	679,994.22	8,495,823.44
Inventory	72,251,465.32	19,167,146.71	440,942.42	57,625,088.37		34,234,466.08
Total	84,010,048.75	23,216,967.50	447,270.50	64,264,003.01	679,994.22	42,730,289.52

2) Specific basis for determining net realizable value, and the reason for provision for reversal or inventory write-off during the period

Item	Specific basis For determining net realizable value	Reasons for reversal of provision for decline in value of inventories	Reasons for write off of provision for decline in value of inventory
Raw materials	Net realizable value is determined as the estimated selling price of the relevant finished goods less costs estimated to be incurred to completion, estimated selling expenses and related taxes		Consumption of inventories for which provision for decline in value of inventories has been made during the period
Inventory	Net realizable value is determined as the estimated selling price of the relevant finished goods, less estimated selling expenses and related taxes.		Part of the inventories for which provision for decline in value of inventories had been made were sold or scrapped, and the corresponding provision for decline in value of inventories had been written off

#### 9. Non-current assets due within one year

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Finance lease payments receivable	108,310.38		108,310.38	98,061.60		98,061.60
Total	108,310.38		108,310.38	98,061.60		98,061.60

#### 10. Other current assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Retained VAT	95,585,442.39		95,585,442.39	114,913,836.33		114,913,836.33
Prepaid enterprise income tax	11,454,011.78		11,454,011.78	4,945,994.21		4,945,994.21
Amortized expenses	1,409,020.54		1,409,020.54	3,832,917.83		3,832,917.83
Interest on fixed deposits	20,342,139.76		20,342,139.76	10,437,900.21		10,437,900.21
Total	128,790,614.47		128,790,614.47	134,130,648.58		134,130,648.58

## 11. Long-term receivables

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Finance lease payments	335,454.55		335,454.55	299,568.31		299,568.31	0.75%
Of which: unrealized financing gains	-3,685.91		-3,685.91	-4,002.95		-4,002.95	
Land lease deposits				2,572,611.16		2,572,611.16	
Total	335,454.55		335,454.55	2,872,179.47		2,872,179.47	

## 12. Long-term equity investments

## (1) Classification

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in joint ventures	2,950,574,477.94		2,950,574,477.94	2,544,523,517.55		2,544,523,517.55
Total	2,950,574,477.94		2,950,574,477.94	2,544,523,517.55		2,544,523,517.55

## (2) Detailed information

Invested units	Opening balance		Increase and decrease during the period			
	Book value	Provision for Impairment Individual bad debt	Additional investments	Decrease in investments	Gains and losses on investments recognized under the equity method	Adjustment to other comprehensive income comprehensive income
Joint ventures						
Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	1,387,637,932.17				259,947,378.38	17,435,798.12
Zhejiang Hangcha Holding Co., Ltd	797,869,729.35				138,739,441.51	2,817,986.16
Zhejiang Guozi Robotics Co., Ltd.	62,379,261.25				-72,548,870.44	-101,852.77
Ningbo Donghai Bank Co., Ltd.	201,743,081.34				8,680,923.63	948,892.18
Changzhou Stabila Laser Instrument Company Limited	2,973,263.38		1,938,405.70		-1,147,253.65	
Hangzhou Weina Technologies Co., Ltd.	91,920,250.06				8,445,616.11	-278.23
Total	2,544,523,517.55		1,938,405.70		342,117,235.54	21,100,545.46

(Continued)

Invested units	Increase and decrease during the period				Closing balance	
	Other changes in equity	Declaration of issuing cash dividends or profits	Provision for accrual impairment	Other	Book value	Provision for impairment
Joint ventures						
Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	5,380,273.50				1,670,401,382.17	

Invested units	Increase and decrease during the period				Closing balance	
	Other changes in equity	Declaration of issuing cash dividends or profits	Provision for accrual impairment	Other	Book value	Provision for impairment
Zhejiang Hangcha Holding Co., Ltd	21,082,359.51				960,509,516.53	
Zhejiang Guozi Robotics Co., Ltd.	14,432,140.68				4,160,678.72	
Ningbo Donghai Bank Co., Ltd.					211,372,897.15	
Changzhou Stabila Laser Instrument Company Limited					3,764,415.43	
Hangzhou Weina Technologies Co., Ltd.					100,365,587.94	
Total	40,894,773.69				2,950,574,477.94	

## 13. Investment in other equity instruments

Item	Opening balance	Increase and decrease during the period			
		Additional investments	Decrease in investments	Gains and losses recognized in other comprehensive income for current period	Other
Hangzhou Haibang Xinhua Talent Venture Capital Partnership (limited partnership)	16,550,000.00				
Total	16,550,000.00				

(Continued)

Item	Closing balance	Dividend income recognized for current period	Cumulative gains and losses recognized in other comprehensive income at the end of the period
Hangzhou Haibang Xinhua Talent Venture Capital Partnership (limited partnership)	16,550,000.00		
Total	16,550,000.00		

## 14. Investment property

Item	Buildings	Land use rights	Total
Original book value			
Opening balance	118,165,047.78	16,928,850.24	135,093,898.02
Amount of increase during the period			
Amount of decrease during the period			
Closing balance	118,165,047.78	16,928,850.24	135,093,898.02
Accumulated depreciation and accumulated amortization			
Opening balance	10,621,732.55	2,313,609.46	12,935,342.01
Amount of increase during the period	4,546,523.64	338,577.00	4,885,100.64
(1) Accrual or amortization	4,546,523.64	338,577.00	4,885,100.64
Amount of decrease during the period			
Closing balance	15,168,256.19	2,652,186.46	17,820,442.65
Book value			
Book value at the end of the period	102,996,791.59	14,276,663.78	117,273,455.37
Book value at the beginning of the period	107,543,315.23	14,615,240.78	122,158,556.01

## 15. Fixed assets

## (1) Detailed information

Item	Buildings	General equipment	Special equipment	Transportation facilities	Total
Original book value					
Opening balance	1,308,659,311.34	251,943,918.56	1,370,067,468.87	44,757,332.91	2,975,428,031.68
Amount of increase during the period	284,514,444.08	49,679,407.73	137,530,885.77	5,366,443.41	477,091,180.99
1) Acquisitions		23,796,017.69	74,338,313.55	4,068,940.77	102,203,272.01
2) Transfer from construction in progress	269,346,652.92	14,395,990.03	20,395,700.04		304,138,342.99
3) Impact of exchange rate changes	15,167,791.16	11,487,400.01	42,796,872.18	1,297,502.64	70,749,565.99

Item	Buildings	General equipment	Special equipment	Transportation facilities	Total
Amount of decrease during the period	6,721,170.16	7,203,580.29	41,945,663.18	3,743,403.86	59,613,817.49
1) Disposal or retirement	6,721,170.16	7,203,580.29	41,945,663.18	3,743,403.86	59,613,817.49
Closing balance	1,586,452,585.26	294,419,746.00	1,465,652,691.46	46,380,372.46	3,392,905,395.18
Accumulated depreciation					
Opening balance	435,285,918.07	160,367,019.73	821,945,421.30	34,826,115.06	1,452,424,474.16
Amount of increase during the period	74,512,180.80	31,858,098.36	142,051,286.22	3,732,680.02	252,154,245.40
1) Accrual	70,462,039.75	28,422,903.39	107,304,963.53	3,615,057.42	209,804,964.09
2) Impact of exchange rate changes	4,050,141.05	3,435,194.97	34,746,322.69	117,622.60	42,349,281.31
Amount of decrease during the period	1,160,795.74	6,577,869.25	31,014,695.82	3,395,023.67	42,148,384.48
1) Disposal or retirement	1,160,795.74	6,577,869.25	31,014,695.82	3,395,023.67	42,148,384.48
Closing balance	508,637,303.13	185,647,248.84	932,982,011.70	35,163,771.41	1,662,430,335.08
Provision for impairment					
Opening balance			4,101,324.56		4,101,324.56
Amount of increase during the period			54,264.94		54,264.94
1) Impact of exchange rate changes			54,264.94		54,264.94
Amount of decrease during the period			487,411.44		487,411.44
1) Disposal or retirement			487,411.44		487,411.44
Closing balance			3,668,178.06		3,668,178.06
Book value					
Book value at the end of the period	1,077,815,282.13	108,772,497.16	529,002,501.70	11,216,601.05	1,726,806,882.04
Book value at the beginning of the period	873,373,393.27	91,576,898.83	544,020,723.01	9,931,217.85	1,518,902,232.96

## (2) Fixed assets under operating leases

Item	Book value at the end of the period
Buildings	36,465,996.45
Subtotal	36,465,996.45

## (3) Fixed assets with pending ownership certificates

Item	Book value	Reason of ownership certificates being pending
GreatStar e-Commerce Building	72,609,255.49	Being applied for
Laser Building of Hangzhou GreatStar Tools Co., Ltd.	57,741,935.01	Being applied for
Plant Buildings 1 and 2 of Viet Nam GreatStar Intelligence Co., Ltd.	87,647,906.42	Documents being collected for application
Subtotal	217,999,096.92	

## 16. Construction in progress

## (1) Detailed information

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Annual output of 550,000 sets of laser sensor modules project				1,865,865.07		1,865,865.07
Phase I Plant Construction Project of Vietnam Intelligent Co. Ltd	22,619,555.29		22,619,555.29	95,185,314.94		95,185,314.94
Phase II Plant Construction Project of Vietnam Intelligent Co. Ltd	22,994,368.41		22,994,368.41			
Phase II Plant Construction Project in Cambodia				21,017,425.13		21,017,425.13
Phase III Plant Construction				19,576,510.61		19,576,510.61

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Project in Cambodia						
Phase II Project with Annual Output of 1.5 Million Mesh Technical Reform	5,438,938.06		5,438,938.06	9,141,619.68		9,141,619.68
Intelligent Factory Project with an Annual Output of 1 Million Sets of New Power Tools	121,305,866.48		121,305,866.48	19,200,447.56		19,200,447.56
Hangzhou GreatStar headquarter transformation projects				28,297,770.43		28,297,770.43
Thailand tool box cabinet production base construction project				11,842,636.03		11,842,636.03
Vietnam Joint Plant Equipment Installation	219,966.85		219,966.85	1,348,331.57		1,348,331.57
Drawer production line construction project				28,596,859.65		28,596,859.65
GreatStar Energy industrial building project	24,054,355.41		24,054,355.41			
Sporadic project	73,566,238.21		73,566,238.21	68,526,581.79		68,526,581.79
Total	270,199,288.71		270,199,288.71	304,599,362.46		304,599,362.46

(2) Changes in significant construction-in-progress projects during the period

Name of project	Budgeted number (in ten thousand yuan)	Opening balance	Increase for the period	Transfer to Fixed assets	Other decreases	Impact of exchange rate changes	Closing balance
Intelligent Factory Project with an Annual Output of 1 Million Sets of New Power Tools	13,300.00	19,200,447.56	103,963,826.00	1,858,407.08			121,305,866.48
Subtotal	13,300.00	19,200,447.56	103,963,826.00	1,858,407.08			121,305,866.48

(Continued)

Name of project	The proportion of cumulative investment in the project to the budget (%)	Progress of Works (%)	Accumulated interest capitalization amounts	Interests capitalization amounts for the period for the period	Interest capitalization rate for the period (%)	Source of funds
Intelligent Factory Project with an Annual Output of 1 Million Sets of New Power Tools	92.60	95.00				Raised and own funds
Subtotal						

## 17. Right-of-use assets

Item	Buildings	General equipment	Special equipment	Transportation facilities	Total
Original book value					
Opening balance	597,080,299.43	4,212,281.97		18,107,197.67	619,399,779.07
Amount of increase during the period	86,136,933.35	375,999.42	4,122,094.65	12,223,425.62	102,858,453.04
(1) Leased-in	41,602,288.16		3,856,604.80	11,659,509.20	57,118,402.16
(2) Effect of exchange rate changes	44,534,645.19	375,999.42	265,489.85	563,916.42	45,740,050.88
Amount of decrease	42,972,960.10			7,372,123.20	50,345,083.30

during the period					
(1) Lease expiration	42,972,960.10			7,372,123.20	50,345,083.30
Closing balance	640,244,272.68	4,588,281.39	4,122,094.65	22,958,500.09	671,913,148.81
Accumulated depreciation					
Opening balance	190,981,143.46	1,823,239.26		9,466,034.94	202,270,417.66
Amount of increase during the period	127,441,138.09	549,335.50	2,879,790.01	7,734,714.61	138,604,978.21
(1) Accrual	104,888,766.10	388,102.31	2,694,312.71	5,416,600.26	113,387,781.38
(2) Effect of exchange rate changes	22,552,371.99	161,233.19	185,477.30	2,318,114.35	25,217,196.83
Amount of decrease during the period	40,410,289.11			7,372,123.20	47,782,412.31
(1) Lease expiration	40,410,289.11			7,372,123.20	47,782,412.31
Closing balance	278,011,992.44	2,372,574.76	2,879,790.01	9,828,626.35	293,092,983.56
Book value					
Book value at the end of the period	362,232,280.24	2,215,706.63	1,242,304.64	13,129,873.74	378,820,165.25
Book value at the beginning of the period	406,099,155.97	2,389,042.71		8,641,162.73	417,129,361.41

## 18. Intangible assets

Item	Land ownership	Land use rights	Patent rights	Trademark rights
Original book value				
Opening balance	135,014,576.18	255,109,422.91	5,407,650.57	326,422,582.83
Amount of increase during the period	6,087,114.93	68,535,948.15	22,783,086.49	104,110,028.30
(1) Acquisitions		68,292,268.06	397,322.89	
(2) Increase due to consolidation			21,859,366.00	78,979,761.00
(3) Effect of exchange rate changes	6,087,114.93	243,680.09	526,397.60	25,130,267.30
Amount of decrease during the period	2,727,072.90			

(1) Disposal	2,727,072.90			
Closing balance	138,374,618.21	323,645,371.06	28,190,737.06	430,532,611.13
Accumulated amortization				
Opening balance		45,272,589.30	3,149,553.87	10,082,454.18
Amount of increase during the period		10,244,714.17	1,176,857.15	7,774,802.46
(1) Accrual		10,266,051.73	1,156,405.39	7,508,421.85
(2) Effect of exchange rate changes		-21,337.56	20,451.76	266,380.61
Amount of decrease during the period				
(1) Disposal				
Closing balance		55,517,303.47	4,326,411.02	17,857,256.64
Book value				
Book value at the end of the period	138,374,618.21	268,128,067.59	23,864,326.04	412,675,354.49
Book value at the beginning of the period	135,014,576.18	209,836,833.61	2,258,096.70	316,340,128.65

(Continued)

Item	Proprietary technologies	Management software	Emission rights	Total
Original book value				
Opening balance	18,478,820.35	162,902,092.41	2,648,543.69	905,983,688.94
Amount of increase during the period		23,799,376.78		225,315,554.65
(1) Acquisitions		7,510,588.36		76,200,179.31
(2) Increase due to consolidation				100,839,127.00
(3) Effect of exchange rate changes		16,288,788.42		48,276,248.34
Amount of decrease during the period		2,020,718.10		4,747,791.00
(1) Disposal		2,020,718.10		4,747,791.00
Closing balance	18,478,820.35	184,680,751.09	2,648,543.69	1,126,551,452.59
Accumulated amortization				
Opening balance	13,019,868.82	120,711,294.71	949,061.60	193,184,822.48
Amount of increase during the period	1,755,487.93	24,905,521.12	264,854.40	46,122,237.23
(1) Accrual	1,755,487.93	16,893,466.43	264,854.40	37,844,687.73

(2) Effect of exchange rate changes		8,012,054.69		8,277,549.50
Amount of decrease during the period		708,691.90		708,691.90
(1) Disposal		708,691.90		708,691.90
Closing balance	14,775,356.75	144,908,123.93	1,213,916.00	238,598,367.81
Book value				
Book value at the end of the period	3,703,463.60	39,772,627.16	1,434,627.69	887,953,084.78
Book value at the beginning of the period	5,458,951.53	42,190,797.70	1,699,482.09	712,798,866.46

## 19. Goodwill

## (1) Detailed information

Name of investee or matters forming goodwill	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Lista Holding AG	1,189,377,366.10	70,398,887.67	1,118,978,478.43	1,065,726,426.39	70,398,887.67	995,327,538.72
Geelong Orchid Holdings Ltd	568,037,859.11	2,455,041.61	565,582,817.50	568,037,859.11	1,573,951.59	566,463,907.52
Arrow Fastener Co., LLC	653,931,525.60		653,931,525.60	643,027,588.80		643,027,588.80
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.	118,076,677.01	58,591,956.96	59,484,720.05	118,076,677.01	58,591,956.96	59,484,720.05
Prim' Tools Limited	69,957,952.71		69,957,952.71	68,791,443.58		68,791,443.58
Suzhou Xindadi Hardware Product Co., Ltd	42,288,608.30		42,288,608.30	42,288,608.30		42,288,608.30
Prexiso AG	38,079,740.04		38,079,740.04	34,120,865.62		34,120,865.62
Prime-Line Products, LLC	30,455,610.00	3,311,657.93	27,143,952.07	29,947,780.00	3,311,657.93	26,636,122.07
Workwear and labor protection equipment-related asset	24,973,059.72	808,928.28	24,164,131.44			

group purchased by Scruffs Workwear Ltd						
Longyou Hugong Forging Three Tools Co., Ltd,	8,072,738.29	8,072,738.29		8,072,738.29	8,072,738.29	
Shanghai Endura Tools Co., Ltd.	5,677,361.84	5,677,361.84		5,677,361.84	5,677,361.84	
Hangzhou Shibeide Cutting Tools Co., Ltd	884,415.32	884,415.32		884,415.32	884,415.32	
Zhejiang Guoxin Tools Co., Ltd.	308,667.41	308,667.41		308,667.41	308,667.41	
Yiyang Tools Manufacturing Co., Ltd	170,033.92	170,033.92		170,033.92	170,033.92	
Total	2,750,291,615.37	150,679,689.23	2,599,611,926.14	2,585,130,465.59	148,989,670.93	2,436,140,794.66

## (2) Original book value of goodwill

Name of investee or matters forming goodwill	Opening balance	Resulting from business combination in the period	Impact of exchange rate changes	Decrease for the period		Closing balance
				Disposals	Other	
Lista Holding AG	1,065,726,426.39		123,650,939.71			1,189,377,366.10
Geelong Orchid Holdings Ltd	568,037,859.11					568,037,859.11
Arrow Fastener Co., LLC	643,027,588.80		10,903,936.80			653,931,525.60
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.	118,076,677.01					118,076,677.01
Prim' Tools Limited	68,791,443.58		1,166,509.13			69,957,952.71
Suzhou Xindadi Hardware Product Co., Ltd	42,288,608.30					42,288,608.30
Prexiso AG	34,120,865.62		3,958,874.42			38,079,740.04
Prime-Line Products, LLC	29,947,780.00		507,830.00			30,455,610.00

Name of investee or matters forming goodwill	Opening balance	Resulting from business combination in the period	Impact of exchange rate changes	Decrease for the period		Closing balance
				Disposals	Other	
Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd		24,385,822.23	587,237.49			24,973,059.72
Longyou Hugong Forging Three Tools Co., Ltd,	8,072,738.29					8,072,738.29
Shanghai Endura Tools Co., Ltd.	5,677,361.84					5,677,361.84
Hangzhou Shibeide Cutting Tools Co., Ltd	884,415.32					884,415.32
Zhejiang Guoxin Tools Co., Ltd.	308,667.41					308,667.41
Yiyang Tools Manufacturing Co., Ltd	170,033.92					170,033.92
Total	2,585,130,465.59	24,385,822.23	140,775,327.55			2,750,291,615.37

## (3) Provision for impairment of goodwill

Name of investee or matters forming goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Make provision	Other	Disposals	Other	
Lista Holding AG	70,398,887.67					70,398,887.67
Geelong Orchid Holdings Ltd	1,573,951.59	881,090.02				2,455,041.61
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.	58,591,956.96					58,591,956.96
Prime-Line Products, LLC	3,311,657.93					3,311,657.93
Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd		808,928.28				808,928.28

Name of investee or matters forming goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Make provision	Other	Disposals	Other	
Longyou Hugong Forging Three Tools Co., Ltd,	8,072,738.29					8,072,738.29
Shanghai Endura Tools Co., Ltd.	5,677,361.84					5,677,361.84
Hangzhou Shibeide Cutting Tools Co., Ltd	884,415.32					884,415.32
Zhejiang Guoxin Tools Co., Ltd.	308,667.41					308,667.41
Yiyang Tools Manufacturing Co., Ltd	170,033.92					170,033.92
Total	148,989,670.93	1,690,018.30				150,679,689.23

[Note] Goodwill arose from the recognition of deferred income tax liabilities for the relevant asset group of Geelong Orchid Holdings Ltd and workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd. A provision of RMB 881,090.02 and a provision of RMB 808,928.28 for impairment of goodwill have been made due to the reversal of deferred income tax liabilities in the current period.

(4) Information about the asset group or combination of asset groups in which main goodwill is located

Name of asset group or combination of asset groups	Composition and basis of asset group or combination of asset groups	Operating segment and its basis	Whether the asset group or combination of asset groups was consistent with that determined on the purchase date and when the previous-year goodwill impairment test was made
Lista Holding AG	The operational assets and liabilities relating to tool storage business in Lista Holding AG asset group can generate independent cash inflows	The asset group containing goodwill in Lista Holding AG is its asset group of tool storage D&R, production and marketing business	Yes
Geelong Orchid Holdings Ltd	The operational assets and liabilities relating to tool storage business in Geelong Orchid Holdings Ltd asset group, which can generate independent cash inflows	The asset group containing goodwill in Geelong Orchid Holdings Ltd is its asset group of tool storage D&R, production and marketing business	Different from that determined on the purchase date, and consistent with that determined when a goodwill impairment test was made in 2022 The difference from that on the purchase date was mainly due to the adjustment of internal business and equity structure, and Geelong (Thailand) Co, Ltd was introduced into Geelong Orchid Holdings Ltd asset group since 2022

Name of asset group or combination of asset groups	Composition and basis of asset group or combination of asset groups	Operating segment and its basis	Whether the asset group or combination of asset groups was consistent with that determined on the purchase date and when the previous-year goodwill impairment test was made
Arrow Fastener Co., LLC	The operational assets and liabilities relating to tools business in Arrow Fastener Co., LLC asset group can generate independent cash inflows	The asset group containing goodwill in Arrow Fastener Co., LLC is its asset group of tools D&R, production and marketing business	Yes

## (5) Specific method for determining recoverable amount of major goodwill

The recoverable amount was determined based on the present value of expected future cash flows

Item	Book value of the asset group or combination of asset groups containing goodwill	Recoverable amount	Provision for Impairment in the current period
Lista Holding AG	1,623,529,995.17	1,967,380,000.00	
Geelong Orchid Holdings Ltd	1,043,440,203.22	1,153,042,000.00	
Arrow Fastener Co., LLC	1,061,688,865.87	1,064,104,848.00	

(Continued)

Item	Years of forecast period	Revenue growth rate, profit margin and other parameters over the forecast period and their determination basis	Growth rate and other parameters over the stabilization period and their determination basis	Discount rate and its determination basis
Lista Holding AG	5-year period for detailed forecasts	Based on historical experience and market development forecasts, the Company has determined that during the forecast period (2024-2028), the revenue growth rate is -2.24% - 5.93%, the gross profit margin (excluding depreciation and amortization) 27.13%-30.59%, and the profit margin before interest, taxes, depreciation, and amortization 17.24%-20.70%, respectively	The growth rate reaches stability in the fifth year of the forecast period, and 0 growth in the sixth year and perpetuity period,	The pre-tax interest rate for the time value of market currency and specific risks of related asset groups, with a discount rate of 10.59%
Geelong Orchid Holdings Ltd		Based on historical experience and market development forecasts, the Company has determined that during the forecast period (2024-2028), the revenue growth rate is 3.81%-52.49%, the gross profit margin 18.32%-18.87%, and the profit		The pre-tax interest rate for the time value of market currency and specific risks of related asset groups, with a

Item	Years of forecast period	Revenue growth rate, profit margin and other parameters over the forecast period and their determination basis	Growth rate and other parameters over the stabilization period and their determination basis	Discount rate and its determination basis
		margin before interest and taxes 11.21%-12.42%, respectively		discount rate of 12.68%
Arrow Fastener Co., LLC		Based on historical experience and market development forecasts, the Company has determined that during the forecast period (2024-2028), the revenue growth rate is 5.00%-10.00%, the gross profit margin 23.63%-29.54%, and the profit margin before interest and taxes 8.74%-14.73%, respectively		The pre-tax interest rate for the time value of market currency and specific risks of related asset groups, with a discount rate of 11.65%

## 20. Long-term amortized expenses

Item	Opening balance	Increase for the period	Amortization for the period	Impact of exchange rate changes	Closing balance
Expenditure on leasehold improvements of fixed assets	6,735,976.64	53,905.29	1,930,160.51	1,734.40	4,861,455.82
Renovation expense	10,874,395.67	5,023,237.67	6,855,182.72	-110,899.47	8,931,551.15
Mold costs	10,234,156.01	12,100,259.24	8,569,429.44	-7,354.67	13,757,631.14
Other	1,838,746.02	5,075,498.97	1,310,952.50	19,583.14	5,622,875.63
Total	29,683,274.34	22,252,901.17	18,665,725.17	-96,936.60	33,173,513.74

## 21. Deferred income tax assets/deferred income tax liabilities

## (1) Deferred tax liabilities without offsetting

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for bad debts	114,342,356.82	20,739,142.33	75,037,482.03	19,562,336.87
Provision for decline in value of inventories	51,824,082.19	11,178,964.81	94,747,478.74	20,983,892.60
Lease liabilities	153,978,306.34	29,296,516.80	195,295,175.16	39,349,672.33
Changes in fair value of financial	1,305,491.60	195,823.74	13,075,775.60	1,961,366.34

instruments held for trading				
Accrued expenses	115,214,300.28	29,368,943.84	87,802,250.40	26,072,370.12
Deferred income	327,332.57	49,099.89	795,332.50	119,299.88
Distribution of partnership profits	12,399,101.26	1,859,865.19	10,437,803.87	1,565,670.58
Total	449,390,971.06	92,688,356.60	477,191,298.30	109,614,608.72

## (2) Deferred tax liabilities without offsetting

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of financial instruments held for trading	472,251.49	70,837.72	216,822.79	32,523.42
Interest receivable	20,342,139.76	3,081,934.25	10,354,688.66	1,553,203.30
Depreciation of fixed assets	156,961,011.90	35,286,769.43	60,487,407.12	10,661,582.63
Appraisal of appreciation of assets in non-identically controlled business combinations	200,326,710.67	44,293,429.84	130,493,175.41	22,637,189.13
Other	63,126,203.66	12,905,251.70	59,993,435.24	12,273,663.16
Right-of-use assets	151,808,469.71	29,083,863.76	188,537,708.58	39,633,853.20
Total	593,036,787.19	124,722,086.70	450,083,237.80	86,792,014.84

## (3) Breakdown of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible losses	308,577,922.52	291,942,202.73
Total	308,577,922.52	291,942,202.73

(4) The deductible losses for which no deferred income tax assets have been recognized will expire in the following years

Years	Closing balance	Opening balance
2023		12,521,147.05

2024	32,427,712.45	32,951,460.64
2025	34,160,783.63	34,819,578.42
2026	49,388,642.26	69,022,589.38
2027	49,038,971.22	50,649,136.49
2028	59,949,715.41	26,243,099.31
2029	7,438,617.58	7,438,617.58
2030	13,508,002.18	13,508,002.18
2031	27,932,795.58	32,348,426.72
2032	10,717,366.53	12,440,144.96
2033	24,015,315.68	
Total	308,577,922.52	291,942,202.73

## 22. Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayment for acquisition of land	39,173,724.83		39,173,724.83	57,883,798.81		57,883,798.81
Prepayments for equipment	13,667,157.94		13,667,157.94	14,558,437.00		14,558,437.00
Prepayments for acquisition of intangible assets	552,100.00		552,100.00	2,064,892.14		2,064,892.14
Total	53,392,982.77		53,392,982.77	74,507,127.95		74,507,127.95

## 23. Assets subject to ownership or use restrictions

## (1) Restricted assets as of the end of the period

Item	Closing book balance	Book value at the end of the period	Types of restrictions	Reason for restriction
Monetary assets	144,071,225.10	144,071,225.10	Pledged	Guarantee deposit for short-term loan
Monetary assets	21,496,066.60	21,496,066.60	Pledged	Guarantee deposit for forward settlement of exchange and sale

Item	Closing book balance	Book value at the end of the period	Types of restrictions	Reason for restriction
Monetary assets	16,290,210.00	16,290,210.00	Pledged	Deposits for letter of credit
Monetary assets	6,388,901.19	6,388,901.19	Pledged	Guarantee deposit for bank acceptance
Monetary assets	3,541,350.00	3,541,350.00	Pledged	Deposits for credit card
Monetary assets	1,416,859.57	1,416,859.57	Pledged	Deposits for customs guarantees
Monetary assets	1,494,449.70	1,494,449.70	Pledged	Premium for lease
Monetary assets	49,000.00	49,000.00	Pledged	Guarantee deposit for ETC
Fixed assets	40,901,325.49	25,832,626.15	Mortgaged	Mortgage for bank acceptance
Fixed assets	20,789,909.21	9,133,057.17	Mortgaged	Mortgage for bank loan
Intangible assets	3,198,505.51	1,982,663.42	Mortgaged	Mortgage for bank acceptance
Intangible assets	2,451,822.91	1,336,350.05	Mortgaged	Mortgage for bank loan
Total	262,089,625.28	233,032,758.95		

## (2) Restricted assets as of the end of the period

Item	Opening book balance	Book value at the beginning of the period	Types of restrictions	Reason for restriction
Monetary assets	33,448,671.74	33,448,671.74	Pledged	Guarantee deposit for forward settlement of exchange and sale
Monetary assets	20,893,800.00	20,893,800.00	Pledged	Guarantee deposit for short-term loan
Monetary assets	6,616,370.00	6,616,370.00	Pledged	Deposits for letter of credit
Monetary assets	7,384,067.19	7,384,067.19	Pledged	Guarantee deposit for bank acceptance
Monetary assets	1,393,093.00	1,393,093.00	Pledged	Deposits for customs guarantees
Monetary assets	43,000.00	43,000.00	Pledged	Guarantee deposit for ETC
Fixed assets	40,901,325.49	27,776,638.39	Mortgaged	Mortgage for bank acceptance
Fixed assets	20,789,909.21	10,003,152.72	Mortgaged	Mortgage for bank loan
Intangible assets	3,198,505.51	2,046,633.50	Mortgaged	Mortgage for bank acceptance
Intangible assets	2,451,822.91	1,385,386.53	Mortgaged	Mortgage for bank loan
100% shares of Arrow Fastener Co., LLC [Note]	—	481,723,419.57	Pledge	Pledge for bank loan
Total	137,120,565.05	592,714,232.64		

[Note] 100.00% shares of Arrow Fastener Co., LLC is the net book assets at the beginning of the period

## 24. Short-term borrowings

Item	Closing balance	Opening balance
Credit borrowing	884,391,813.12	1,199,414,617.82
Mortgage	10,000,000.00	10,000,000.00
Pledge and guaranteed borrowing	70,827,000.00	
Guaranteed borrowing	62,000,000.00	145,646,000.00
Pledge borrowing	75,565,506.84	20,924,304.95
Interest payable not yet due for accrual	463,579.69	3,077,790.34
Total	1,103,247,899.65	1,379,062,713.11

## 25. Held-for-trading financial liabilities

Item	Opening balance	Increase for the period	Decrease for the period	Impact of exchange rate changes	Closing balance
Held-for-trading financial liabilities	48,413,710.29	3,126,803.29	48,830,280.43	517,493.08	3,227,726.23
including: derivative financial liabilities	48,413,710.29	3,126,803.29	48,830,280.43	517,493.08	3,227,726.23
Total	48,413,710.29	3,126,803.29	48,830,280.43	517,493.08	3,227,726.23

## 26. Notes payable

Item	Closing balance	Opening balance
Bankers' acceptance bill	18,253,448.48	21,096,540.03
Total	18,253,448.48	21,096,540.03

## 27. Accounts payable

Item	Closing balance	Opening balance
Payables for materials procurement	1,330,757,594.65	1,150,990,191.95
Payable expenses	161,043,215.61	165,627,875.06
Payables for project equipment	75,245,262.28	50,257,201.70
Total	1,567,046,072.54	1,366,875,268.71

## 28. Contractual liabilities

Item	Closing balance	Opening balance
Loans	147,202,549.06	131,898,420.14
Total	147,202,549.06	131,898,420.14

## 29. Employee benefits payable

## (1) Detailed information

Item	Opening balance	Increase for the period		Decrease for the period	Closing balance
		Accrual for the current period	Impact of exchange rate changes		
Short-term remuneration	258,307,029.37	1,952,473,977.70	5,591,567.55	1,987,287,670.21	229,084,904.41
Post-employment benefits - defined contribution plans	12,371,158.45	109,774,105.92	509,781.93	108,304,905.48	14,350,140.82
Total	270,678,187.82	2,062,248,083.62	6,101,349.48	2,095,592,575.69	243,435,045.23

## (2) Detailed information on Short-term compensation

Item	Opening balance	Increase for the period		Decrease for the period	Closing balance
		Accrual for the current period	Impact of exchange rate changes		
Wages, bonuses, allowances and subsidies	253,037,098.02	1,766,204,283.78	5,470,546.38	1,802,353,632.09	222,358,296.09
Employee welfare expenses		59,063,981.52	60,472.07	57,865,508.30	1,258,945.29
Social insurance premium	3,983,299.73	89,775,181.36	63,052.94	89,641,993.68	4,179,540.35
Including: Medical insurance premiums	3,678,123.24	82,468,963.73	62,766.05	82,525,590.17	3,684,262.85
Work injury compensation insurance premiums	301,310.41	6,689,077.65	286.89	6,504,504.82	486,170.13
Maternity insurance premiums	3,866.08	617,139.98		611,898.69	9,107.37
Housing provident funds	345,149.56	27,166,147.64	3,249.45	27,187,487.81	327,058.84
Labor union funds and	941,482.06	10,264,383.40	-5,753.29	10,239,048.33	961,063.84

Item	Opening balance	Increase for the period		Decrease for the period	Closing balance
		Accrual for the current period	Impact of exchange rate changes		
employee education funds					
Subtotal	258,307,029.37	1,952,473,977.70	5,591,567.55	1,987,287,670.21	229,084,904.41

## (3) Details on defined contribution plans

Item	Opening balance	Increase for the period		Decrease for the period	Closing balance
		Accrual for the current period	Impact of exchange rate changes		
Basic pension insurance	12,188,772.91	98,798,377.11	348,171.81	99,739,026.60	11,596,295.23
Unemployment insurance premiums	182,385.54	10,975,728.81	161,610.12	8,565,878.88	2,753,845.59
Subtotal	12,371,158.45	109,774,105.92	509,781.93	108,304,905.48	14,350,140.82

## 30. Taxes and rates payable

Item	Closing balance	Opening balance
Business income tax	97,187,904.30	128,337,935.70
Value-added tax	15,175,202.82	25,628,212.44
Property tax	8,004,245.12	6,855,195.19
Stamp duty	1,823,901.04	2,116,945.92
Withheld individual income tax	2,756,689.72	3,844,249.01
Land use tax	3,360,603.50	2,072,352.53
Urban maintenance and construction tax	561,518.74	1,356,721.18
Education surcharge	322,147.54	682,263.36
Local education surcharge	214,765.00	462,433.69
Environmental protection tax	1,974.70	1,442.26
Disabled person's protection fund	66,367.44	61,129.65
Withheld consumption tax	2,251,893.93	4,646,613.97
Withheld VAT	582,131.10	494,411.75
Withheld enterprise income tax	142,849.16	384,048.88

Item	Closing balance	Opening balance
Total	132,452,194.11	176,943,955.53

## 31. Other payables

## (1) Detailed information

Item	Closing balance	Opening balance
Dividend payable	8,400,000.00	
Other payables	29,229,238.62	21,198,376.32
Total	37,629,238.62	21,198,376.32

## (2) Dividend payable

Item	Closing balance	Opening balance
Dividend payable to non-controlling shareholders	8,400,000.00	
Subtotal	8,400,000.00	

## (3) Other payables

Item	Closing balance	Opening balance
Temporary receipts payable	4,920,331.64	8,050,261.29
Borrowed funds		5,055,791.67
Deposit Guarantee	6,717,780.30	2,453,772.95
Accrued expenses	1,829,256.00	1,447,150.53
Payables for share acquisition	13,219,688.93	
Other	2,542,181.75	4,191,399.88
Total	29,229,238.62	21,198,376.32

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

Item	Closing balance	Opening balance
Long-term borrowings due within one year	874,962,000.00	233,875,782.07
including: pledge borrowings		73,520,000.00
Credit borrowing	874,962,000.00	26,402,268.47

Item	Closing balance	Opening balance
Guaranteed borrowing		133,953,513.60
Lease liabilities due within one year	102,552,484.95	88,367,583.10
Interest payable on long-term borrowing not yet due for accrual	616,132.08	1,053,468.23
Total	978,130,617.03	323,296,833.40

## 33. Other current liabilities

Item	Closing balance	Opening balance
Output tax amount to be forwarded	2,050,790.27	2,136,266.97
Total	2,050,790.27	2,136,266.97

## 34. Long-term borrowings

Item	Closing balance	Opening balance
Credit borrowing	708,270.00	724,448,825.19
Pledge borrowing		73,600,000.00
Interest payable on long-term borrowing not yet due for accrual		556,126.65
Total	708,270.00	798,604,951.84

## 35. Lease liabilities

Item	Closing balance	Opening balance
Outstanding lease payments	298,113,358.92	324,601,077.37
Less: unrecognized financing costs	14,312,589.00	6,379,727.38
Total	283,800,769.92	318,221,349.99

## 36. Long-term employee benefits payable

Item	Closing balance	Opening balance
Benefits upon severance	19,098,027.87	19,223,856.97
Total	19,098,027.87	19,223,856.97

## 37. Estimated liabilities

Item	Closing balance	Opening balance
Soil remediation costs	2,601,750.88	2,036,528.30
Product quality warranty	5,100,895.87	2,511,885.60
Total	7,702,646.75	4,548,413.90

## 38. Deferred income

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for formation
Government grants	2,364,687.74	1,120,500.00	966,795.25	2,518,392.49	Special subsidization
Total	2,364,687.74	1,120,500.00	966,795.25	2,518,392.49	

## 39. Share capital

Item	Opening balance	Increase/decrease within the current period ("-" for less)					Closing balance
		New shares issued	Bonus shares	Conversion of capital reserve into share capital	Other	Subtotal	
Total number of shares	1,202,501,992						1,202,501,992

## 40. Capital reserve

## (1) Detailed information

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	3,732,447,073.66	12,832,066.78	4,619,747.84	3,740,659,392.60
Other capital reserves	218,331,862.87	40,894,773.69		259,226,636.56
Total	3,950,778,936.53	53,726,840.47	4,619,747.84	3,999,886,029.16

## (2) Other notes

## 1) Notes on changes in Capital reserve - share capital premium)

## (i) Increase for the period

The Company acquired 16.286%, 28.00% and 18.00% interests in Hangzhou Lianhe Electric Manufacturing Co., Ltd, Hangzhou Liansheng Tools Manufacturing Co., Ltd and Longyou Hugong Forging Three Tools Co., Ltd, held by their minority shareholders, respectively with a value of RMB 12,818,462.70, RMB 5,056,837.80 and RMB 20,097,475.51. When preparing the consolidated financial statements, the differences of RMB 5,754,208.97, RMB 64,162.19 and RMB 7,013,695.62 between the long-term equity investment acquired by acquiring minority interests

and the share of net assets of the above companies that should be held by the Company from the consolidation date based on the new shareholding percentage were included into the capital reserve.

(ii) Decrease for the period

The Company acquired 3.00% and 8.085% interests in Hangzhou Ole-Systems Co., Ltd and Yiyang Tools Manufacturing Co., Ltd held by their minority shareholders, respectively with a value of RMB 800,000.00 and RMB 6,902,524.49. When preparing the consolidated financial statements, the differences of RMB 1,899,591.38 and RMB 2,720,156.46 between the long-term equity investment acquired by acquiring minority interests and the share of net assets of the above companies that should be held by the Company from the consolidation date based on the new shareholding percentage wrote down the capital reserve.

2) Notes on changes in Capital reserve - Other capital reserves

The share of changes in owners' equity, other than net profit/loss, other comprehensive income and profit distribution, of Zhejiang Guozi Robotics Co., Ltd., Zhejiang Hangcha Holding Co., Ltd. and Hangzhou Zhongce Haichao Enterprise Management Co., Ltd. that should be held by the Company based on shareholding percentage was adjusted to increase the Long-term equity investments and Capital reserve - Other capital reserve by RMB 14,432,140.68, RMB 21,082,359.51 and RMB 5,380,273.50, respectively.

41. Treasury shares

(1) Detailed information

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Treasury shares	236,625,962.00			236,625,962.00
Total	236,625,962.00			236,625,962.00

(2) Other notes

By resolution of the 11th session of the Company's 5th Board of Directors meeting, the Company has agreed to buy back part of the Company's shares by means of centralized bidding, with its own funds of not less than RMB 180 million and not more than RMB 360 million. The repurchase price of shares shall not exceed RMB 36 per share, and the repurchase period shall not exceed 12 months from the date of approval by the board of directors. As of the end of the period, the Company's special account for share repurchase has cumulatively repurchased 8,023,810 shares and paid a total price of RMB 236,625,962.00 therefor.

42. Other comprehensive income

Item	Opening balance	Jan.-Sept. 2022					Closing balance	
		Other comprehensive income after tax						Less: Amounts of transferring from other comprehensive income recognized in previous periods to retained
		Accrued amount before income tax in the period	Less: Amounts of transferring from other comprehensive income recognized in previous	Less: Income tax expenses	After-tax amount attributable to the parent Company	After-tax amount attributable to non-controlling shareholders		

			periods to gains and losses in the period				earnings in the period (After-tax amount attributab le to the parent Company )	
Not to be reclassified subsequently to profit or loss	- 88,739,46 1.08	- 7,080,703 .80		- 1,236,56 3.40	- 5,844,140 .40			- 94,583,60 1.48
Including: Remeasurements of the net defined benefit plan	- 88,739,46 1.08	- 7,080,703 .80		- 1,236,56 3.40	- 5,844,140 .40			- 94,583,60 1.48
To be reclassified subsequently to profit or loss	203,748,3 77.20	122,288,6 62.27			122,288,6 62.27	621,935 .42		326,037,0 39.47
Including: Items under equity method that may be reclassified to profit or loss	- 54,066,26 8.84	21,100,54 5.46			21,100,54 5.46			- 32,965,72 3.38
Translation reserve	257,814,6 46.04	101,188,1 16.81			101,188,1 16.81	621,935 .42		359,002,7 62.85
Total of other comprehensive income	115,008,9 16.12	115,207,9 58.47		- 1,236,56 3.40	116,444,5 21.87	621,935 .42		231,453,4 37.99

## 43. Surplus reserve

## (1) Detailed information

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	663,843,379.04	125,117,089.02		788,960,468.06
Total	663,843,379.04	125,117,089.02		788,960,468.06

## (2) Other notes

According to the provisions of the Company's articles of association, a statutory surplus reserve of 10% shall be withdrawn from the net profit realized by the parent Company in the period.

#### 44. Undistributed profit

##### (1) Detailed information

Item	Current period cumulative	Preceding period comparative
Undistributed profits at the beginning of the period	7,702,625,494.43	6,348,070,987.28
Add: Net profits attributable to owners of the parent Company	1,691,612,756.79	1,419,854,709.56
Less: Provision of statutory surplus reserve	125,117,089.02	65,300,202.41
Dividends payable for common shares	407,317,051.79	
Undistributed profits at the end of the period	8,861,804,110.41	7,702,625,494.43

##### (2) Other information

According to the resolutions of the second meeting of the sixth Board of Directors and the third temporary General Meetings of Shareholders in 2023 of the Company, the Company distributed rights for the first three quarter of 2023. In December 2023, the Company distributed RMB 1.75 (tax included) per 10 shares to all shareholders based on the total of 1,194,478,182 shares (i.e., total share capital of 1,202,501,992 shares excluding repurchased 8,023,810 shares), and cash dividends of RMB 209,033,681.85 were distributed in total.

According to the resolutions of the thirtieth meeting of the fifth Board of Directors and the General Meetings of Shareholders in 2022 of the Company, the Company distributed rights for the year of 2022. In June 2023, the Company distributed RMB 1.66 (tax included) per 10 shares to all shareholders based on the total of 1,194,478,182 shares (i.e., total share capital of 1,202,501,992 shares excluding repurchased 8,023,810 shares), and cash dividends of RMB 198,283,372.94 were distributed in total.

#### (II) Notes to the Consolidated income statement Items

##### 1. Operating revenues / operating costs

##### (1) Detailed information

Item	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main business income	10,865,309,434.63	7,423,231,250.13	12,545,286,576.78	9,244,404,166.19
Other income	64,683,367.69	30,890,842.06	64,903,013.55	22,518,138.56
Total	10,929,992,802.32	7,454,122,092.19	12,610,189,590.33	9,266,922,304.75
including: revenue generated from the contracts with the clients	10,905,014,276.29	7,448,115,357.77	12,586,390,194.72	9,261,882,586.65

##### (2) Breakdown information of the revenue generated from contracts with clients by major categories

1) The breakdown information of operating revenue by products or service types is detailed in Note XVI "Other significant matters".

2) The revenue generated from contracts with clients is broken down by the time of transfer of goods or service

Item	Current period cumulative	Preceding period comparative
Revenue is recognized at a point in time	10,905,014,276.29	12,586,390,194.72
Subtotal	10,905,014,276.29	12,586,390,194.72

(3) The revenue recognized in the period and included in the opening book value of contractual liabilities is RMB 131,898,420.14.

## 2. Taxes and surcharges

Item	Current period cumulative	Preceding period comparative
Property tax	19,937,301.79	16,912,104.43
Urban maintenance and construction tax	7,241,177.65	11,571,038.85
Stamp duty	7,168,194.80	8,040,968.45
Education surcharge	3,574,975.46	5,189,547.92
Land use tax	3,341,880.06	2,084,005.49
Local education surcharge	2,383,316.95	3,459,698.53
Vehicle and vessel tax	50,150.66	58,382.49
Environmental protection tax	14,145.28	13,002.52
Total	43,711,142.65	47,328,748.68

## 3. Selling expenses

Item	Current period cumulative	Preceding period comparative
Employee benefits expenses	418,565,790.97	398,662,746.55
Advertising and promotional expenses	259,757,461.00	234,815,034.42
Office expenses	77,260,165.18	53,295,831.67
Depreciation and amortization	26,148,085.42	16,451,396.81
Consulting fees	19,448,345.84	14,737,583.22
Travel expenses	11,266,789.56	6,520,356.14
Housing rent	9,659,563.96	8,096,364.87

Item	Current period cumulative	Preceding period comparative
Employee benefits expenses	418,565,790.97	398,662,746.55
Commodity inspection fees	6,518,131.28	5,278,754.56
Insurance premiums	7,255,364.16	4,133,914.99
Other	15,404,278.61	15,236,456.57
Total	851,283,975.98	757,228,439.80

#### 4. Administrative expenses

Item	Current period cumulative	Preceding period comparative
Employee benefits expenses	473,117,714.26	474,556,828.40
Office expenses	101,251,279.49	97,032,204.35
Depreciation and amortization	83,879,427.97	77,866,531.84
Consulting fees	72,053,321.84	64,751,668.35
Travel expenses	17,686,407.52	17,871,137.28
Business entertainment expenses	3,794,559.90	3,874,433.78
Taxes and rates	2,690,241.29	2,793,774.11
Greening expenses	2,273,011.25	2,976,006.64
Other	19,437,678.82	19,238,855.11
Total	776,183,642.34	760,961,439.86

#### 5. R&D expenses

Item	Current period cumulative	Preceding period comparative
Employee benefits expenses	191,340,299.56	198,631,442.97
Direct input	95,403,069.21	83,802,929.10
Depreciation and amortization	13,275,762.42	15,283,842.90
Other	22,516,962.43	21,726,320.19
Total	322,536,093.62	319,444,535.16

#### 6. Financial expenses

Item	Current period cumulative	Preceding period comparative
Interest expenses	84,769,466.12	102,114,891.52
Interest income	-139,528,683.81	-83,482,441.75
Profits or losses on foreign exchange	-163,005,391.80	-146,152,161.07
Bank charges	10,263,086.43	16,664,536.54
Total	-207,501,523.06	-110,855,174.76

## 7. Other income

Item	Current period cumulative	Preceding period comparative	Amounts included in non-recurring gains and losses of the period
Government grants related to assets	866,795.25	1,110,756.89	866,795.25
Government grants related to income	33,110,021.82	49,227,280.96	29,344,791.58
Refund of handling fees for withholding personal income tax	650,837.62	333,584.83	
Additional deduction of value-added tax	3,554,586.96		
Total	38,182,241.65	50,671,622.68	30,211,586.83

## 8. Investment income

Item	Current period cumulative	Preceding period comparative
Income from long-term equity investments recognized under the equity method	342,117,235.54	186,224,854.43
Investment income from disposal of long-term equity investments		70,248.49
Discounting loss on receivables financing	-17,897,921.26	-7,931,415.18
Investment income from disposal of held-for-trading financial assets	-82,927,747.51	-13,836,147.37
Including: derivative financial instruments	-84,843,046.20	-25,565,069.36
Bank financial products	1,915,298.69	2,368,356.03
Investment in equity instruments		9,360,565.96
Dividend income from investments in other equity instruments during the holding period		12,400,000.00
Total	241,291,566.77	176,927,540.37

## 9. Gains on changes in fair value

Item	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	50,175,050.93	-41,392,762.63
Including: Gains on changes in fair value from derivative financial liabilities	49,702,799.44	-41,392,762.63
including: financial products	472,251.49	
Gains on changes in fair value of other equity instrument investments		-9,187,665.41
Total	50,175,050.93	-50,580,428.04

## 10. Credit impairment loss

Item	Current period cumulative	Preceding period comparative
Loss due to bad debt	-3,493,974.10	19,113,580.83
Total	-3,493,974.10	19,113,580.83

## 11. Assets impairment loss

Item	Current period cumulative	Preceding period comparative
Loss from decline in value of inventories	-23,216,967.50	-43,189,938.27
Fixed assets impairment loss		-3,305,922.73
Goodwill impairment losses	-1,667,847.06	-14,828,934.37
Total	-24,884,814.56	-61,324,795.37

## 12. Gains on asset disposal

Item	Current period cumulative	Preceding period comparative	Amounts included in non-recurring gains and losses of the period
Gains on disposal of fixed assets	5,561,483.02	-15,154,452.66	5,561,483.02
Gains on disposal of intangible assets	-20,689.66	-1,816,371.00	-20,689.66
Gains on disposal of right-of-use assets	269,664.40	75,858.93	269,664.40
Total	5,810,457.76	-16,894,964.73	5,810,457.76

## 13. Non-operating revenue

Item	Current period cumulative	Preceding period comparative	Amounts included in non-recurring gains and losses of the period
Income from compensation	1,614,376.69	142,321.59	1,614,376.69
Accounts unable to be paid	968,138.29	927,736.08	968,138.29
Gains from damage and scrapping of non-current assets	38,194.24	245.38	38,194.24
Other	208,666.21	112,707.39	208,666.21
Total	2,829,375.43	1,183,010.44	2,829,375.43

## 14. Non-operating expenditures

Item	Current period cumulative	Preceding period comparative	Amounts included in non-recurring gains and losses of the period
Expenditure for compensation	3,042,379.23	9,616,939.96	3,042,379.23
Outward donations	2,730,011.37	2,381,483.86	2,730,011.37
Losses from damage and scrapping of non-current assets	4,193,427.44	7,507,908.93	4,193,427.44
Fines	307,807.49	846,535.48	307,807.49
Other	584,453.27	628,789.12	584,453.27
Total	10,858,078.80	20,981,657.35	10,858,078.80

## 15. Income tax expenses

## (1) Detailed information

Item	Current period cumulative	Preceding period comparative
Current income tax expenses	261,599,598.13	273,828,973.28
Deferred income tax expenses	32,395,692.53	-51,729,378.86
Total	293,995,290.66	222,099,594.42

## (2) Accounting adjustment process for profits and income tax expenses

Item	Current period cumulative	Preceding period comparative
Total profits	1,988,709,203.68	1,667,273,205.67
Income tax expenses calculated based on applicable tax rates to the parent Company	298,306,380.55	250,090,980.85

Impact of different tax rates applicable to subsidiaries	27,889,299.65	16,972,963.30
Impact of adjusting income tax expenses in previous periods	8,651,068.49	23,824,878.53
Impact of non-taxable income	-3,691,860.64	-7,509,723.61
Impact of non-deductible costs, expenses, and losses	3,759,418.30	7,280,854.51
Impact of applying deductible losses for which no deferred income tax assets have been recognized in previous periods	-21,053,086.14	-20,962,995.36
Impact of investment income from long-term equity investments recognized under the equity method	-51,553,276.20	-28,150,792.19
Impact of deductible temporary differences or deductible losses for which no deferred income tax assets have been recognized in the current period	67,702,780.72	17,778,857.42
Impact of additional deduction for technical development expenses and disabled person's wages	-36,015,434.07	-37,225,429.03
Income tax expenses	293,995,290.66	222,099,594.42

#### 16. Other comprehensive income after tax

Other comprehensive income after tax is detailed in Note 43 of (I) "Notes to the consolidated balance sheet items" under VII. "Notes to the Consolidated Financial Statements Items".

#### (III) Notes to the Consolidated cash flow statement Items

##### 1. Cash receipts or payments related to important investment activities

Net cash payments for the acquisition of subsidiaries & other business units

Item	Current period cumulative	Preceding period comparative
Cash or cash equivalents paid in the current period for business combination occurring in the current period	127,498,351.89	76,724,758.42
including: workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd	127,498,351.89	
Geelong Orchid Holding Limited		47,973,954.65
BeA Company		28,750,803.77
Net cash payments for the acquisition of subsidiaries	127,498,351.89	76,724,758.42

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

###### (1) Other cash receipts related to operating activities

Item	Current period cumulative	Preceding period comparative
Recovered deposits for bankers' acceptance bills and letters of credit	14,000,437.19	27,725,700.00
Interest income	129,624,444.26	76,728,216.03
Income from government grants	34,230,521.82	46,029,953.90

Operating lease income	24,978,526.03	20,667,575.93
Recovered deposits for customs guarantees		700,000.00
Other	5,371,976.71	230,323.25
Total	208,205,906.01	172,081,769.11

## 2. Other cash payments related to operating activities

Item	Current period cumulative	Preceding period comparative
Current operating costs	1,118,626,858.56	1,146,808,817.06
Payments for deposits for bankers' acceptance bills and letters of credit, and credit cards	26,220,461.19	14,000,437.19
Other	6,250,541.53	11,076,711.72
Total	1,151,097,861.28	1,171,885,965.97

## 3. Other cash receipts related to investing activities

Item	Current period cumulative	Preceding period comparative
Recovered deposits for purchasing forward settlement and sale of foreign exchange	33,448,671.74	69,702,798.00
Recovered deposits for project performance		492,906.98
Total	33,448,671.74	70,195,704.98

## 4. Other cash payments related to investing activities

Item	Current period cumulative	Preceding period comparative
Deposits for purchasing forward settlement and sale of foreign exchange	21,496,066.60	100,856,217.74
Loss on investment in forward settlement and sale of foreign exchange	85,001,646.20	29,020,494.96
Total	106,497,712.80	129,876,712.70

## 5. Other cash receipts related to financing activities

Item	Current period cumulative	Preceding period comparative
Recovered deposits for bank loans	20,893,800.00	
Received discount payments for bills issued within the scope of consolidation	198,169,166.67	99,266,666.67
Receipt of Borrowed funds		5,000,000.00
Total	219,062,966.67	104,266,666.67

## 6. Other cash payments related to financing activities

Item	Current period cumulative	Preceding period comparative
Funds paid for share repurchase		50,184,047.52
Funds paid for acquiring non-controlling interests	32,455,611.57	
Repayment of Borrowed funds and their interests	5,197,708.36	602,271,700.00
Repayment of lease liabilities and interests	123,288,119.76	86,735,381.29
Handling fees for financing guarantees and receivables financing transfers	17,897,921.26	7,931,415.18
Payment of deposits for bank loans	144,071,225.10	20,893,800.00
Payment of deposits for lease of right-of-use assets	1,494,449.70	
Payment for stock issue		16,273,353.87
Total	324,405,035.75	784,289,697.86

### 3. Additional information on cash flow statement

Additional information	Current period cumulative	Preceding period comparative
(1) Adjustment of net profits to cash flows from operating activities:		
Net profit	1,694,713,913.02	1,445,173,611.25
Add: Provision for impairment of assets	28,378,788.66	42,211,214.54
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	214,351,487.73	181,387,033.50
Depreciation of right-of-use assets	113,387,781.38	98,348,716.39
Amortization of intangible assets	38,183,264.73	32,283,200.07
Amortization of long-term amortized expenses	18,665,725.17	16,566,519.35
Loss on disposal of fixed assets, intangible assets, and other long-term assets (or less: income)	-5,810,457.76	16,894,964.73
Loss on scrapping of fixed assets (or less: income)	4,155,233.20	7,507,663.55
Loss from changes in fair value (or less: income)	-50,175,050.93	50,580,428.04
Financial expenses (or less: income)	-78,235,925.68	-44,037,269.55
Investment losses (or less: income)	-241,291,566.77	-176,927,540.37
Decrease in deferred income tax assets (or less: increase)	16,926,252.12	-29,523,941.16
Increase in deferred income tax liabilities (or less: decrease)	37,930,071.86	-26,001,565.70
Decrease in inventory (or less: increase)	219,605,808.88	-24,001,558.52
Decrease in operating receivables (or less: increase)	-21,476,546.56	313,928,739.58

Additional information	Current period cumulative	Preceding period comparative
Increase in operating payables (or less: decrease)	136,546,146.60	-272,553,573.31
Other		
Net cash flows from operating activities	2,125,854,925.65	1,631,836,642.39
(2) Major investment and financing activities involving no cash receipts and payments:		
Debt converted to capital		
Convertible corporate bonds maturing within one year		
Financial lease of fixed assets		
(3) Net changes in cash and cash equivalents:		
Closing balance of cash	4,983,979,749.60	4,793,427,180.47
Less: Opening balance of cash	4,793,427,180.47	4,001,186,241.18
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	190,552,569.13	792,240,939.29

#### 4. Composition of cash and cash equivalents

##### (1) Detailed information

Item	Closing balance	Opening balance
1) Cash	4,983,979,749.60	4,793,427,180.47
including: cash on hand	700,564.56	4,328,053.84
Bank deposits readily available for payment	4,982,842,025.49	4,788,725,570.94
Other monetary fund readily available for payment	437,159.55	373,555.69
Central bank deposit available for payment		
Deposit from the same trade		
Call loan to the same trade		
2) Cash equivalents		
including: bond investment maturing within three months		
3) Closing balance of cash and cash equivalents	4,983,979,749.60	4,793,427,180.47
including: cash and cash equivalents for limited use by parent Company or subsidiaries within the group		

## (2) Cash and cash equivalents held by the Company for limited use

Item	Closing balance	Opening balance	Reasons for their limited use and for their use as cash and cash equivalents
Raised funds	115,301,372.56	259,919,361.39	For limited use but being readily available
Subtotal	115,301,372.56	259,919,361.39	

## (3) Monetary fund not belonging to cash and cash equivalents

Item	Closing balance	Opening balance	Reasons for not belonging to cash and cash equivalents
Guarantee deposit for forward settlement of exchange and sale	21,496,066.60	33,448,671.74	Not readily available
Guarantee deposit for short-term loan	144,071,225.10	20,893,800.00	Not readily available
Deposits for letter of credit	16,290,210.00	6,616,370.00	Not readily available
Guarantee deposit for bank acceptance	6,388,901.19	7,384,067.19	Not readily available
Deposits for credit card	3,541,350.00		Not readily available
Premium for lease	1,494,449.70		Not readily available
Deposits for customs guarantees	1,416,859.57	1,393,093.00	Not readily available
Guarantee deposit for ETC	49,000.00	43,000.00	Not readily available
Subtotal	194,748,062.16	69,779,001.93	

## 5. Changes of liabilities related to financing activities

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Cash Change	Non-cash change	Cash Change	Non-cash change	
Short-term borrowings	1,379,062,713.11	2,366,725,718.44	112,068,452.45	2,754,608,984.35		1,103,247,899.65
Long-term borrowings (including those due within one year)	1,033,534,202.14		170,145,490.62	327,393,290.68		876,286,402.08
Lease liabilities (including those due)	406,588,933.09		103,831,552.56	121,326,898.40	2,740,332.38	386,353,254.87

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Cash Change	Non-cash change	Cash Change	Non-cash change	
within one year)						
Subtotal	2,819,185,848.34	2,366,725,718.44	386,045,495.63	3,203,329,173.43	2,740,332.38	2,365,887,556.60

## (2) Major activities involving no cash receipts and payments

Amount transferred through commercial bill endorsement involving no cash receipts and payments

Item	Current period cumulative	Preceding period comparative
Amount of commercial bills transferred through endorsement	22,963,797.20	18,854,235.67
including: payment for goods	22,474,502.07	18,023,192.60
Payment for acquisition of fixed assets and other long-term assets	489,295.13	831,043.07

## (IV) Others

## 1. Monetary items in foreign currencies

## (1) Detailed information

Item	Closing balance of foreign currencies	Exchange rate for translation	Closing balance in RMB after translation
Monetary assets			2,729,050,133.86
Including: USD	283,638,365.93	7.0827	2,008,925,454.37
EUR	35,891,676.59	7.8592	282,079,864.66
HKD	16,054,387.26	0.9062	14,548,485.74
CHF	2,882,267.55	8.4184	24,264,081.14
GBP	40,967,826.29	9.0411	370,394,214.27
CAD	7,498.20	5.3673	40,245.09
AUD	365,798.81	4.8484	1,773,538.95
NZD	46.98	4.4998	211.40
THB	12,090,649.50	0.2074	2,507,600.71
JPY	109,425.00	0.0502	5,493.14
VND	61,162,031,163.00	0.00029207	17,863,594.44
Mexican peso	48,790.00	0.4181	20,399.10
Riel	4,016,920.00	0.0017	6,828.76
CZK	10,217,807.30	0.3193	3,262,545.87
DKK	1,911,227.09	1.0536	2,013,668.86
SEK	1,470,735.93	0.7110	1,045,693.25
NOK	428,283.94	0.6963	298,214.11
Accounts receivable			2,033,380,391.40
Including: USD	245,075,271.83	7.0827	1,735,794,627.79
EUR	31,455,655.93	7.8592	247,216,291.09
HKD	48,125.18	0.9062	43,611.04
CHF	918,668.71	8.4184	7,733,720.67
GBP	3,470,278.31	9.0411	31,375,133.23
VND	419,666,860.68	0.00029207	122,572.10
CZK	18,687,041.62	0.3193	5,966,772.39
DKK	1,994,443.14	1.0536	2,101,345.29

SEK	262,658.69	0.7110	186,750.33
NOK	1,083,126.78	0.6963	754,181.18
AUD	430,118.45	4.8484	2,085,386.29
Receivables financing			202,966,744.21
Including: USD	28,656,690.84	7.0827	202,966,744.21
Long-term receivables			335,454.55
Including: CHF	39,847.78	8.4184	335,454.55
Short-term borrowings			581,387,930.81
Including: USD	20,029,200.00	7.0827	141,860,814.84
EUR	31,968,826.53	7.8592	251,249,401.46
CHF	22,314,866.89	8.4184	187,855,475.43
GBP	46,702.18	9.0411	422,239.08
Accounts payable			562,857,026.53
Including: USD	47,870,102.26	7.0827	339,049,573.28
EUR	14,863,906.17	7.8592	116,818,411.37
HKD	2,408,224.42	0.9062	2,182,332.97
CHF	3,078,763.12	8.4184	25,918,259.45
GBP	99,544.82	9.0411	899,994.67
AUD	219,713.71	4.8484	1,065,259.95
JPY	66,139,778.54	0.0502	3,320,216.88
THB	64,406,570.64	0.2074	13,357,922.75
VND	181,413,623,558.20	0.00029207	52,985,477.03
CZK	19,623,072.75	0.3193	6,265,647.13
DKK	16,218.19	1.0536	17,087.48
SEK	693,947.67	0.7110	493,396.79
NOK	694,308.17	0.6963	483,446.78
Non-current liabilities due within one year			498,074,049.44
Including: USD	62,890,640.00	7.0827	445,435,535.93

EUR	1,634,740.37	7.8592	12,847,751.52
HKD	138,403.40	0.9062	125,421.16
CHF	3,603,977.27	8.4184	30,339,722.25
VND	31,929,395,619.42	0.00029207	9,325,618.58
Long-term borrowings			708,270.00
Including: USD	100,000.00	7.0827	708,270.00
Lease liabilities			238,759,985.48
Including: USD	211,847.00	7.0827	1,500,448.75
EUR	3,505,841.92	7.8592	27,553,112.82
CHF	24,631,151.80	8.4184	207,354,888.31
VND	8,051,274,000.00	0.00029207	2,351,535.60

## (2) Description of overseas operating entities

Item	Principal operating locations	Bookkeeping currency
BeA GmbH and its subsidiaries	Germany, Austria, Australia, France, Czech Republic, United States, Norway, Sweden, Switzerland, Slovakia, Spain, Italy, and United Kingdom	EUR, AUD, USD, CHF, GBP, CZK, SEK, and NOK
GreatStar Tools USA, INC. and its subsidiaries	The US	USD
Lista Holding AG and its subsidiaries	Switzerland, Austria, Germany, France, Spain, Italy, United Kingdom, and Czech Republic	CHF, EUR, GBP, and CZK
Hong Kong GreatStar International Co., Ltd.	Hong Kong	USD

## 2. Lease

## (1) The Company operates as a lessee

1) The information on right-of-use assets is detailed in Note 17 of (I) under VII. "Notes to the Consolidated Financial Statements Items"..

2) The accounting policy of the Company related to short-term leases and leases of low-value assets is detailed in Note 31 under V. "Significant Accounting Policies and Accounting Estimates". The expenses for short-term leases and leases of low-value assets recognized in current profits and losses are as follows:

Item	Current period cumulative	Preceding period comparative
Expenses for short-term lease	15,101,440.22	41,007,534.99
The expenses for lease of low-value assets (excluding short-term lease)	1,471,965.78	640,296.62
Total	16,573,406.00	41,647,831.61

## 3) Current profits and losses and cash flow related to leasing

Item	Current period cumulative	Preceding period comparative
Interest expense for lease liabilities	9,930,569.77	10,349,638.07
Income obtained from subleasing right-of-use assets	1,974,154.92	
Total cash outflow related to leasing	140,625,880.63	128,383,212.90

4) The analysis of the maturity period of lease liabilities and corresponding liquidity risk Management are detailed in Note (II) under XI. "Risks Related to Financial Instruments".

## (2) The Company as lessor

## 1) Operating leases

## (i) Lease income

Item	Current period cumulative	Preceding period comparative
Lease income	24,978,526.03	23,799,395.61

## (ii) Operating lease assets

Item	Closing balance	Opening balance
Fixed assets	36,465,996.45	10,845,503.63
Investment property	117,273,455.37	122,158,556.01
Subtotal	153,739,451.82	133,004,059.64

Fixed assets under operating leases are detailed in Note 15 of (I) under VII. "Notes to the Consolidated Financial Statements Items".

(iii) the amount of undiscounted lease receipts in the future from an irrevocable lease under the lease contract with the lessee

Remaining period	Closing balance	Opening balance
Within 1 year	18,883,203.89	17,223,063.97
More than 1 year	111,517,578.57	110,837,023.47
Total	130,400,782.46	128,060,087.44

## 2) Finance lease

## (i) Current profits and losses related to finance lease

Item	Current period cumulative	Preceding period comparative
Financing income from net leasing investment	102,390.60	84,672.00

## (ii) Reconciliation table of undiscounted lease receipts and net leasing investment

Item	Closing balance	Opening balance
Undiscounted lease receipts	447,450.84	401,632.86
less: unrealized financing gains related to lease receipts	3,685.91	4,002.95
Net leasing investment	443,764.93	397,629.91

## (iii) the amount of undiscounted lease receipts in the future from an irrevocable lease under the lease contract with the lessee

Remaining period	Closing balance	Opening balance
Within 1 year	108,310.38	98,061.60
1-2 years	109,439.20	78,321.04
2-3 years	109,439.20	78,321.04
3-4 years	101,020.80	78,321.04
4-5 years	19,241.26	68,608.14
Total	447,450.84	401,632.86

**8. Changes in the scope of consolidations**

## (I) Consolidations of businesses not under common control

## 1. Consolidations of businesses not under common control in the period

## (1) General information

Target entity	Acquisition point of time	Acquisition Cost	Acquisition method	Date of purchase
Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd	September 25, 2023	127,498,351.89	Agreement transfer	September 25, 2023

(Continued)

Target entity	Basis of recognizing date of purchase	Revenues of target entity from date of purchase to end of period	Net profits of target entity from date of purchase to end of period	Cash flow of target entity from date of purchase to end of period		
				Cash inflows from operating activities	Cash inflows from investing activities	Cash inflows from financing activities
Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd	Transfer of control	32,150,809.22	- 1,132,059.10	- 24,035,583.04		140,146,091.10

## 2. Consolidation costs and goodwill

### (1) Detailed information

Item	Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd
Consolidation costs	
Cash	127,498,351.89
Total consolidation costs	127,498,351.89
Less: Share in fair value of identifiable net assets obtained	103,112,529.66
Goodwill	24,385,822.23

(2) Notes on methods for determining the fair value of consolidation costs, contingent considerations, and their changes

## 3. Identifiable assets and liabilities of target entities on dates of purchase

### (1) Detailed information

Item	Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd	
	Date of purchase Fair value	Date of purchase Book value
Assets		
Inventories	55,952,873.55	55,952,873.55
Intangible assets	100,839,127.00	
Liabilities		
Payables	29,982,276.04	29,982,276.04
Deferred tax liability	23,697,194.85	
Net assets	103,112,529.66	25,970,597.51

Item	Workwear and labor protection equipment-related asset group purchased by Scruffs Workwear Ltd	
	Date of purchase Fair value	Date of purchase Book value
Less: Non-controlling interests		
Acquired net assets	103,112,529.66	25,970,597.51

(2) Method for determining the fair value of identifiable assets and liabilities

Determined with reference to the fair value of each of identifiable assets and liabilities after being appraised by an asset appraisal agency in an asset-based method.

(II) Changes in the scope of consolidation due to other reasons

1. Increase of the scope of consolidation

Company name	Method of equity acquisition	Date of equity acquisition	Contribution	Proportion of contribution
GreatStar Tools Germany GmbH	Established	April 13, 2023	EUR 25,000.00	100.00%
GreatStar United Kingdom Ltd	Established	June 12, 2023	GBP 55,000,200.00	100.00%
Scruffs Workwear Ltd	Established	August 7, 2023	GBP 100.00	100.00%
Lista Eastern Europe spol. s.r.o	Established	October 18, 2023	Czech Krone 3 million	100.00%
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd (HDKJ)	Established	October 20, 2023	No contributions made as of December 31, 2023	100.00%

2. Decrease of the scope of consolidation

Company name	Method of equity disposal	Point of time of equity disposal	Net assets at the date of disposal	From the beginning of the period until the date of disposal Net profit
Geelong Sales (Macau Commercial) Limited	Cancelled	May 9, 2023	57,874,309.08	2,387,724.46
Guangdong Shiwanke Electrical Appliance Co., Ltd.	Cancelled	July 26, 2023	6,605,345.92	1,176,240.13
Shenzhen Workpro Technology Co., Ltd.	Cancelled	June 29, 2023	-3,414.52	5,215.08
Newland. LLC	Cancelled	June 28, 2023	1,034,009.91	2,043,398.90

**IX. Interests in other entities**

**1. Equity in subsidiaries**

(I) Composition of the business group

1. The Company incorporated 92 subsidiaries, including Zhejiang GreatStar Tools Co., Ltd, into the consolidated financial statements.

## (2) General information on major subsidiaries

Subsidiary	Registered capital	Principal operating location and registration place	Nature of business	Holding proportion (%)		Method of acquisition
				Direct	Indirect	
Zhejiang GreatStar Tools Co., Ltd.	RMB 464.80 million	Haining, Zhejiang province	Manufacturing	100.00		Established

## 2. Transactions where the controlling interests in subsidiaries are maintained even after the share of owner's equity changes

### 1. Notes on changes in the share of owner's equity in subsidiaries

Subsidiary	Date of change	Holding proportion before change	Holding proportion after change
Hangzhou Lianhe Electric Manufacturing Co., Ltd.	September, 2023	83.714%	100.00%
Hangzhou Liansheng Tools Manufacturing Co., Ltd.	August, 2023	72.00%	100.00%
Hangzhou Ole-Systems Co., Ltd.	August, 2023	48.00%	51.00%
Yiyang Tools Manufacturing Co., Ltd.	May, 2023	91.915%	100.00%
Longyou Hugong Forging Three Tools Co., Ltd.	May, 2023	82.00%	100.00%

### 2. Impact of transactions on non-controlling shareholders' equity and owner's equity attributable to the parent Company

Item	Hangzhou Lianhe Electric Manufacturing Co., Ltd.	Hangzhou Liansheng Tools Manufacturing Co., Ltd.	Hangzhou Ole-Systems Co., Ltd.
Purchase cost			
Cash	12,818,462.70	5,056,837.80	800,000.00
Total purchase cost	12,818,462.70	5,056,837.80	800,000.00
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired	18,572,671.67	5,120,999.99	-1,099,591.38
Difference	-5,754,208.97	-64,162.19	1,899,591.38
Including: Adjustment to the capital reserve	5,754,208.97	64,162.19	-1,899,591.38
Adjustment to the surplus reserve			
Adjustment to the undistributed profits			

(Continued)

Item	Yiyang Tools Manufacturing Co., Ltd	Longyou Hugong Forging Three Tools Co., Ltd,
Purchase cost		
Cash	6,902,524.49	20,097,475.51
Total purchase cost	6,902,524.49	20,097,475.51
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired	4,182,368.03	27,111,171.13
Difference	2,720,156.46	-7,013,695.62
Including: Adjustment to the capital reserve	-2,720,156.46	7,013,695.62
Adjustment to the surplus reserve		
Adjustment to the undistributed profits		

### 3. Equity in joint ventures

#### 1. Major joint ventures

##### (1) General information

Name of joint venture	Principal business location	Place of registration	Nature of business	Holding proportion (%)		Accounting treatment method applied to investment in the joint venture
				Direct	Indirect	
Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	Hangzhou, Zhejiang Province Hangzhou	Hangzhou, Zhejiang Province Hangzhou	Service	27.8571		Equity method accounting
Zhejiang Hangcha Holding Co., Ltd	Hangzhou, Zhejiang Province Hangzhou	Hangzhou, Zhejiang Province Hangzhou	Manufacturing	20.00		Equity method accounting
Zhejiang Guozi Robotics Co., Ltd.	Hangzhou, Zhejiang Province Hangzhou	Hangzhou, Zhejiang Province Hangzhou	Manufacturing	18.76		Equity method accounting
Ningbo Donghai Bank Co., Ltd.	Ningbo, Hangzhou, Zhejiang Province	Ningbo, Hangzhou, Zhejiang Province	Finance	19.00		Equity method accounting
Changzhou Stabila Laser Instrument Company Limited	Changzhou City, Jiangsu Province Jiangsu Province	Changzhou City, Jiangsu Province Jiangsu Province	Manufacturing		31.85 [Note]	Equity method accounting
Hangzhou Weina Technologies Co., Ltd.	Hangzhou, Zhejiang Province	Hangzhou, Zhejiang Province	Manufacturing	32.53		Equity method accounting

	Hangzhou	Hangzhou			
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[Note] the Company holds a 31.85% equity interest in Changzhou Stabila Laser Instrument Company Limited through Changzhou Huada Kejie Opto-Electronic Instruments Co., Ltd; on June, 2023, Changzhou Huada Kejie Opto-Electronic Instruments Co., Ltd transferred its 40% equity interest in Shanghai Lainuo Optoelectronics Technology Co., Ltd, which is no longer a joint venture of the Company

(2) Basis for the ability to impose significant influence while holding a voting right of less than 20%

The Company holds 19.00% equity in Ningbo Donghai Bank Co., Ltd. and 18.76% equity of Zhejiang Guozi Robotics Co., Ltd. The Company has representatives on these two company's boards of directors who have the power to participate in decision-making regarding its financial and operational policies.

## 2. Key financial information of significant joint ventures

Item	Closing balance/current period balance (in ten thousand yuan)		Opening balance/balance in the same period of the previous year (in ten thousand yuan)	
	Zhejiang Hangcha Holding Co., Ltd	Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	Zhejiang Hangcha Holding Co., Ltd	Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.
Current assets	968,562.05	1,855,834.93	827,744.11	1,830,890.82
Non-current assets	514,443.03	2,323,629.66	413,129.27	2,207,297.75
Total assets	1,483,005.08	4,179,464.59	1,240,873.38	4,038,188.57
Current liabilities	451,672.29	2,092,263.42	374,026.60	2,127,236.37
Non-current liabilities	22,228.12	554,730.87	115,335.16	614,652.99
Total liabilities	473,900.41	2,646,994.29	489,361.76	2,741,889.36
Non-controlling interest	583,339.75	932,838.10	407,066.59	798,172.02
Owners' equity attributable to the parent Company	425,764.92	599,632.19	344,445.03	498,127.20
Share of net assets calculated based on the holding proportion	85,152.98	167,040.14	68,889.00	138,763.79
Adjustments				
Difference between fair value and book value	10,897.97		10,897.97	
Book value of equity investment in associated enterprises	96,050.95	167,040.14	79,786.97	138,763.79
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating income	1,627,541.52	3,525,225.46	1,441,624.45	3,188,885.32

Net profit	180,723.23	242,747.40	111,075.28	102,303.93
Net profits of discontinued operations				
Other comprehensive income	1,380.06	15,236.05	1,824.22	24,718.29
Total comprehensive income	182,103.29	257,983.45	112,899.50	127,022.22
Dividends from joint ventures received in the period			4,000.00	

### 3. Summary of financial information on insignificant joint ventures

Item	Closing balance/current period (in ten thousand yuan)	Opening balance/balance in the same period of the previous year (in ten thousand yuan)
Joint ventures		
Total book value of investment	31,966.36	35,901.59
Total of following items calculated by based on the holding proportion		
Net profit	-5,656.96	607.12
Other comprehensive income	84.68	-106.21
Total comprehensive income	-5,572.28	500.91

## X. Government Grants

### (I) Increase of government grants in the period

Item	Increase amounts in grants during the period
Government grants related to assets	1,120,500.00
including: recognized in deferred income	1,120,500.00
Government grants related to income	33,110,021.82
including: recognized in other income	33,110,021.82
Total	34,230,521.82

### (II) Projects involving government grants

Items presented in financial statements	Opening balance	Increase amounts in grants during the period	Amounts charged to other gains for the period	Amount included in non-operating income for the period
Deferred income	2,264,687.74	1,120,500.00	866,795.25	

Items presented in financial statements	Opening balance	Increase amounts in grants during the period	Amounts charged to other gains for the period	Amount included in non-operating income for the period
Deferred income	100,000.00			
Subtotal	2,364,687.74	1,120,500.00	866,795.25	

(Continued)

Items presented in financial statements	Costs offset in the period	Assets offset in the period	Other changes	Closing balance	Related to assets/income
Deferred income				2,518,392.49	Related to assets
Deferred income	100,000.00				Related to income
Subtotal	100,000.00			2,518,392.49	

(III) Government grants included in current gains and losses:

Item	Current period cumulative	Preceding period comparative
Other government grants included in other income	33,976,817.07	50,338,037.85
Government grants for offsetting research and development expenses	100,000.00	200,000.00
Total	34,076,817.07	50,538,037.85

## XI. Risks Related to Financial Instruments

The Company's objective for managing risks associated with financial instruments is to balance risk and return, minimize the negative impact of risks on the Company's operating results, and maximize returns for shareholders and other equity investors. According to the risk Management objective, the Company has developed a basic risk Management strategy to identify and analyze the various risks faced by the Company, establish appropriate risk tolerance thresholds and risk controls, and monitor risks in a timely and reliable manner, keeping them within predefined limits.

In its daily activities, the Company faces various risks associated with financial instruments, primarily including credit, liquidity and market risks. The Management has reviewed and approved policies for managing these risks, summarized below.

### (I) Credit risks

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

#### 1. Credit risk Management practices

##### (1) Credit risk evaluation methods

The Company evaluates at each balance sheet date whether the credit risks of relevant financial instruments have increased significantly since their initial recognition. When determining whether credit risks have increased significantly since their initial recognition, the Company considers reasonable and supported information that is available without unnecessary extra cost or effort, including qualitative and quantitative analyses based on historical data, external credit risk ratings and forward-looking information. The Company evaluates financial instruments

either individually or collectively under similar credit risk characteristics, by comparing the risk of default occurring at the balance sheet date with the risk of default at initial recognition, to determine changes in the risk of default over the expected life of the financial instrument.

The Company considers that the credit risk of a financial instrument has increased significantly when one or more of the following quantitative or qualitative criteria are triggered:

- 1) As the main quantitative criterion, the probability of default in the remaining term on the balance sheet date has increased by over a certain percentage compared to that in the initial recognition;
- 2) As the main qualitative criteria, significant adverse changes appear in the operational or financial situation of debtors, or existing or anticipated changes in the technological, market, economic or legal environment would have a significant adverse effect on debtors' ability to meet their obligations to the Company, etc.

#### (2) Definition of default and credit-impaired assets

The Company defines a financial asset as in default when one or more of the following conditions are met, which are consistent with the definition of credit-impaired assets:

- 1) The debtor faces significant financial difficulty;
- 2) The debtor breaches contractual covenants binding on the debtor;
- 3) It is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

#### 2. Measurement of expected credit losses

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

3. Please refer to section VII (I)- 4, VII (I)-5, VII (I)-6 and VII (I)-7 under VII. "Notes to the Consolidated Financial Statements Items for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

#### 4. Exposure to credit risk and concentration of credit risk

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

##### (1) Monetary funds

The Company deposits its bank balances and other monetary funds in financial institutions with a relatively high credit rating, and therefore its credit risk is relatively low.

##### 2. Receivables

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

Since the Company's risk points of accounts receivable are distributed among multiple partners and clients, as of December 31, 2023, the Company has certain concentration of credit risk, and 52.69% (versus 37.03% on December 31, 2022:) of the total accounts receivable was due from the five largest clients of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

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

##### (II) Liquidity risk

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

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

Financial liabilities classified based on remaining time period till maturity

Item	Closing balance				
	Book value	Contract amount not yet discounted	Within 1 year	1-3 year(s)	More than 3 years
Bank borrowings	1,979,534,301.73	2,013,990,884.23	2,013,195,731.04		795,153.19
Held-for-trading financial liabilities	3,227,726.23	3,227,726.23	3,227,726.23		
Notes payable	18,253,448.48	18,253,448.48	18,253,448.48		
Accounts payable	1,567,046,072.54	1,567,046,072.54	1,567,046,072.54		
Other payables	37,629,238.62	37,629,238.62	37,629,238.62		
Lease liabilities	386,353,254.87	408,466,278.75	110,352,919.83	126,407,678.23	171,705,680.69
Subtotal	3,992,044,042.47	4,048,613,648.85	3,749,705,136.74	126,407,678.23	172,500,833.88

(Continued)

Item	Opening balance				
	Book value	Contract amount not yet discounted	Within 1 year	1-3 year(s)	More than 3 years
Bank borrowings	2,412,596,915.25	2,479,666,840.77	1,653,566,564.54	825,295,053.98	805,222.25
Held-for-trading financial liabilities	48,413,710.29	48,413,710.29	48,413,710.29		
Notes payable	21,096,540.03	21,096,540.03	21,096,540.03		
Accounts payable	1,366,875,268.71	1,366,875,268.71	1,366,875,268.71		
Other payables	21,198,376.32	21,198,376.32	21,198,376.32		
Lease liabilities	406,588,933.09	413,037,311.70	88,436,234.33	134,252,177.05	190,348,900.32
Subtotal	4,276,769,743.69	4,350,288,047.82	3,199,586,694.22	959,547,231.03	191,154,122.57

(III) Market risk

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

#### 1. Interest risk

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

As of December 31, 2023, balance of borrowings with interest accrued at floating interest rate totaled RMB 456,526,439.62 (December 31, 2022: RMB 713,120,304.41). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

#### 2. Foreign currency risk

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

### XII. Fair Value Disclosure

(I) Detailed information on fair value of assets and liabilities measured at fair value at the balance sheet date

Item	Fair value as of the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Continuing fair value measurement				
1. Financial assets for trading		122,650,783.01		122,650,783.01
Financial assets measured at fair value and the changes thereof are included in current profits and losses		122,650,783.01		122,650,783.01
Bank financial products		108,244,251.49		108,244,251.49
Derivative financial assets		14,406,531.52		14,406,531.52
2. Receivables financing			266,675,016.64	266,675,016.64
3. Investment in other equity instruments			16,550,000.00	16,550,000.00
Total assets continuously measured at fair value		122,650,783.01	283,225,016.64	405,875,799.65
4. Held-for-trading financial liabilities		3,227,726.23		3,227,726.23
Derivative financial liabilities		3,227,726.23		3,227,726.23
Total liabilities measured at fair value on a continuing basis		3,227,726.23		3,227,726.23

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

Bank financial products, derivative financial assets and derivative financial liabilities are measured using valuation notices provided by banks and securities companies as a reasonable estimate of fair value .

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

1. As receivables financing is within 1 year, whose time value has no significant impact on the fair value, it is recognized that the fair value of receivables financing mentioned above is approximately equal to its carrying amount.

2. Other equity instrument investments (Hangzhou Haibang Xinhua Talent Venture Capital Investment Partnership (LP)), are measured using investment cost as a reasonable estimate of fair value,

### XIII. Related Party Relationships and Transactions

(I) Related parties

1. Information on Parent Company

(1) Parent Company

Parent Company	Place of registration	Nature of business	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
GreatStar Holding Group Co., Ltd.	Hangzhou	Industrial investment	100 million yuan	38.56	38.56

(2) The Company's ultimate controlling party is Qiu Jianping.

2. The information on the Company's subsidiaries and joint ventures is detailed in IX. "Interests in other entities".

3. The information on the Company's other related parties

Other related parties	Relationships with the Company
Hangzhou GreatStar Precision Machinery Co., Ltd	Controlled by the same actual controller
Hangcha Group Co., Ltd. and its affiliated companies	Controlled by the Company's associate, Zhejiang Hangcha Holding Co., Ltd. and under common control by the actual controller
Zhongce Rubber Group Company Limited. and its affiliated companies	Controlled by the Company's associate, Hangzhou Zhongce Haichao Enterprise Management Co., Ltd. and under common control by the actual controller
Zhou Siyuan	Senior management member of the Company

(II) Related party transactions

1. Related party transactions for purchase and sale of goods, rendering and acceptance of labor services

(1) Related party transactions for purchase of goods and acceptance of labor service

Related parties	Content of transaction	Current period cumulative	Preceding comparative period
Zhongce Rubber Group Company Limited. and its affiliated companies	Tier products and maintenance costs	44,380,282.86	57,766,301.68
	Automatic library	26,548,672.57	

Related parties	Content of transaction	Current period cumulative	Preceding comparative period
Hangcha Group Co., Ltd. and its affiliated companies	Forklift, spare parts and maintenance	3,743,555.68	16,577,579.13
Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	Intelligent logistics robots and services	2,258,835.96	9,276,973.76
Changzhou Stabila Laser Instrument Company Limited	Material	389,429.96	95,066.86

## (2) Related party transactions for sales of goods and rendition of labor service

Related parties	Content of transaction	Current period cumulative	Preceding comparative period
Changzhou Stabila Laser Instrument Company Limited	Laser measurement product	1,859,443.11	8,430,267.36
	Consulting service fee	1,297,169.82	3,476,428.09
	Utilities	148,176.00	134,416.80
Hangcha Group Co., Ltd. and its affiliated companies	Hand tools and spare parts	15,643,976.65	13,943,429.18
	Lidar sensors	2,148,008.87	
	Operating service	1,086,566.24	2,903,893.36
Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	Lidar sensors	5,333,946.90	
	Hand tools and spare parts	354,282.65	11,977,029.04
	Maintenance costs	442.48	
GreatStar Holding Group Co., Ltd.	Hand tools and spare parts	25,432.22	
Shanghai Lainuo Optoelectronics Technology Co., Ltd.	Sale of goods	3,010.31	3,043.54
Hangzhou GreatStar Precision Machinery Co., Ltd	Hand tools	1,269.94	2,807.12
Zhejiang Hangcha Holding Co., Ltd	Hand tools		594.69

## 2. Related party lease

## (2) The Company as lessor

Lessees	Types of assets leased	Lease income recognized for current period Lease income	Lease income recognized over the same period of the previous year Lease income
Changzhou Stabila Laser Instrument Company Limited	Buildings	222,264.00	201,625.20

## (2) The Company as lessee

Lessor	Types of assets leased	Current period cumulative			
		Simplified rental expenses for short-term lease and low-value asset lease and variable lease payment not adopted in the measurement of lease liabilities	Lease of recognized right-of-use assets		
			Paid rental (not including variable lease payment not adopted in the measurement of lease liabilities)	Increased principal amount of lease liabilities	Recognized interest expenses
Hangzhou GreatStar Precision Machinery Co., Ltd	Buildings	1,383,389.91			
Hangcha Group Co., Ltd's affiliated Company Shanghai Hangcha Forklift Sales Co., Ltd	Transport equipment	7,244.20			
Hangcha Group Co., Ltd's affiliated Company Guangzhou Hangcha Forklift Leasing Co., Ltd	Transport equipment				

(Continued)

Lessor	Types of assets leased	Preceding period comparative			
		Simplified rental expenses for short-term lease and low-value asset lease and variable lease payment not adopted in the measurement of lease liabilities	Lease of recognized right-of-use assets		
			Paid rental (not including variable lease payment not adopted in the measurement of lease liabilities)	Increased principal amount of lease liabilities	Recognized interest expenses
Hangzhou GreatStar Precision Machinery Co., Ltd	Buildings	1,342,542.86			
Hangcha Group Co., Ltd's affiliated Company Shanghai Hangcha Forklift Sales Co., Ltd	Transport equipment				
Hangcha Group Co., Ltd's affiliated Company Guangzhou Hangcha Forklift Leasing Co., Ltd	Transport equipment	154,024.82			

### 3. Assets transfer between related parties

In July 2023, according to the resolution of the shareholders' meeting of Hangzhou Ole-Systems Co., Ltd., Zhou Siyuan was authorized to transfer the shares held by him equal to 2% equity of Hangzhou Ole-Systems Co., Ltd. at the consideration of RMB 400,000 to Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd. The commercial and industrial registration for the aforesaid transaction was completed in August 2023.

### 4. Key Management's emoluments

Item	Current period cumulative	Preceding period comparative
Key Management's emoluments	RMB 14.3663 million	RMB 13.2279 million

## (III) Balance due to or from related parties

## 1. Balance due from related parties

Project Name	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	3,206,165.06	160,308.25	19,380,071.99	1,220,477.10
	Changzhou Stabila Laser Instrument Company Limited	1,832,009.43	91,600.47	2,886,966.26	144,348.31
	Shanghai Lainuo Optoelectronics Technology Co., Ltd.			3,780,753.57	3,780,753.57
	Hangcha Group Co., Ltd. and its affiliated companies	2,133,051.03	106,652.55	2,302,883.58	115,144.18
	Hangzhou GreatStar Precision Machinery Co., Ltd			472.05	23.60
	Zhejiang Hangcha Holding Co., Ltd	672.00	33.60	672.00	33.60
Subtotal		7,171,897.52	358,594.87	28,351,819.45	5,260,780.36
Notes receivable	Zhejiang Guozi Robotics Co., Ltd.	500,000.00		2,300,000.00	
Subtotal		500,000.00		2,300,000.00	
Advances paid	Hangcha Group Co., Ltd. and its affiliated companies	3,352,500.00	167,625.00	37,000.00	1,850.00
Subtotal		3,352,500.00	167,625.00	37,000.00	1,850.00
Other receivables	Changzhou Stabila Laser Instrument Company Limited	86,250.78	4,312.54	103,556.95	5,177.85
Subtotal		86,250.78	4,312.54	103,556.95	5,177.85

## 2. Balance due to related parties

Project Name	Related parties	Closing balance	Opening balance
Accounts payable	Hangcha Group Co., Ltd. and its affiliated companies	1,339,665.54	2,557,004.00
	Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	5,998,323.14	1,589,938.36
	Zhongce Rubber Group Company Limited. and its affiliated companies	2,808,809.51	7,567,269.62

Project Name	Related parties	Closing balance	Opening balance
	Hangzhou GreatStar Precision Machinery Co., Ltd	512,360.95	36,500.00
Subtotal		10,659,159.14	11,750,711.98
Contract liabilities	Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	4,227,186.77	
Subtotal		4,227,186.77	
Other payables	Zhejiang Guozi Robotics Co., Ltd and its affiliated companies	7,285.00	
Subtotal		7,285.00	

#### XIV. Commitments and contingencies

##### 1. Important commitments

Significant commitments on balance sheet date

As of the approved issuing date of this report, the Company has no significant commitments to be disclosed.

##### 2. Contingencies

###### (1) Important contingent matters as at the balance sheet date

As of the approved issuing date of this report, the Company has no significant contingencies to be disclosed.

###### (2) If the Company has no important contingent matters to disclose, a statement thereof shall be made

No significant contingent matters to be disclosed.

#### XV. Events after the balance sheet date

##### 1. Distribution of profits

Cash dividends proposed to be distributed for every 10 shares (RMB)	1
Profit distribution plan	On April 24, 2024, the Proposal on the Profit distribution plan for 2023 was deliberated and adopted at the 6th Meeting of the 6th Board of Directors of the Company. The Company proposed that, with a base of 1,194,478,182 shares, that is, the Company's total share capital of 1,202,501,992 shares as of December 31, 2023 less 8,023,810 shares held in the Company's special securities account for repurchased shares, a cash dividend of RMB 1 (including tax) will be paid to all shareholders for every 10 shares. The total amount of cash dividends is estimated to be RMB 119,447,818.20. The remaining undistributed profits are carried forward to the next year. No bonus shares will be issued, nor will the capital reserve be converted into share capital. The above distribution plan is still subject to consideration and approval by the Company's general meeting.

## XVI. Other significant matters

### 1. Segment information

#### 1. Considerations for determining reporting segments

Reportable segments are identified according to the structure of the Company's internal organization, Management requirements and internal reporting system, and based on product segments. The assets and liabilities shared with different segments are allocated among segments proportionate to their respective sizes.

#### 2. Financial information of reporting segments

Unit: ten thousand RMB

Item	Hand Tools & Storage	Power Tools and Laser Measurement	Other	Total
Operating income	806,615.08	279,915.87	6,468.33	1,092,999.28
Operating cost	521,873.48	220,449.64	3,089.09	745,412.21
Total assets	1,576,761.89	379,890.49	11,727.35	1,968,379.73
Total liabilities	387,545.22	76,812.94	2,764.42	467,122.58

### 2. Other important transactions and matters that can affect investor decision - making

On December 18, 2023, the third session of the Company's 5th Board of Directors meeting deliberated and passed the Proposal on Acquisition of TESA Group Assets, agreeing that the Company would purchase all TESA Group assets held by Hexagon Smart Solutions AB in cash, including the 100% equity of TESA Precision Measurement Instruments Sarl and related assets of Chinese, American and French companies, in a transaction price not more than 40 million euros. As of December 31, 2023, the relevant asset acquisition matters have not been completed yet.

## XVII. Notes to the Principal Items in the Financial Statements of the Parent Company

### (I) Notes to the balance sheet Items of the parent Company

#### 1. Accounts receivables

##### (1) Information on ageing

Ageing	Closing book balance	Opening book balance
Within 1 year	1,694,000,248.98	1,129,025,055.05
1-2 years	19,461,035.02	15,584,716.05
2-3 years	12,778,077.46	4,726,442.38
3-4 years	2,436,939.79	3,922,817.49
4-5 years	3,600.00	2,354,257.02
More than 5 years	92,426.99	4,694,396.09
Total	1,728,772,328.24	1,160,307,684.08

##### (2) Provision for bad debts

###### 1) Detailed information in category

Type	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	1,728,772,328.24	100.00	90,027,040.37	5.21	1,638,745,287.87
Total	1,728,772,328.24	100.00	90,027,040.37	5.21	1,638,745,287.87

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	1,160,307,684.08	100.00	66,003,382.68	5.69	1,094,304,301.40
Total	1,160,307,684.08	100.00	66,003,382.68	5.69	1,094,304,301.40

## 2) Accounts receivable with bad debt provision by ageing combination

Ageing	Closing balance		
	Book balance	Provision for bad debts	Percentage of Provision (%)
Within 1 year	1,694,000,248.98	84,700,012.44	5.00
1-2 years	19,461,035.02	1,946,103.51	10.00
2-3 years	12,778,077.46	2,555,615.50	20.00
3-4 years	2,436,939.79	731,081.93	30.00
4-5 years	3,600.00	1,800.00	50.00
More than 5 years	92,426.99	92,426.99	100.00
Subtotal	1,728,772,328.24	90,027,040.37	5.21

## (3) Change of provision for bad debts

Item	Opening balance	Amount of change during the period				Closing balance
		Make provision	Recovery or reversal	Write-offs	Other	
Provision for Individual bad debt						
Provision made on a portfolio basis	66,003,382.68	24,119,346.19		95,688.50		90,027,040.37
Total	66,003,382.68	24,119,346.19		95,688.50		90,027,040.37

#### (4) Top five accounts receivable and contract assets

The aggregate amount of top five accounts receivable at the end of the period was RMB 1,289,472,377.70, accounting for 74.59% of the aggregate amount of accounts receivable and contractual assets at the end of the period, and the aggregate amount of corresponding provision for bad debts was RMB 64, 473, 618. 89

## 2 Other receivables

### (1) Classification by nature

Nature of payment	Closing book balance	Opening book balance
Accounts receivable from related parties within the scope of the consolidation	1,510,290,450.29	2,841,560,502.29
Export tax refund receivable	21,753,209.85	15,408,984.91
Deposit Guarantee	6,855,020.74	7,280,560.36
Temporary payments receivable	1,354,256.48	1,762,196.83
Employee reserves	107,575.00	178,008.90
Total	1,540,360,512.36	2,866,190,253.29

### (2) Information on ageing

Ageing	Closing book balance	Opening book balance
Within 1 year	1,508,399,514.57	2,835,493,076.60
1-2 years	1,809,061.25	1,124,531.56
2-3 years	1,005,531.25	1,317,279.20
3-4 years	1,068,525.00	6,345,509.32
4-5 years	6,214,209.32	816,868.00
More than 5 years	21,863,670.97	21,092,988.61
Subtotal	1,540,360,512.36	2,866,190,253.29

### (3) Provision for bad debts

## 1) Detailed information in category

Type	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	1,540,360,512.36	100.00	94,361,195.06	6.13	1,445,999,317.30
Total	1,540,360,512.36	100.00	94,361,195.06	6.13	1,445,999,317.30

(Continued)

Type	Opening balance				
	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Make provision Percentage (%)	
Provision for Individual bad debt					
Provision made on a portfolio basis	2,866,190,253.29	100.00	110,289,899.69	3.85	2,755,900,353.60
Total	2,866,190,253.29	100.00	110,289,899.69	3.85	2,755,900,353.60

## 2) Other receivables with bad debt provision by combination

Name of combination	Closing balance		
	Book balance	Provision for bad debts	Percentage of Provision (%)
Portfolio of receivables from related parties within the consolidation scope	1,510,290,450.29	90,687,305.48	6.00
Ageing combination	30,070,062.07	3,673,889.58	12.22
Including: within 1 year	26,359,402.49	1,317,970.13	5.00
1-2 years	1,068,061.25	106,806.12	10.00
2-3 years	145,500.00	29,100.00	20.00
3-4 years	161,550.00	48,465.00	30.00
4-5 years	328,000.00	164,000.00	50.00
More than 5 years	2,007,548.33	2,007,548.33	100.00

Subtotal	1,540,360,512.36	94,361,195.06	6.13
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## 4) Change of provision for bad debts

## (i) Detailed information

Item	Phase I	Phase II	Phase III	Subtotal
	Next 12 months Expected credit losses	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment occurred)	
Opening balance	86,508,915.28	112,453.16	23,668,531.25	110,289,899.69
Opening balance during the period	—	—	—	
-- Transferred to Phase II	-90,453.06	90,453.06		
-- Transferred to Phase III		-100,553.13	100,553.13	
-- Reversed to Phase II				
-- Reversed to Phase I				
Provision during the period	-17,730,612.66	78,553.03	1,723,355.00	-15,928,704.63
Recovery or reversal during the period				
Write-offs during the period				
Other changes				
Closing balance	68,687,849.56	180,906.12	25,492,439.38	94,361,195.06
Percentage of Provision for bad debts at end of period	4.55	10.00	84.55	6.13

The basis for phase division: a period of less than one year represents that the credit risk failed to increase significantly after initial recognition (Phase I); a period of 1-2 years represents that the credit risk increased significantly after initial recognition (Phase II) but did not result in credit impairment; a period of over 2 years represents that credit impairment occurred after initial recognition (Phase III).

## (5) Top five other receivables

Unit name	Nature of payment	Closing book balance	Ageing	Percentage of balance of other receivables (%)	Provision for bad debts at end of period
GreatStar Tools USA, Inc.	Receivables from related parties within the consolidation scope	701,078,592.17	Within 1 year	45.51	35,053,929.61
Hong Kong GreatStar	Receivables from related	235,977,382.85	Within 1 year	15.32	5,066,742.97

International Co., Ltd	parties within the consolidation scope					
Geelong Sales Company International (HK) Limited	Receivables from related parties within the consolidation scope	205,398,300.00	Within 1 year	13.33		10,269,915.00
Haining GreatStar Intelligent Equipment Co., Ltd.	Receivables from related parties within the consolidation scope	166,000,000.00	Within 1 year	10.78		8,300,000.00
Hangzhou Ole-Systems Co., Ltd.	Receivables from related parties within the consolidation scope	48,600,672.23	Within 1 year	3.16		2,430,033.61
Subtotal		1,357,054,947.25		88.10		61,120,621.19

### 3. Long-term equity investments

#### (1) Detailed information

Item	Closing balance			Opening balance		
	Book balance	Provision for Impairment Individual bad debt	Book value	Book balance	Provision for Impairment Individual bad debt	Book value
Investment in subsidiaries	4,756,287,881.67		4,756,287,881.67	4,105,047,447.89		4,105,047,447.89
Investment in joint ventures	2,946,810,062.51		2,946,810,062.51	2,541,550,254.17		2,541,550,254.17
Total	7,703,097,944.18		7,703,097,944.18	6,646,597,702.06		6,646,597,702.06

#### (2) Investment in subsidiaries

Invested units	Opening balance		Increase and decrease during the period				Closing balance	
	Book value	Provision for Impairment	Additional investments in investments	Decrease in investments	Provision for accrual impairment	Other	Book value	Provision for Impairment

		Individu al bad debt						Individu al bad debt
Changzhou Huada Kejie Opto-Electro Instrument Co., Ltd.	200,864,082 .56						200,864,082 .56	
Guangdong Shiwanke Electrical Appliance Co., Ltd.	50,000,000. 00			50,000,00 0.00				
Haining GreatStar Hardware Tools Co., Ltd.	2,000,000.0 0						2,000,000.0 0	
Hangzhou GreatStar Electrical Tools Co., Ltd.								
Hangzhou GreatStar Craftsman Tools Co., Ltd.	4,250,000.0 0						4,250,000.0 0	
Hangzhou GreatStar Tools Co., Ltd.	63,772,246. 86						63,772,246. 86	
Hangzhou GreatStar Hardware Tools Co., Ltd.	3,406,500.0 0						3,406,500.0 0	
Hangzhou GreatStar Sheffield Trading Co., Ltd.	5,000,000.0 0						5,000,000.0 0	
Hangzhou GreatStar Intelligent Technology Co., Ltd.	22,000,000. 00			20,000,00 0.00			2,000,000.0 0	
Hangzhou United Tools Co., Ltd.	120,000,000 .00						120,000,000 .00	
Hangzhou Lianhe Electric Manufacturin g Co., Ltd.	21,185,561. 86		12,818,462 .70				34,004,024. 56	

Hangzhou Lianhe Tools Manufacturing Co., Ltd.	12,804,728.00						12,804,728.00	
Lista Holding AG								
Hangzhou Liansheng Tools Manufacturing Co., Ltd.	10,030,288.26		5,056,837.80				15,087,126.06	
Hangzhou Ole-Systems Co., Ltd.	9,600,000.00						9,600,000.00	
Longyou Hugong Forging Three Tools Co., Ltd.	104,612,153.88		27,000,000.00				131,612,153.88	
Yiyang Tools Manufacturing Co., Ltd	48,437,846.12			3,305,000.00			45,132,846.12	
Ningbo Fenghua GreatStar Tools Co., Ltd.	22,558,141.65						22,558,141.65	
PREXISO Laser Measurement Tool (Hangzhou) Co., Ltd	3,920,000.00						3,920,000.00	
Suzhou Xindadi Hardware Product Co., Ltd	60,000,000.00						60,000,000.00	
Zhejiang Guoxin Tools Co., Ltd.	25,750,000.00						25,750,000.00	
Zhejiang GreatStar Tools Co., Ltd.	464,800,000.00						464,800,000.00	
Zhejiang Shiwanke Electrical Appliance Co., Ltd.	10,000,000.00		40,000,000.00				50,000,000.00	
Geelong(Thailand) Co., Ltd								
GreatStar Tools USA, Inc	955,660,000.00						955,660,000.00	

GreatStar Europe AG	794,984,104.04					794,984,104.04	
GreatStar Industrial Vietnam Co., Ltd	110,499,800.00		126,188,262.90			236,688,062.90	
Hong Kong GreatStar International Co., Ltd.	978,911,994.66					978,911,994.66	
GREATSTAR UNITED KINGDOM LTD			513,481,870.38			513,481,870.38	
Subtotal	4,105,047,447.89		724,545,433.78	73,305,000.00		4,756,287,881.67	

## (3) Investment in joint ventures

Invested units	Opening balance		Increase and decrease during the period			
	Book value	Provision for Impairment Individual bad debt	Additional investments	Decrease in investments	Gains and losses on investments recognized under the equity method	Adjustment to other comprehensive income
Joint ventures						
Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	1,387,637,932.17				259,947,378.38	17,435,798.12
Zhejiang Hangcha Holding Co., Ltd	797,869,729.35				138,739,441.51	2,817,986.16
Zhejiang Guozi Robotics Co., Ltd.	62,379,261.25				-72,548,870.44	-101,852.77
Ningbo Donghai Bank Co., Ltd.	201,743,081.34				8,680,923.63	948,892.18
Hangzhou Weina Technologies Co., Ltd.	91,920,250.06				8,445,616.11	-278.23
Total	2,541,550,254.17				343,264,489.19	21,100,545.46

(Continued)

Invested units	Increase and decrease during the period				Closing balance	
	Other changes in equity	Declaration of issuing cash dividends or profits	Provision for accrual impairment	Other	Book value	Provision for impairment
Joint ventures						
Hangzhou Zhongce Haichao Enterprise Management Co., Ltd.	5,380,273.50				1,670,401,382.17	
Zhejiang Hangcha Holding Co., Ltd	21,082,359.51				960,509,516.53	
Zhejiang Guozi Robotics Co., Ltd.	14,432,140.68				4,160,678.72	
Ningbo Donghai Bank Co., Ltd.					211,372,897.15	
Hangzhou Weina Technologies Co., Ltd.					100,365,587.94	
Total	40,894,773.69				2,946,810,062.51	

## (II) Notes to the income statement items of the parent Company

## 1. Operating revenues / operating costs

## (1) Detailed information

Item	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main business income	5,058,479,654.25	3,766,003,062.81	4,800,335,671.96	3,904,877,757.04
Other income	42,101,660.04	26,524,120.66	23,591,822.09	12,108,053.03
Total	5,100,581,314.29	3,792,527,183.47	4,823,927,494.05	3,916,985,810.07
including: revenue generated from the contracts with the clients	5,084,611,479.37	3,787,642,082.83	4,818,508,234.87	3,915,359,557.23

## (2) The revenue is broken down by the time of transfer of goods or service

Item	Current period cumulative	Preceding period comparative
Revenue is recognized at a point in time	5,084,611,479.37	4,818,508,234.87
Subtotal	5,084,611,479.37	4,818,508,234.87

(3) The revenue recognized in the period and included in the opening book value of contractual liabilities is RMB 43,237,007.23.

## 2. Investment income

Item	Current period cumulative	Preceding period comparative
Income from long-term equity investments recognized under the equity method	343,264,489.19	185,125,266.05
Income from long-term equity investments accounted for under the cost method	137,938,460.00	22,750,000.00
Investment income from disposal of long-term equity investments	6,573,183.33	-3,000,600.68
Discounting loss on receivables financing	-17,897,921.26	-7,931,415.18
Investment income from disposal of held-for-trading financial assets	-23,882,353.45	3,455,425.60
Including: derivative financial instruments	-23,882,353.45	3,455,425.60
Dividend income from investments in other equity instruments during the holding period		12,400,000.00
Total	445,995,857.81	212,798,675.79

## XVIII. Supplementary Information

### 1. Current non-recurring profit and loss statement

Applicable  Not Applicable

Unit: RMB

Item	Amount	Note
Profit or loss from disposal of non-current assets	1,655,224.56	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company and granted constantly affecting the Company's gains or losses in accordance with certain standards based on state policies)	30,311,586.83	
Profits or losses from changes in fair value of value and disposal of financial assets and liabilities held by non-financial enterprises, excluding those arising from hedging business related to the	-34,667,995.27	

Company's normal operating activities		
Profit or loss on entrusted investment or management of assets	1,915,298.69	
Reversal of impairment provision for accounts receivable subject to separate impairment testing	96,458.50	
Other non-operating revenue or expenditures	-3,873,470.17	
Less: Effect of income tax	-1,142,001.28	
Non-controlling interest affected (after tax)	2,457,334.74	
Total	-5,878,230.32	--

Details of gain or loss items that fall into the category of non-recurring gains and losses:

Applicable  Not Applicable

The Company has no other gain or loss items that fall into the category of non-recurring gains and losses.

Notes for the situation that the non-recurring gain or loss items as illustrated in the *Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or losses* are defined as recurring profits or losses

Applicable  Not Applicable

## 2. Return on equity and earnings per share

Profit for the reporting period	Weighted average ROE	Earnings per share (RMB/ share)	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	11.89%	1.4162	1.4162
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring gains and losses	11.93%	1.4211	1.4211

## 3. Differences in accounting data under domestic and foreign accounting standards

### (1) Differences in net profit and net assets in financial reports disclosed simultaneously under IAS and under PRC GAAP

Applicable  Not Applicable

### (2) Differences in net profit and net assets between financial reports disclosed in accordance with foreign accounting standards and those disclosed in accordance with PRC GAAP at the same time

Applicable  Not Applicable

### (3) Explanation of the reasons for differences in accounting data under domestic and foreign accounting standards, and the name of the foreign institution should be indicated if the data that has been audited by the foreign auditor has been reconciled for differences

## 4. Others

The impacts caused by implementation of the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or losses (revised in 2023), on recurring profits or losses for 2022

Item	Amount
Net non-recurring gains and losses for 2022 attributable to the parent Company owners	-34,824,547.27
Net non-recurring gains and losses for 2022 attributable to the parent Company owners, as calculated according to the requirements of the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or losses (revised in 2023)	-35,095,904.08
Difference	271,356.81