

Hangzhou ROBAM Appliances Co., Ltd.

2022 Full Annual Report

ROBAM老板

April 2023

2022 Full Annual Report

Section 1 Important Notes, Contents and Definitions

The board of directors, the board of supervisors and directors, supervisors and senior management of the Company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibility, individually and jointly, for the authenticity, accuracy and completeness of the contents of the annual report.

Ren Jianhua, the head of the Company, Zhang Guofu, the head of accounting work, and Zhang Guofu, the head of accounting body (accountant in charge), guarantee the authenticity, accuracy and completeness of the financial report in this annual report.

All directors of the Company personally attended the board meeting for reviewing this report.

The Company has risks such as policy fluctuations in the real estate market, price fluctuations of raw materials and intensifying market competition. Please pay attention to the investment risks.

The preplanned profit distribution deliberated and approved by the board of directors is as follows: taking 944,094,916 shares as the radix, the Company will send cash dividends of RMB 5 (tax included) and 0 bonus share (tax included) to all shareholders for every 10 shares, and instead of converting capital reserve into share capital.

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Directory of documents available for inspection

- I. Financial statements containing signatures of the legal representative, the head of accounting work, and the head of accounting body with seals.
- II. Original audit report stamped by ShineWing Certified Public Accountants (Special general partnership) and signed and stamped with the certified public accountants.
- III. Original copies of the documents and announcement of the Company published on the newspaper designated by the CSRC in the reporting period.
- IV. 2022 annual report of the Company signed by the legal representative.
- V. Other relevant information.

Definitions

| Terms | Refers to | Definition |
|--|-----------|---|
| The Company, company, ROBAM Appliances | Refers to | Hangzhou ROBAM Appliances Co., Ltd. |
| Mingqi | Refers to | Hangzhou Mingqi Electric Co., Ltd. |
| Kinde Intelligent | Refers to | Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. |
| Jinhe Electric Appliances | Refers to | Hangzhou Jinhe Electric Appliances Co., Ltd |
| ROBAM Group | Refers to | Hangzhou ROBAM Industrial Group Co., Ltd., controlling shareholder of the Company |
| Reporting period | Refers to | Year 2022 |
| AVC | Refers to | Beijing All View Cloud Data Technology Co., Ltd. |

Section 2 Company Profile and Major Financial Indicators

I. Company Information

| | | | |
|--|--|------------|--------|
| Stock abbreviation | ROBAM | Stock code | 002508 |
| Stock exchange for stock listing | Shenzhen Stock Exchange | | |
| Company name in Chinese | Hangzhou ROBAM Appliances Co., Ltd. | | |
| Company short name in Chinese | ROBAM | | |
| Company name in English (if any) | HANGZHOU ROBAM APPLIANCES CO.,LTD. | | |
| Company short name in English (if any) | ROBAM | | |
| Legal representative of the Company | Ren Jianhua | | |
| Registered address | No. 592 Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City, Zhejiang Province | | |
| Postal code of the registered address | 311100 | | |
| Historical changes of the Company's registered address | N/A | | |
| Office address | No. 592 Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City, Zhejiang Province | | |
| Postal code of the office address | 311100 | | |
| Company website | http://www.robam.com/ | | |
| Email | robam@robam.com | | |

II. Contact Person and Contact Information

| | Secretary to the board of directors | Securities affairs representative |
|------------------|--|--|
| Name | Wang Gang | Jiang Yu |
| Contact address: | No. 592 Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City, Zhejiang Province | No. 592 Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City, Zhejiang Province |
| Tel | 0571-86187810 | 0571-86187810 |
| Fax | 0571-86187769 | 0571-86187769 |
| Email | wg@robam.com | jy@robam.com |

III. Information Disclosure and Keeping Place

| | |
|--|---|
| The website(s) of the stock exchange where the Company discloses the annual report | <i>Securities Times, China Securities Journal, Securities Daily, Shanghai Securities News</i> |
| The name and website of the media where the Company discloses the annual report | http://www.cninfo.com.cn |
| Place of preparation of the Company's annual report | Board office |

IV. Registration Changes

| | |
|---|--------------------|
| Uniform social credit code | 91330000725252053F |
| Changes in main business since the Company's listing (if any) | N/A |
| Changes of controlling shareholders (if any) | N/A |

IV. Other Relevant Information

Accounting firm engaged by the Company

| | |
|---------------------------------------|--|
| Name of the accounting firm | Shinewing Certified Public Accountants (special general partnership) |
| Office address of the accounting firm | 9/F, Block A, Fuhua Mansion, No.8 Chaoyangmen North Street, |

| | |
|------------------------------|-----------------------------|
| | Dongcheng District, Beijing |
| Name of signatory accountant | Lei Yongxin, Wang Qing |

The sponsor institution engaged by the Company to perform the continuous supervision responsibility during the reporting period

Applicable Not applicable

The financial advisor engaged by the Company to perform the continuous supervision responsibility during the reporting period

Applicable Not applicable

V. Major Accounting Data and Financial Indicators

Whether the Company needs to retroactively adjust or restate the accounting data of the previous years

Yes No

| | 2022 | 2021 | Increase / decrease this year compared to the previous year | 2020 |
|---|-------------------|-------------------|--|-------------------|
| Operating income (yuan) | 10,271,500,571.04 | 10,147,706,035.35 | 1.22% | 8,128,620,799.31 |
| Net profits attributable to shareholders of listed companies (yuan) | 1,572,404,918.21 | 1,331,712,059.03 | 18.07% | 1,660,749,958.89 |
| Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan) | 1,479,102,088.00 | 1,276,853,316.64 | 15.84% | 1,584,584,566.83 |
| Net cash flow from operating activities (yuan) | 1,944,786,304.02 | 1,365,377,219.33 | 42.44% | 1,537,299,958.71 |
| Basic EPS (yuan/share) | 1.67 | 1.41 | 18.44% | 1.75 |
| Diluted EPS (yuan/share) | 1.67 | 1.41 | 18.44% | 1.75 |
| Weighted average return on net assets | 17.21% | 15.78% | 1.43% | 22.39% |
| | End of 2022 | End of 2021 | Increase / decrease at the end of this year compared to the end of the previous year | End of 2020 |
| Total assets (yuan) | 15,039,825,287.53 | 13,906,035,181.12 | 8.15% | 12,457,568,276.25 |
| Net assets attributable to shareholders of listed companies (yuan) | 9,732,463,766.91 | 8,627,026,739.27 | 12.81% | 8,050,626,815.35 |

The lower net profit of the Company before and after deducting non-recurring profit and loss in the last three fiscal years is negative, and the audit report of the latest year shows that the Company's ability to continue as a going concern is uncertain

Yes No

The lower net profit before and after deducting non-recurring profit and loss is negative

Yes No

VI. Differences in Accounting Data under Domestic and Foreign Accounting Standards

1. Differences between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

Applicable Not applicable

No difference between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards during the reporting period.

2. Differences between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards and Chinese Accounting Standards simultaneously

Applicable Not applicable

No difference between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards and Chinese Accounting Standards during the reporting period.

VII. Key Quarterly Financial Indicators

Unit: yuan

| | Q1 | Q2 | Q3 | Q4 |
|--|------------------|------------------|------------------|------------------|
| Operating income | 2,086,165,521.12 | 2,358,144,578.57 | 2,792,652,705.58 | 3,034,537,765.77 |
| Net profits attributable to shareholders of listed companies | 367,704,718.16 | 355,844,663.09 | 509,980,371.09 | 338,875,165.87 |
| Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses | 335,557,193.45 | 300,287,890.62 | 496,561,217.73 | 346,695,786.20 |
| Net cash flow from operating activities | 127,753,283.12 | 195,101,839.21 | 854,375,584.21 | 767,555,597.48 |

Whether there is significant difference between the above financial indicators or the total sum of them and the financial indicators related to the quarterly report and semiannual report disclosed by the Company

Yes No

VIII. Non-recurring Profit and Loss Items and Amount

Applicable Not applicable

Unit: yuan

| Item | Amount in 2022 | Amount in 2021 | Amount in 2020 | Description |
|--|----------------|----------------|----------------|-------------|
| Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment) | 113,456.26 | -2,290,187.24 | -422,706.54 | |
| Government subsidies included into the current profits and losses (except those government subsidies, which are closely related to the normal business of the Company, comply with national policies and regulations and continuously enjoyed in accordance with a certain standard quota or quantity) | 101,963,275.49 | 65,893,969.94 | 91,184,657.20 | |
| Reversal of impairment provision for receivables subject to separate impairment test | 24,667,546.54 | 1,034,992.00 | | |
| Income and expenditure other than those mentioned above | -2,044,818.28 | -2,306,626.52 | -2,965,479.76 | |
| Minus: Amount affected by income tax | 26,789,339.27 | 6,738,387.65 | 11,202,215.16 | |
| Amount of minority shareholders' equity affected (after tax) | 4,607,290.53 | 735,018.14 | 428,863.68 | |
| Total | 93,302,830.21 | 54,858,742.39 | 76,165,392.06 | -- |

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable Not applicable

| Item | Amount | Cause |
|--------------------------------------|---------------|---|
| VAT exemption or reduction or refund | 45,970,536.15 | National tax policies, recurring business |

| | | |
|---|----------------------|---|
| Individual income tax service charge refund | 541,758.65 | National tax policies, recurring business |
| Total | 46,512,294.80 | — |

Description of defining the non-recurring profit and loss items enumerated in the “Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses” as recurrent profit and loss items

Applicable Not applicable

The Company does not have any non-recurrent profit and loss items enumerated in the “Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses” as recurrent profit and loss items.

Section 3 Management Discussion and Analysis

I. Industry Situation of the Company During the Reporting Period

In 2022, due to the seriously weak of market demand, the sales and completion of housing declined seriously, restraining the new demand in the market and having a huge impact on the kitchen appliances industry. According to the overall data released by All View Cloud (AVC), the retail sales of kitchen and bathroom appliances (such as range hoods, gas hobs, sterilizer cabinets, dishwashers, built-in appliances, integrated appliances, water heaters, and water purifiers) this year amounted to RMB 158.6 billion, representing a year-on-year decrease of 9.6%. From the perspective of kitchen function, the total sales of professional cooking kitchen appliances (range hoods, gas hobs, and built-in microwave ovens, built-in electrical steam ovens and built-in electric ovens) was RMB 53.7 billion, representing a year-on-year decrease of 10.9%; The total sales of cleaning appliances (dishwashers, gas water heaters, and water purifiers) was RMB 53.4 billion, representing a year-on-year decrease of 11.4%. The total sales of storage appliances (refrigerators, sterilizer cabinets) RMB 96.2 billion, representing a year-on-year decrease of 4.8%.

The concentration of kitchen appliance industry continues to increase, the height and thickness of the brand are producing more and more obvious “dividends”, the polarization is intensifying, the siphon effect of head brand is obvious, and it is becoming more and more difficult for the long-tail brand. At the same time, the channel innovation of kitchen appliance industry is still continuing. From the home appliance chain stores to the rise and rapid growth of e-commerce, to the integration of online and offline transaction, to the sinking of channels and the rise of reserved installation, online wholesale and live streaming e-commerce, fragmentation, diversification and segmentation of channels have become a trend. In addition, the kitchen appliance products represented by range hoods and gas hobs are still the largest rigid demand categories in the current kitchen appliance industry. The emerging kitchen appliances such as dishwashers and steam oven-ovens have brought opportunities and dividends for product expansion in the industry. The competition in the kitchen appliance industry will turn to the “product” dimension, and there will be a huge extension space of each kitchen appliance product. In the future, the competition in the kitchen appliance industry will focus on product innovation. In the medium and long term, integrated and intelligent technologies will be applied to more kitchen appliance products and cooking scenes.

According to the *National Economic and Social Development Statistics Bulletin 2022* issued by the National Bureau of statistics, at the end of 2022, the urbanization rate of the country's permanent population was 65.22%, 0.50 percentage points higher than that at the end of the previous year. Compared to the urbanization rate of over 80% in developed countries, there is a broad development prospect and a good long-term trend for the kitchen appliance industry. China is at the mid-term level of urbanization development. The new market and stock market will jointly support the future development space of the kitchen appliance industry. While the urbanization will also move towards the road of high-quality development, and the trend of the kitchen category expansion and product upgrade in China will continue.

II. Main Business of the Company during Reporting Period

Dedicated to creating a new quality kitchen for millions of families, the Company takes foot in the kitchen field and focuses on the development, production, sales and comprehensive services of kitchen appliances, including range hoods, gas hobs, steam oven-oven, dishwashers and integrated stoves, and it is committed to creating a more “convenient, healthy and interesting” kitchen life for thousands of families. After more than 40 years of development and growth, the Company has become the manufacturer with the longest history, the highest market share and the largest production capacity in the Chinese kitchen appliance industry.

According to product attributes and cooking methods, the Company's products are mainly divided into three categories. The first category refers to the product group represented by range hoods. The second category refers to the electrified cooking product group represented by steam oven-oven, steamer and oven. The third category refers to the water kitchen appliance product group represented by dishwashers, gas water heater and water purifier. In addition, it also includes integrated product groups represented by integrated stoves and integrated range hoods, etc., as well as refrigerators and other categories, providing consumers with a full set of kitchen appliance solutions.

The channel layout of the Company is complete, forming three major channels focusing on offline retail, online e-commerce and refined decoration engineering, as well as overseas channels.

1) Offline retail channels: mainly based on the national agent model of ROBAM, with the main channels divided into specialty stores (agent specialty stores, Red Star Macalline, Easyhome, etc.), KA (Suning, GOME, Five Star and local chain channels), innovate channels (whole house customization companies, home decoration companies and gas companies), sinking channels (JD specialty stores, Tmall Youpin, Suning Retail Cloud, GOME New Retail, Five Star Wanzhentong, etc.) and local department stores, etc.

2) Online e-commerce channels: mainly directly operated by the Company's e-commerce department. The main channels include online platforms such as JD, Tmall and Suning, as well as other media platforms (new media social networking, official website, private domain, TV shopping, etc.)

3) Refined decoration engineering channels: strategic engineering customers (leading real estate enterprises) and regional engineering customers.

4) Overseas channels: North America, Australia, Malaysia, Cambodia and other Southeast Asian regions.

III. Analysis of Core Competitiveness

No significant change in the Company's core competitiveness during the reporting period: The Company's core competitiveness is mainly reflected in the high-end positioned the brand capacity, continuous innovative research and development capacity, comprehensive and efficient operation capacity.

1. Brand capability of high-end positioning

Founded in 1988, the ROBAM continues to deepen the positioning of “big suction” and create high-end brand experience. “Big suction” has become the synonym of “high-end range hood”, and the ROBAM has become one of the most famous and favorite professional high-end kitchen appliance brands in China. Since 1991, ROBAM range hood has won the only “Quality Silver Award of the People's Republic of China”, “China Famous-brand Product”, “National Inspection-free Product” in the kitchen appliance industry; ROBAM has been recognized as “China Famous Brand”; ROBAM has won “Most Influential Brand in China's Kitchen Appliance Industry” and “China's 500 Most Valuable Brands”. In addition, ROBAM Appliances has been rated as one of the “BrandZ Top 100 Most Valuable Chinese Brands” for 7 consecutive years, and awarded the “Top 500 Asian Brands” for 15 consecutive years. In 2018, ROBAM Appliances put forward a new brand concept, that is, to “Creating China's new kitchen.” ROBAM Appliances became the CCTV's leading national brand in the world and won the 2019-2020 High-end Brand Award from China National Household Electric Appliances Commercial Association. From 2015 to 2022, ROBAM large-suction range hoods and built-in gas hobs led the global sales for 8 consecutive years.

2. R&D capability of continuous innovation

The Company adheres to the principle of “product leading” and constantly pursues “technology leading”. The Company now has a national technology center, a national laboratory, a national industrial design center, California institute of innovation, Shenzhen innovation research institute and academician workstation of Tsinghua University. With industry-leading national industry designs, intelligent manufacturing technology and superior product quality, ROBAM Appliances has already evolved into a market leader, an industry standard advocate, and a CSR forerunner. In 2020, it won the Second Prize for Science and Technology Progress in Zhejiang Province, and in 2021, it was listed in the China's Top 100 Enterprises of Light Industry Science and Technology. At the same time, it has been increasing its investment in research and development, and standing at the industry leading level in R&D team, R&D patents, standard formulation and other aspects. Since 2008, ROBAM Appliances has won more than 60 product design awards, including authoritative awards at home and abroad, such as Germany IF, Germany Red Dot, and China Red Star, leading the trend of kitchen appliance product design. The Company has authorized a total of more than 3,000 patents, covering all major categories of kitchen ecology supporting easy cooking with superb technologies.

3. Comprehensive and efficient operation capability

The Company has the leading marketing capability in the industry: by adopting the only agency marketing mode in the industry, the Company has created the most comprehensive, efficient and responsive marketing system in the industry through strong management and control, equity incentive and the de facto business partner system. The Company deepens intelligent manufacturing and refined operation. It was awarded the “National Top 100 Quality Inspection Integrity Benchmark” and “National Excellent Quality and Excellent Credit Enterprise” in 2020. The Company focuses on global manufacturing and strives to become a first-class manufacturing benchmark in China. In 2021, it was awarded the “Future Factory” medal by the Economy and Information Technology Department of Zhejiang. In addition, the Company accelerates the integration of digitization and informatization, focuses on the interactive innovation and continuous optimization of data, technology, business process and organizational structure, constantly improves new capabilities in the informatization environment, and improves the sustainable competitiveness in domestic and foreign markets. At the same time, the Company is also a provincial industrial Internet platform and has become one of the first batch of “Kunpeng” enterprises in Hangzhou.

IV. Main business analysis

1. Overview

In 2022, due to the major adverse factors such as the continuous downturn of the real estate industry and the rising comprehensive cost of enterprises, the demand of the kitchen appliance industry was suppressed, resulting an overall negative growth. In terms of retail channel, according to the monthly data report of offline retail market monitoring of All View (hereinafter referred to as “All View Offline Report”), the retail sales of main categories of kitchen appliances, such as range hoods and gas hobs, decreased by 26.2% and 22.8% respectively compared with the same period of last year. In terms of e-commerce channel, according to the monthly data report of online retail market monitoring of All View (hereinafter referred to as “All View Online Report”), the online retail sales of kitchen appliance products decreased by 3.6% compared with the same period of last year. In terms of engineering channel, according to the *2022 Annual Report on Kitchen Appliances in Refined Decoration Market for Real Estate Commodity Housing in China* of All View Cloud (AVC) (hereinafter referred to as the “AVC Real Estate Report”), in 2022, the market size of range hood and gas hobs for refined decoration was 1.41 million units, representing a year-on-year decrease of 48%, and the configuration rate of 96.7%; the market size of dishwasher for refined decoration was 458.3 thousand units, representing a year-on-year decrease of 15.4%, and the configuration rate of 31.4%, representing a year-on-year increase of 12.5%.

As the industry leader, the Company closely focused on the annual business philosophy of “riding on the momentum, building dreams and traveling far”, to make the market share of various categories stay ahead, and the market concentration increasing. According to All View Offline Report, the retail sales and retail market share of ROBAM's range hoods were 31.7% and 25.8%,

increasing by 1.2 and 1.5 percentage points respectively compared with the same period last year. According to All View Online Report, the retail sales and retail volume market share of the ROBAM kitchen appliance package were 30.5% and 24.0%, which are basically the same as the same period last year. In the face of many adverse factors, the Company achieved an annual operating income of RMB 10.272 billion, representing a year-on-year increase of 1.22%. The net profit attributable to shareholders of listed companies was RMB 1.572 billion, representing a year-on-year increase of 18.07%, which were significantly superior to the average level of the industry.

As of December 31, 2022, according to the All View offline report, the market share and market position of the offline retail sales of Company's major product categories are shown in the following table:

| Range hood | Gas hobs | Sterilizer cabinet | Built-in steam & grill oven | Built-in electrical steam oven | Built-in electric oven | Built-in dishwasher |
|------------|----------|--------------------|-----------------------------|--------------------------------|------------------------|---------------------|
| 31.7% | 30.7% | 22.6% | 33.1% | 28.1% | 26.2% | 17.8% |
| 1 | 1 | 2 | 1 | 2 | 2 | 3 |

As of December 31, 2022, according to the All View online report, the market share and market position of the online retail sales of Company's major product categories are shown in the following table:

| Kitchen appliance packages | Range hood and gas hobs | Range hood | Gas hobs | Built-in steam & grill oven | Built-in electrical steam oven | Built-in dishwasher |
|----------------------------|-------------------------|------------|----------|-----------------------------|--------------------------------|---------------------|
| 30.5% | 32.4% | 16.1% | 9.9% | 14.4% | 23.9% | 15.1% |
| 1 | 1 | 1 | 4 | 3 | 1 | 3 |

As of December 31, 2022, according to the All View Real Estate Report, the market share of ROBAM in refined decoration channel was 33.1%, ranking second in the industry.

In 2022, the technology sector focused on science and technology and kitchen appliances, improved the hard technology of products, had a new launch for digital kitchen appliances, and promoted the reform and innovation of the industry. "Creator i1", the first ROKI digital kitchen appliance product in the industry won the "2022 Red-Top Award for High-end Household Appliances and Consumer Electronics in China". In addition, the Company and China Household Electric Appliance Research Institute jointly issued the *Technical Specification for High-Performance Integrated Stoves*, leading the integrated stoves industry into the era of high performance. In this year, the Company applied for 1351 patents, including 401 invention patents; As of December 31, 2022, the Company had been granted a total of 3457 patents, including 91 invention patents. This year, the Company presided over the formulation of 10 standards and participated in the formulation of 20 standards. Among them, the industry standard *Steam Oven-Oven*, the formulation of which was presided over by the Company, was successfully selected as the Zhejiang manufacturing standard application project. Besides, its technological innovation ability has been recognized by the industry, and it has won the first and second prizes of the 2022 Science and Technology Progress Award by China National Light Industry Council, and the range hood project has been awarded with the first prize for four consecutive times.

In 2022, the marketing sector deepened the high-end positioning of brand, constantly enriched the product matrix, entered the integrated stove market, opened the digital era of kitchen appliances, providing a full range of comprehensive solutions for kitchen appliances. In terms of retail channels, the Company strengthened its high-end brand advantage, gave full play to the efficiency of specialty stores, expanded front-end market traffic through innovative channels, accelerated the construction of sinking channels, and optimized channel efficiency. Meanwhile, the Company focused on the users, upgraded the worry-free kitchen reform service, consistently creating value for the users. In terms of e-commerce channels, the Company strengthened brand positioning, made new and old media work together, efficiently tapped traffic value and revitalized the potential of stock market. In terms of engineering channels, the Company optimized customer structure and strengthened risk management awareness, kept the market advantage of old categories, and stimulated the improvement of permeability of new categories. In terms of overseas channels, it steadily promoted the global layout and the process of brand internationalization.

In 2022, the production sector focused on "stabilizing production, strengthening organization, ensuring production and supply, improving quality and efficiency, consolidating the foundation and seeking qualitative change", being committed to becoming one of the manufacturing benchmarks with strong comprehensive competitiveness in China's manufacturing industry. The Company continuously promoted quality improvement and process innovation, focused on the building of differentiated and refined manufacturing capabilities, to ensure the high quality delivery of various kitchen appliances. In this year, it won the "2022 National Quality Benchmark" award issued by the China Association for Quality. At the same time, by building an end-to-end integrated supply chain, it aimed to create a cost control system with comprehensive competitive advantages to continuously achieve the goal of cost reduction and efficiency improvement. Unmanned factories will deepen the digitalization construction and application, so as to further build a digital transparent future factory in the future. The Maoshan Intelligent Manufacturing Park project had been gradually put into use, giving rise to a continuously improvement of production efficiency and production benefit.

In 2022, the brand sector continued to building the first brand image of high-end kitchen appliances in China that knows Chinese cooking best, and empowered kitchen appliances with science and technology, making the starting point of technology kitchen higher. The Company held the 2022 New Technology Product Launch Conference for China New Kitchen, released the new generation of high-performance integrated stoves and other new kitchen appliance products; in addition, it held the Global Launch Conference for ROKI Digital Kitchen Appliance, launched the first set of digital kitchen appliance product "Creator i1", and the first digital person in the industry, Mr. ROKI. It held "China-Chic Family Feast", the first Chinese Cooking Competition, the second Dishwasher Festival and food education system activities and other activities, named "I Heard it's Delicious 2", appeared

on “Topics in Focus”, “The Treasured Voice 3” and other programs, making a continuously improvement of its brand exposure and influence. In addition, as the exclusive supplier of official household kitchen appliances for the 2022 Hangzhou Asian Games, the Company helped to spread Chinese cooking culture and boosted the construction of Asian Games cities.

In 2022, for the brand “MQ”, which inherited the genes of excellent kitchen appliances, the Company explored the road of new retail development with professional kitchen appliances as the development cornerstone and integrated kitchen appliances as the growth momentum. By complementing with ROBAM, the Company comprehensively upgraded organizational resources, brand potential energy, product innovation, channel expansion and other aspects of the brand “MQ” to provide users with ultimate experience. For the brand “Kinde”, the Company consolidated the foundation, reformed and transformed, further deepened the high-end strategies, and developed the customized market. For the brand “DACHOO”, the Company positioned it as professional multi-functional desktop cooking appliances. The Company will further build new brand matrixes to achieve diversity integration.

In 2022, the Company continued to be recognized by the capital market in terms of corporate governance, internal management and shareholder return. The Company became a council member of China Association for Public Companies. It was awarded level A (Excellent) in the 2021 Annual Information Disclosure Assessment of listed companies in Shenzhen Stock Exchange, and has won this award for nine consecutive years. At the same time, based on the improvement and excellent performance in corporate governance and employee welfare projects, its MSCI ESG rating was upgraded to grade A, ranking high among global peer (household durable goods) companies.

In order to realize common prosperity and build a normalized incentive mechanism, the Company launched the 2022 *Stock Option Incentive Plan*, which aims to provide stock option incentives for the Company's middle-level core business and technical backbones and consolidate the Company's long-term development foundation. The Company has been always adhering to standard operation, being deeply engaged in the kitchen field, assisting in value investment, and promoting the high-quality development of the Company.

2. Revenue and Costs

(1) Operating income composition

Unit: yuan

| | 2022 | | 2021 | | Year-on-year increase / decrease |
|------------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|----------------------------------|
| | Amount | Proportion in operating income | Amount | Proportion in operating income | |
| Total operating income | 10,271,500,571.04 | 100% | 10,147,706,035.35 | 100% | 1.22% |
| By industry | | | | | |
| Home and kitchen & bath appliances | 9,981,652,062.48 | 97.18% | 9,878,609,034.58 | 97.35% | 1.04% |
| Other business income | 289,848,508.56 | 2.82% | 269,097,000.77 | 2.65% | 7.71% |
| By product | | | | | |
| First category group | | | | | |
| Including: Range hood | 4,832,350,321.78 | 47.05% | 4,879,636,891.65 | 48.09% | -0.97% |
| Gas hobs | 2,456,953,764.20 | 23.92% | 2,439,639,215.87 | 24.04% | 0.71% |
| Sterilizer cabinet | 477,168,426.61 | 4.65% | 544,149,587.07 | 5.36% | -12.31% |
| Second category group | | | | | |
| Including: Steam oven-oven | 739,678,668.33 | 7.20% | 647,136,752.08 | 6.38% | 14.30% |
| Steamer | 99,986,752.60 | 0.97% | 150,479,922.38 | 1.48% | -33.55% |
| Steamer | 82,492,751.09 | 0.80% | 132,013,212.98 | 1.30% | -37.51% |
| Third category group | | | | | |
| Including: Dishwasher | 593,794,747.49 | 5.78% | 450,505,656.90 | 4.44% | 31.81% |
| Water purifier | 54,081,866.41 | 0.53% | 59,858,528.51 | 0.59% | -9.65% |
| Water heaters | 192,404,223.01 | 1.87% | 155,054,325.57 | 1.53% | 24.09% |
| Integrated stove | 384,843,160.10 | 3.75% | 326,347,237.29 | 3.22% | 17.92% |
| Other small home appliances | 67,897,380.86 | 0.66% | 93,787,704.28 | 0.92% | -27.61% |
| Other business income | 289,848,508.56 | 2.82% | 269,097,000.77 | 2.65% | 7.71% |
| By region | | | | | |
| East China - main products | 4,974,280,646.54 | 48.42% | 4,699,565,607.49 | 46.33% | 5.85% |

| | | | | | |
|---------------------------|------------------|--------|------------------|--------|---------|
| East China - other | 289,848,508.56 | 2.82% | 269,097,000.77 | 2.65% | 7.71% |
| South China | 1,269,202,599.03 | 12.36% | 1,313,350,785.57 | 12.94% | -3.36% |
| Central China | 859,455,161.51 | 8.37% | 890,428,360.89 | 8.77% | -3.48% |
| North China | 1,250,622,282.44 | 12.18% | 1,242,294,816.78 | 12.24% | 0.67% |
| Northeast China | 484,194,864.36 | 4.71% | 512,607,935.65 | 5.05% | -5.54% |
| Northwest China | 444,338,961.01 | 4.33% | 509,788,589.04 | 5.02% | -12.84% |
| Southeast China | 637,508,722.80 | 6.21% | 647,294,350.69 | 6.38% | -1.51% |
| Overseas regions | 62,048,824.79 | 0.60% | 63,278,588.47 | 0.62% | -1.94% |
| Distribution model | | | | | |
| Sales by proxy | 2,446,494,399.39 | 23.82% | 3,070,367,965.64 | 30.25% | -20.32% |
| Sales by dealers | 301,984,213.55 | 2.94% | 380,213,068.56 | 3.75% | -20.58% |
| Direct sales | 5,402,928,683.48 | 52.60% | 4,647,292,563.60 | 45.80% | 16.26% |
| Engineering | 2,058,478,176.62 | 20.04% | 1,976,492,346.14 | 19.48% | 4.15% |
| Other | 61,615,098.00 | 0.60% | 73,340,091.41 | 0.72% | -15.99% |

(2) Industries, products, regions and sales models that account for more than 10% of the Company's operating income or profit

Applicable Not applicable

Unit: yuan

| | Operating income | Operating cost | Gross margin ratio | Year-on-year increase / decrease of operating income | Year-on-year increase / decrease of operating cost | Year-on-year increase / decrease of gross margin ratio |
|------------------------------------|-------------------|------------------|--------------------|--|--|--|
| By industry | | | | | | |
| Home and kitchen & bath appliances | 10,271,500,571.04 | 5,137,368,758.15 | 49.98% | 1.22% | 6.25% | -2.37% |
| By product | | | | | | |
| Range hood | 4,832,350,321.78 | 2,332,382,332.73 | 51.73% | -0.97% | 3.13% | -1.92% |
| Gas hobs | 2,456,953,764.20 | 1,115,134,305.77 | 54.61% | 0.71% | 6.31% | -2.39% |
| By region | | | | | | |
| East China | 4,974,280,646.54 | 2,361,595,253.33 | 52.52% | 5.85% | 9.65% | -1.65% |
| South China | 1,269,202,599.03 | 688,488,642.51 | 45.75% | -3.36% | 0.74% | -2.21% |
| North China | 1,250,622,282.44 | 620,671,859.40 | 50.37% | 0.67% | 7.40% | -3.11% |
| Distribution model | | | | | | |
| Sales by proxy | 2,446,494,399.39 | 1,437,334,857.11 | 41.25% | -20.32% | -9.97% | -6.76% |
| Direct sales | 5,402,928,683.48 | 2,407,765,169.75 | 55.44% | 16.26% | 24.06% | -2.80% |
| Engineering | 2,058,478,176.62 | 1,071,050,433.40 | 47.97% | 4.15% | 1.92% | 1.14% |

In the case that the statistical standards for main business data of the Company are adjusted during the reporting period, the main business data of the Company in recent 1 year are subject to those after the adjustment of the statistical standards at the end of the reporting period

Applicable Not applicable

(3) Whether the Company's physical sales revenue is greater than the service revenue

Yes No

| Industry category | Item | Unit | 2022 | 2021 | Year-on-year increase / decrease |
|------------------------------------|-------------------|------|-----------|-----------|----------------------------------|
| Home and kitchen & bath appliances | Sales quantity | Unit | 7,757,460 | 8,026,289 | -3.35% |
| | Production output | Unit | 7,557,374 | 8,079,472 | -6.46% |

| | | | | | |
|--|-----------|------|-----------|-----------|--------|
| | Inventory | Unit | 2,075,152 | 2,275,238 | -8.79% |
|--|-----------|------|-----------|-----------|--------|

Reasons for more than 30% year-on-year changes in the relevant data

Applicable Not applicable

(4) Performance of major sales contracts and major purchase contracts signed by the Company up to the reporting period

Applicable Not applicable

(5) Composition of operating cost

Industry and product categories

Unit: yuan

| Industry category | Item | 2022 | | 2021 | | Year-on-year increase / decrease |
|------------------------------------|---------------------|------------------|------------------------------|------------------|------------------------------|----------------------------------|
| | | Amount | Proportion in operating cost | Amount | Proportion in operating cost | |
| Home and kitchen & bath appliances | Manufacturing costs | 517,639,044.69 | 10.07% | 375,524,089.21 | 7.77% | 37.84% |
| | Raw materials | 4,425,668,122.58 | 86.15% | 4,240,067,637.57 | 87.69% | 4.38% |
| | Labor | 194,061,590.88 | 3.78% | 219,461,677.59 | 4.54% | -11.57% |

Unit: yuan

| Product Classification | Item | 2022 | | 2021 | | Year-on-year increase / decrease |
|------------------------|---------------------|------------------|------------------------------|------------------|------------------------------|----------------------------------|
| | | Amount | Proportion in operating cost | Amount | Proportion in operating cost | |
| Range hood | Manufacturing costs | 282,015,436.10 | 5.49% | 213,123,127.91 | 4.41% | 32.33% |
| | Raw materials | 1,946,232,805.60 | 37.88% | 1,929,019,611.59 | 39.90% | 0.89% |
| | Labor | 104,134,091.03 | 2.03% | 119,516,025.36 | 2.47% | -12.87% |
| Gas hobs | Manufacturing costs | 58,395,892.78 | 1.14% | 37,797,820.14 | 0.78% | 54.50% |
| | Raw materials | 1,031,439,648.62 | 20.08% | 982,173,775.43 | 20.31% | 5.02% |
| | Labor | 25,298,764.37 | 0.49% | 29,017,912.81 | 0.60% | -12.82% |
| Steam oven-oven | Manufacturing costs | 37,886,184.41 | 0.74% | 20,520,264.95 | 0.42% | 84.63% |
| | Raw materials | 317,516,080.41 | 6.18% | 280,530,437.29 | 5.80% | 13.18% |
| | Labor | 16,540,158.74 | 0.32% | 14,288,741.43 | 0.30% | 15.76% |
| Dish-washing machine | Manufacturing costs | 39,309,333.79 | 0.77% | 40,968,858.77 | 0.85% | -4.05% |
| | Raw materials | 275,583,128.32 | 5.36% | 218,178,826.01 | 4.51% | 26.31% |
| | Labor | 12,107,381.36 | 0.24% | 11,704,580.04 | 0.24% | 3.44% |
| Other | Manufacturing costs | 100,032,197.61 | 1.95% | 63,114,017.44 | 1.31% | 58.49% |
| | Raw materials | 854,896,459.63 | 16.64% | 830,164,987.25 | 17.17% | 2.98% |
| | Labor | 35,981,195.38 | 0.70% | 44,934,417.95 | 0.93% | -19.93% |

(6) Whether the consolidation scope changes in the reporting period

Yes No

In June 22, 2022, the Company invested and established Hangzhou Jinhe Electric Appliances Co., Ltd. with the registered capital of RMB 10 million and shareholding ratio of 100%. Such company belongs to the wholesale and retail industry and mainly

engages in the sales of kitchen appliance products of the Company. Now, its registered capital has been paid in and the company has been put into operation.

(7) Major changes or adjustments of business, products or services of the Company during the reporting period

Applicable Not applicable

(8) Major sales customers and major suppliers

Major sales customers of the Company

| | |
|---|------------------|
| Total sales amount of top five customers (yuan) | 3,419,623,147.78 |
| Proportion of total sales amount of top five customers in total annual sales | 33.29% |
| Among the sales amount of top five customers, proportion of sales amount of related parties in total annual sales | 0.00% |

Top 5 customers of the Company

| No. | Customer name | Sales Amount (yuan) | Proportion in total annual sales |
|-------|---------------|---------------------|----------------------------------|
| 1 | Unit 1 | 1,879,893,592.38 | 18.29% |
| 2 | Unit 2 | 785,441,885.78 | 7.65% |
| 3 | Unit 3 | 292,840,935.77 | 2.85% |
| 4 | Unit 4 | 232,876,119.48 | 2.27% |
| 5 | Unit 5 | 228,570,614.37 | 2.23% |
| Total | -- | 3,419,623,147.78 | 33.29% |

Other information of major customers

Applicable Not applicable

Major suppliers of the Company

| | |
|---|----------------|
| Total purchase amount of top five suppliers (yuan) | 833,307,047.52 |
| Proportion of total purchase amount of top five suppliers in total annual purchase amount | 20.22% |
| Among the purchase amount of top five suppliers, proportion of purchase amount of related parties in total annual purchase amount | 0.00% |

Top 5 suppliers of the Company

| No. | Supplier name | Purchase amount (yuan) | Proportion in total annual purchase amount |
|-------|---------------|------------------------|--|
| 1 | Unit 1 | 212,820,142.38 | 5.16% |
| 2 | Unit 2 | 194,092,130.95 | 4.71% |
| 3 | Unit 3 | 168,826,616.91 | 4.10% |
| 4 | Unit 4 | 135,995,120.29 | 3.30% |
| 5 | Unit 5 | 121,573,036.99 | 2.95% |
| Total | -- | 833,307,047.52 | 20.22% |

Other information of major suppliers

Applicable Not applicable

3. Cost

Unit: yuan

| | 2022 | 2021 | Year-on-year increase / decrease | Description of major changes |
|--------------------|------------------|------------------|----------------------------------|------------------------------|
| Selling expenses | 2,613,626,073.89 | 2,454,418,039.92 | 6.49% | / |
| Management costs | 430,968,403.74 | 363,762,372.63 | 18.48% | / |
| Financial expenses | -157,222,288.61 | -139,673,507.87 | 12.56% | / |

| | | | | |
|-----------------------------------|----------------|----------------|-------|---|
| Research and development expenses | 391,614,805.38 | 366,026,666.34 | 6.99% | / |
|-----------------------------------|----------------|----------------|-------|---|

4. R&D investment

R&D personnel of the Company

| | 2022 | 2021 | Proportion of change |
|--|--------|--------|----------------------|
| Number of R&D personnel (person) | 929 | 876 | 6.05% |
| Proportion of R&D personnel | 18.23% | 17.95% | 0.28% |
| Educational structure of R&D personnel | | | |
| Bachelor | 683 | 652 | 4.75% |
| Master | 146 | 130 | 12.31% |
| Age composition of R&D personnel | | | |
| Under 30 years old | 297 | 261 | 13.79% |
| 30~40 years old | 476 | 463 | 2.81% |

R&D investment of the Company

| | 2022 | 2021 | Proportion of change |
|--|----------------|----------------|----------------------|
| R&D investment amount (yuan) | 391,614,805.38 | 366,026,666.34 | 6.99% |
| Proportion of R&D investment in operating revenue | 3.81% | 3.61% | 0.20% |
| Capitalized amount of R&D investment (yuan) | 0.00 | 0.00 | 0.00% |
| Proportion of capitalized R&D investment in R&D investment | 0.00% | 0.00% | 0.00% |

Reasons and effects of major changes in the composition of R&D personnel of the Company

Applicable Not applicable

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

Applicable Not applicable

Reasons for the great changes of R&D investment capitalization rate and description of its rationality

Applicable Not applicable

5. Cash flow

Unit: yuan

| Item | 2022 | 2021 | Year-on-year increase / decrease |
|---|-------------------|-------------------|----------------------------------|
| Subtotal cash inflows from operating activities | 11,572,752,136.63 | 10,571,104,254.72 | 9.48% |
| Subtotal cash outflows from operating activities | 9,627,965,832.61 | 9,205,727,035.39 | 4.59% |
| Net cash flow from operating activities | 1,944,786,304.02 | 1,365,377,219.33 | 42.44% |
| Subtotal cash inflows from investment activities | 3,038,030,947.22 | 2,774,993,853.52 | 9.48% |
| Subtotal cash outflows from investment activities | 3,082,085,886.40 | 3,635,682,805.12 | -15.23% |
| Net cash flow from investment activities | -44,054,939.18 | -860,688,951.60 | Not applicable |
| Subtotal cash inflows from financing activities | 66,662,732.06 | 31,544,588.74 | 111.33% |

| | | | |
|--|------------------|-----------------|----------------|
| Subtotal cash outflows from financing activities | 496,668,186.35 | 701,527,338.97 | -29.20% |
| Net cash flow from financing activities | -430,005,454.29 | -669,982,750.23 | Not applicable |
| Net increase of cash and cash equivalents | 1,476,425,521.39 | -166,107,693.21 | Not applicable |

Description of main influencing factors of significant changes in relevant data on a year-on-year basis

Applicable Not applicable

During the reporting period, the net cash flow from operating activities increased by 42.44% year-on-year, which was mainly due to the strengthened risk control and the increased sales collection in the current period.

During the reporting period, the cash flow outflow from investment activities decreased by 15.23% year-on-year, which was mainly due to the decreased amount of matured bank wealth management products.

During the reporting period, the cash flow outflow from financial activities decreased by 29.20% year-on-year during the reporting period, which was mainly due to the share repurchases in the previous period.

Reasons for significant difference between the net cash flow from operating activities of the Company and the net profit of the current year in the reporting period

Applicable Not applicable

V. Non-main business analysis

Applicable Not applicable

VI. Analysis of assets and liabilities

1. Major changes in asset composition

Unit: yuan

| | End of 2022 | | Beginning of 2022 | | Proportion change | Description of major changes |
|-----------------------------|------------------|----------------------------|-------------------|----------------------------|-------------------|------------------------------|
| | Amount | Proportion in total assets | Amount | Proportion in total assets | | |
| Monetary capital | 5,292,762,670.94 | 35.19% | 3,802,201,346.55 | 27.34% | 7.85% | / |
| Accounts receivable | 1,689,606,828.94 | 11.23% | 1,597,692,860.90 | 11.49% | -0.26% | / |
| Inventory | 1,610,110,798.10 | 10.71% | 1,772,231,632.25 | 12.74% | -2.03% | / |
| Investment properties | 55,887,198.54 | 0.37% | 11,085,896.07 | 0.08% | 0.29% | / |
| Long-term equity investment | 8,718,505.62 | 0.06% | 5,405,129.91 | 0.04% | 0.02% | / |
| Fixed assets | 1,622,235,227.74 | 10.79% | 1,179,306,020.01 | 8.48% | 2.31% | / |
| Construction in progress | 406,258,146.69 | 2.70% | 454,643,364.82 | 3.27% | -0.57% | / |
| Right-of-use assets | 22,220,144.13 | 0.15% | 29,902,954.22 | 0.22% | -0.07% | / |
| Short-term borrowing | 51,723,429.99 | 0.34% | 29,616,655.41 | 0.21% | 0.13% | / |
| Contract liabilities | 959,915,567.03 | 6.38% | 1,026,782,402.35 | 7.38% | -1.00% | / |
| Lease liabilities | 18,588,966.67 | 0.12% | 26,177,034.29 | 0.19% | -0.07% | / |

The proportion of overseas assets is relatively high

Applicable Not applicable

2. Assets and liabilities measured with fair value

Applicable Not applicable

See X. Financial Reports, XI. Fair Value Disclosure and Notes

3. Limitation on the assets and rights as of the end of the reporting period

Use of restricted monetary funds

| Item | Year-end balance | Year-beginning balance |
|--|----------------------|------------------------|
| Letter of guarantee and bill acceptance security deposit | 96,335,329.20 | 82,212,526.20 |
| ETC deposit | 13,000.00 | |
| Total | 96,348,329.20 | 82,212,526.20 |

VII. Analysis of investment

1. Overall situation

Applicable Not applicable

2. Significant equity investments acquired during the reporting period

Applicable Not applicable

3. Significant ongoing non-equity investments during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Securities investments

Applicable Not applicable

The Company had no securities investments in the reporting period.

(2) Derivatives investment

Applicable Not applicable

The Company had no derivatives investments in the reporting period.

5. Use of funds raised

Applicable Not applicable

No funds raised are used in the reporting period.

VIII. Sales of major assets and equities

1. Sales of major assets

Applicable Not applicable

The Company did not sell major assets in the reporting period.

2. Sales of major equities

Applicable Not applicable

IX. Analysis of main holding and joint-stock companies

Applicable Not applicable

Joint-stock companies that affect the net profits of the Company by more than 10% and main subsidiaries

Unit: yuan

| Company | Company | Main | Registere | Total assets | Net assets | Operating income | Operating profit | Net profit |
|---------|---------|------|-----------|--------------|------------|------------------|------------------|------------|
|---------|---------|------|-----------|--------------|------------|------------------|------------------|------------|

| name | type | business | d capital | | | | | |
|--|------------|---|-----------|----------------|----------------|----------------|----------------|----------------|
| Shanghai ROBAM Electric Appliance Sales Co., Ltd. | Subsidiary | Sales of kitchen electric appliance products | 5000000 | 114,682,531.50 | 2,512,132.95 | 394,385,254.82 | -17,260,433.05 | -14,464,589.80 |
| Beijing ROBAM Electric Appliance Sales Co., Ltd. | Subsidiary | Sales of kitchen electric appliance products | 5000000 | 88,385,708.49 | 41,111,522.58 | 542,976,748.20 | -12,096,164.51 | -9,642,241.11 |
| Hangzhou Mingqi Electric Co., Ltd. | Subsidiary | Sales of kitchen electric appliance products | 50000000 | 173,946,094.51 | 50,130,395.33 | 340,119,786.11 | -21,697,104.97 | -20,376,970.76 |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Subsidiary | Production and sales of kitchen electric appliance products | 32653061 | 501,112,499.41 | 252,244,096.11 | 170,999,666.69 | -21,651,500.08 | -24,500,532.58 |

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

X. Structured entities controlled by the Company

Applicable Not applicable

XI. Prospect of the Company's future development

1. Company development strategy (2020-2022)

Focus on cooking, focus on range hoods, expand the first category advantages, lead the second category, and steadily promote the third category. Adhere to the spirit of hard-working wise entrepreneurship, take products and users as the core, create a competitive advantage of the enterprise. Continue to create a more “convenient, healthy and interesting” kitchen life for users, build a global brand and a century-old enterprise.

I. Overall goal: build a global brand and a century-old enterprise.

To be a world-class century-old leader of cooking innovation.

II. Business goal: concentrate on cooking, focus on range hoods, expand the first category advantages, lead the second category, and steadily promote the third category.

The first category refers to the product group represented by range hoods. The second category refers to the electrified cooking product group represented by steam oven-oven. The third category refers to the water kitchen appliance product group represented by dishwashers.

III. Core work: take products and users as the core, create a competitive advantage of the enterprise, and continue to create a more “convenient, healthy and interesting” kitchen life for users.

The core of products focus on the leading product technology; users refer to the consumers who purchase and use kitchen products. At present, the kitchen appliance industry has gradually entered the era of stock game. With the acceleration of industry integration, products and user experience will become more and more important. Through technological innovation, expand the competitive advantages of products, increase the market share driven by products, pay attention to the user's cooking process and cooking environment, take improving the user's cooking experience as the starting point, make the products and user experience the Company's competitive advantage, and continue to create a more “convenient, healthy and interesting” kitchen life for users.

2. Mission, vision and values of the Company

Mission: To render happiness of kitchen life for more families.

Vision: To be a world-class century-old leader of cooking innovation.

Values: Hard-working wise entrepreneurship.

3. In 2023, the Company's working policy will be “building dreams and traveling far, innovating and reforming for success”, continuously keep the competitive advantage of traditional categories, vigorously develop new categories such as dishwashers, steam oven-ovens, and integrated stoves, and drive the growth of business scale. It will target digital kitchen appliances to enhance innovation capabilities, create core competitiveness of technological innovation, and open a new era of digital kitchen appliances.

Section 4 Corporate Governance

I. Basic State of Corporate Governance

In the reporting period, the Company constantly improved the corporate governance structure, established and improved internal management and control systems, and continued to carry out in-depth corporate governance activities in strict accordance with the *Company law*, the *Securities Law*, the *Governance Guidelines for Listed Companies*, the *Rules for Stock Listing of Shenzhen Stock Exchange* and relevant laws and regulations of China Securities Regulatory Commission to further regulate the Company operation and improve the corporate government level. By the end of the reporting period, the actual situation of corporate governance conformed to the normative documents on listed corporate governance issued by China Securities Regulatory Commission.

During the reporting period, the Company operated in strict accordance with national laws and regulations, *Rules for Stock Listing* of Shenzhen Stock Exchange and *Guidelines on the Standardized Operation of Listed Companies on the Main Board*, and performed its obligations of information disclosure in a timely, complete, true, accurate and fair manner. The Company has not received the relevant documents of administrative supervision measures taken by the regulatory authorities.

(1) Shareholders and shareholders' meeting

In strict accordance with the *Rules of the Shareholders' Meeting of Listed Companies* and the *Rules of Procedure of the Shareholders' Meeting*, the Company shall convene the shareholders' meeting to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

(2) Company and controlling shareholders

The Company has independent business and operational independence and is independent from the controlling shareholders in business, personnel, assets, institutions and finance. The Company's board of directors, the board of supervisors and internal organize operate independently. The controlling shareholders of the Company can strictly regulate their own behaviors, without directly or indirectly intervening in the Company's decision-making and business activities beyond the shareholders' meeting.

(3) Directors and board of directors

The Company elects its directors in strict accordance with the recruiting procedures stipulated in the "Articles of Association"; all the directors of the Company can carry out their work in accordance with the "Rules of Procedure of the Board of Directors" and "Guidelines on the Behaviors of Directors of Listed Companies", attend the board of directors and shareholders' meetings earnestly, actively participate in the training of relevant knowledge, and be familiar with relevant laws and regulations.

(4) Supervisors and Board of Supervisors

The Company shall elect supervisors in strict accordance with the relevant provisions of the *Company Law* and the *Articles of Association*, and the number and composition of the board of supervisors shall meet the requirements of laws and regulations. In accordance with the requirements of the *Rules of Procedure of the Board of Supervisors*, the Company's supervisors can earnestly perform their duties, effectively supervise the Company's major issues, related party transactions, financial condition, and the performance of directors and managers, and express independent opinions.

(5) Performance Evaluation and Incentive and Restraint Mechanisms

The Company is gradually establishing a fair and transparent performance evaluation standard and incentive and restraint mechanism for directors, supervisors and managers. The appointment of the Company's managers is open and transparent and conforms to the provisions of laws and regulations.

(6) Information Disclosure and Transparency

The Company carries out information disclosure and investor relations management under the board secretary responsibility system; the Company performs the information disclosure procedure in strict accordance with the *Measures for the Administration of Information Disclosure* and discloses the information on the designated information disclosure media such as *Securities Times*, *China Securities Journal*, *Securities Daily*, *Shanghai Securities News* and cninfo in a true, accurate, complete and timely manner according to law; meanwhile, according to the requirements of the *Measures for the Investor Relations Management*, the Company standardizes investor reception procedures, receives visits and inquiries from shareholders, and ensures that all shareholders have equal access to the Company information.

(7) Stakeholder

The Company fully respects and safeguards the legitimate rights and interests of relevant stakeholders, realizes the coordination and balance of interests of the society, shareholders, the Company and employees, and jointly promotes the sustainable and steady development of the Company.

(8) Internal Audit System

The Company has established an internal audit system and set up an internal audit department. The board of directors has appointed the person in charge of internal audit to effectively control the Company's daily operation and management, internal control system and major issues of the Company. There is no significant difference between the actual situation of corporate governance and the normative documents on listed corporate governance issued by China Securities Regulatory Commission.

II. Independence of the Company Relative to the Controlling Shareholders and Actual Controllers in Ensuring the Company's Assets, Personnel, Finance, Organization, Business, etc.

The Company operates in strict accordance with the *Company Law* and *Articles of Association*, establishes and improves the corporate governance structure, is completely separated from the controlling shareholders in terms of business, personnel, assets, institutions and finance, and has independent and complete business and independent operation capability.

III. Horizontal competition

Applicable Not applicable

IV. Information about the annual general meeting of shareholders and extraordinary general meeting of shareholders held during the reporting period

1. General meeting of shareholders during the reporting period

| Meeting session | Meeting type | Investor participation proportion | Convening date | Date of disclosure | Meeting resolution |
|--|---|-----------------------------------|--------------------|--------------------|--|
| First Extraordinary General Meeting of Shareholders in 2022 | Extraordinary general meeting of shareholders | 62.89% | April 21, 2022 | April 22, 2022 | <i>Announcement of Resolutions of 2022 First Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-027) |
| Annual general meeting of shareholders in 2021 | Annual general meeting of shareholders | 63.52% | June 6, 2022 | June 7, 2022 | <i>Announcement of Resolutions of 2021 Annual General Meeting of Shareholders</i> (Announcement No.: 2022-038) |
| Second Extraordinary General Meeting of Shareholders in 2022 | Extraordinary general meeting of shareholders | 64.42% | September 13, 2022 | September 14, 2022 | <i>Announcement of Resolutions of 2022 Second Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-046) |

2. The preferred shareholders with voting rights restored request an extraordinary general meeting of shareholders

Applicable Not applicable

V. Directors, Supervisors and Senior Management

1. Basic information

During the reporting period, whether there was any resignation of directors and supervisors and dismissal of senior management during their term of office

Yes No

| Name | Position | Status of service | Gender | Age | Start date of tenure | End date of tenure | Number of shares held at the beginning of the period (shares) | Number of shares held at the end of the period (shares) |
|-------------|----------|-------------------|--------|-----|----------------------|--------------------|---|---|
| Ren Jianhua | Chairman | Incumbent | Male | 66 | August 18, 2020 | August 17, 2023 | 5,923,150 | 5,923,150 |
| Ren Fujia | Deputy | Incumbent | Male | 39 | August 18, 2020 | August 17, 2023 | 2,100,075 | 2,100,075 |

| | chairman, general manager | | | | | | | |
|----------------|--|-------------------|--------|----|-----------------------|-----------------------|------------|------------|
| Zhao Jihong | Director | Incumbent | Male | 60 | August 18, 2020 | August 17, 2023 | 1,267,565 | 1,267,565 |
| Ren Luozhong | Director | Incumbent | Male | 60 | August 18, 2020 | August 17, 2023 | 1,267,562 | 1,267,562 |
| Wang Gang | Director, secretary to the board of directors | Incumbent | Male | 47 | August 18, 2020 | August 17, 2023 | 576,750 | 576,750 |
| Shen Guoliang | Director | Incumbent | Male | 57 | August 18, 2020 | August 17, 2023 | 1,143,264 | 1,143,264 |
| Ma Guoxin | Independent director | Leaving office | Male | 69 | August 18, 2020 | September 13, 2022 | 0 | 0 |
| He Yuanfu | Independent director | Incumbent | Male | 67 | August 18, 2020 | August 17, 2023 | 0 | 0 |
| Chen Yuanzhi | Independent director | Incumbent | Male | 45 | August 18, 2020 | August 17, 2023 | 0 | 0 |
| Yu Lieming | Independent director | Incumbent | Male | 45 | September 13, 2022 | August 17, 2023 | 0 | 0 |
| Zhang Linyong | Chairman of the board of supervisors | Incumbent | Male | 57 | August 18, 2020 | August 17, 2023 | 834,315 | 834,315 |
| Tang Genquan | Employee supervisor | Incumbent | Male | 62 | August 18, 2020 | August 17, 2023 | 834,312 | 834,312 |
| Zhang Songnian | Supervisor | Incumbent | Male | 56 | August 18, 2020 | August 17, 2023 | 834,312 | 834,312 |
| Zhang Huifen | Employee supervisor | Incumbent | Female | 44 | August 18, 2020 | August 17, 2023 | 0 | 0 |
| Shen Yueming | Supervisor | Incumbent | Male | 63 | August 18, 2020 | August 17, 2023 | 53,875 | 53,875 |
| Xia Zhiming | Deputy general manager | Incumbent | Male | 47 | August 18, 2020 | August 17, 2023 | 411,950 | 411,950 |
| He Yadong | Deputy general manager | Incumbent | Male | 48 | August 18, 2020 | August 17, 2023 | 411,950 | 411,950 |
| Zhou Haixin | Deputy general manager | Incumbent | Male | 47 | May 10, 2022 | August 17, 2023 | 0 | 0 |
| Zhang Guofu | Chief financial officer | Incumbent | Male | 53 | August 18, 2020 | August 17, 2023 | 411,950 | 411,950 |
| Total | -- | -- | -- | -- | -- | -- | 16,071,030 | 16,071,030 |

Change of directors, supervisors and senior management

Applicable Not applicable

| Name | Position held | Type | Date | Cause |
|-------------|------------------------|---|--------------------|---|
| Zhou Haixin | Deputy general manager | Elected | May 10, 2022 | Elected |
| Yu Lieming | Independent director | Elected | September 13, 2022 | Elected |
| Ma Guoxin | Independent director | Leave office upon expiration of tenure | September 13, 2022 | Leave office upon expiration of tenure |

2. Service status

1). Resume of current directors

Professional background, main work experience and main responsibilities currently in the Company of current directors,

supervisors and senior management of the Company

Mr. Ren Jianhua, Han nationality, born in August 1956, Chinese, without permanent residency abroad; junior high school education, member of Communist Party of China, economist. He began to work in 1978 and successively served as the supply and marketing section chief and factory director of Yuhang Hongxing Hardware Factory, the chairman, general manager and Secretary of the Party branch of Hangzhou ROBAM Industrial Group Co., Ltd., and the chairman and general manager of Hangzhou ROBAM Home Appliances & Kitchen Sanitary Co., Ltd. He has won the titles of national model worker and outstanding member of Communist Party of Zhejiang Province, and was elected as the deputy to the 8th and 10th National People's Congress of Zhejiang Province, deputy to the 11th National People's Congress of Hangzhou City, the Party representative, deputy to the 12th and 13th National People's Congress of Hangzhou City, and the 12th Fengyun Zhejiang Merchants. At present, he is the chairman of Hangzhou ROBAM Appliances Co., Ltd., ROBAM Industrial Group Co., Ltd., Hangzhou Nbond Nonwoven Co., Ltd., Hangzhou Guoguang Touring Commodity Co., Ltd., Hangzhou Amblem Kitchenware Co., Ltd., the executive director and general manager of Hangzhou Mingqi Electric Co., Ltd., the executive director and general manager of Hangzhou ROBAM Fuchuang Investment Management Co., Ltd., the deputy chairman of Garden Hotel Hangzhou, the executive director of Zhejiang Hangzhou Yuhang Rural Commercial Bank Company Limited, Hangzhou Dongming Forest Park Co., Ltd., Hangzhou Bonyee Daily Necessity Technology Co., Ltd., the executive director and general manager of Hangzhou Jinchuang Investment Co., Ltd., the executive partner of Hangzhou Jinnuochang Investment Management Partnership (Limited Partnership).

Mr. Ren Fujia, Han nationality, born in January 1983, Chinese, without permanent residency abroad; bachelor degree. He used to be the product manager of marketing department and the deputy general manager of R&D center of Hangzhou ROBAM Industrial Group Co., Ltd., the deputy general manager of Hangzhou ROBAM Home Appliances & Kitchen Sanitary Co., Ltd.; now he is the director of Hangzhou Nbond Nonwoven Co., Ltd., the deputy chairman and general manager of Hangzhou ROBAM Appliances Co., Ltd., the director of Hangzhou Amblem Kitchenware Co., Ltd., and the deputy chairman of De Dietrich Trade (Shanghai) Co., Ltd.

Mr. Zhaojihong, Han nationality, born in December 1962, Chinese, without permanent residency abroad; master degree, senior economist. He successively served as the chairman and general manager of Hubei Huangshi Jinye Group Co., Ltd, the deputy general manager and general manager of the marketing center of ROBAM Group, the deputy general manager and general manager of the marketing center of ROBAM Home Appliances, and the deputy general manager of the Company. He has successively won the titles of national outstanding entrepreneur, outstanding Hangzhou merchant in the World, "Top 10 influential figures in China's kitchen and bathroom industry", "Top 10 personalities in China's home appliance industry", and twice won the Mondale · world economic man achievement award and was selected into the dictionary of Chinese experts and celebrities. At present, he is the director of uTransHub Technologies Co., Ltd., the director and general manager of Hangzhou ROBAM Appliances Co., Ltd., the director of Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd., and the chairman of Zhejiang Cooking Future Technology Co., Ltd.

Mr. Ren Luozhong, Han nationality, born in August 1962, Chinese, without permanent residency abroad; EMBA, assistant economist. He began to work in 1982 and successively served as the operation director of Yuhang Hongxing Hardware Factory, the deputy general manager, general manager of the marketing center, general manager of the technology center and director of the first production department of ROBAM Group, the director and deputy general manager of ROBAM Home Appliances, and the deputy general manager of the Company. At present, he is the deputy chairman of Hangzhou ROBAM Industrial Group Co., Ltd., the director of Hangzhou Amblem Kitchenware Co., Ltd., the president of Hangzhou Yuhang District ROBAM Charity Foundation.

Mr. Wang Gang, Han nationality, born in October 1975, Chinese, without permanent residency abroad; master degree, EMBA of China Europe International Business School, member of Communist Party of China, certified public accountant, senior economist. He began to work in 1997 and successively served as an inspector of Haining Local Taxation Bureau of Zhejiang Province, the R&D director of Shanghai Realize Investment Consulting Co., Ltd., the secretary of the board of directors, director of human resources, general manager assistant of Shanghai Hailong Software Co., Ltd, and the secretary of the board of directors of Hangzhou ROBAM Home Appliances & Kitchen Sanitary Co., Ltd. At present, he is the secretary of the board of directors of the Company, the director of Hangzhou Nbond Nonwoven Co., Ltd., the director of Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd., the director of De Dietrich Trade (Shanghai) Co., Ltd., the supervisor of Hangzhou ROBAM Fuchuang Investment Management Co., Ltd., the director of Hangzhou Guoguang Touring Commodity Co., Ltd., the director of Hangzhou Fortune Gas Cryogenic Group Co., Ltd., the director of Versolsolar Hangzhou Co., Ltd., the director of Hangzhou Wheeler General Machinery Co., Ltd., the independent director of Hangzhou Great Star Industrial Co., Ltd., the independent director of Hangzhou Xiaodian Technology Co., Ltd., and the supervisor of Shanghai MXCHIP Information Technology Co., Ltd., the legal representative and secretary general of association of listed companies of Linping District, Hangzhou City.

Mr. Shen Guoliang, Han nationality, born in November 1965, Chinese, without permanent residency abroad; high school education. He began to work in 1982 and successively served as the chief of the transportation section, chief financial officer and the deputy general manager of the marketing center of Yuhang Hongxing Hardware Factory, the director of ROBAM Home Appliances, and the chairman of the board of supervisors of the Company. At present, he is the director of Hangzhou ROBAM Industrial Group Co., Ltd., the deputy chairman of Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd., the director of Zhejiang Cooking Future Technology Co., Ltd., the supervisor of Hangzhou Amblem Kitchenware Co., Ltd., and the supervisor of Beijing ROBAM Electric Appliance Sales Co., Ltd.

Mr. He Yuanfu, Han nationality, born in March 1955, bachelor degree, Chinese, without permanent residency abroad; professor-level senior accountant, certified public accountant, retired in January 2012. At present, he is the independent director of Sichuan

Langsha Holding Co., Ltd., the independent director of Zhejiang Ruirentang Pharmaceutical Chain Co., Ltd., the independent director of CertusNet Information Co., Ltd., and the independent director of Chint Anneng Digital Power (Zhejiang) Co., Ltd. He used to be the chief member of the accounting management office of Zhejiang Provincial Department of Finance, the Secretary General of Zhejiang Institute of Certified Public Accountants, the director of Zhejiang Financial Cadre Education Center, and the vice president of Zhejiang Zhonghua Accounting Correspondence School.

Mr. Chen Yuanzhi, Han nationality, born in November 1977, Chinese, member of Communist Party of China, doctor degree in management, is now the independent director of the Company, a professor of China Executive Leadership Academy Pudong, an adjunct professor of East China Normal University, an adjunct researcher in the Research Center of Technological Innovation, Tsinghua University, the executive director of China Soft Science Research Society, a managing director of the Chinese Institute of Business Administration, and an expert of Shanghai Science and Technology Expert Database.

Mr. Yu Lieming, Han nationality, born in December 1977, Chinese, without permanent residency abroad; master degree. He began to work in 1994 and served as the deputy director of the Administration Committee of Yuhang Economic and Technological Development Zone of Hangzhou, the vice president of Chunfeng Holdings Group Co., Ltd., and chairman of the board of supervisors of Zhejiang CFMOTO Power Co., Ltd. At present, he is the executive vice president and secretary of the board of directors of Hamaton Automotive Technology Co., Ltd.

2). Resume of current supervisors

Mr. Zhang Linyong, Han nationality, born in August 1965, Chinese, without permanent residency abroad; high school education, member of Communist Party of China, assistant economist. He began to work in 1984 and successively served as the office director of Yuhang Hongxing Hardware Factory, the general manager, director of the engineering department of Hangzhou Huafa Electric Appliance Co., Ltd., and the director of ROBAM Home Appliances. At present, he is the chairman of the board of supervisors of the Company, the director of Hangzhou ROBAM Industrial Group Co., Ltd.

Mr. Tang Genquan, Han nationality, born in October 1960, Chinese, without permanent residency abroad; college degree, engineer. He began to work in 1979 and successively served as the mould workshop director and technical director of Yuhang Hongxing Hardware Factory, the deputy general manager of technology, general manager of production quality and director of the third production department of ROBAM Group, the director of ROBAM Home Appliances. In 1993-1994 and 2005-2006, he was awarded as the outstanding scientific and technological worker of Hangzhou. In 2004, he was selected into the "new century talent project 139 youth talent cultivation candidate list", applied for 1 national invention patent, 7 utility model patents and 10 design patents. He has been employed as a member of China daily hardware industry expert committee since 1996 and the deputy secretary general of fifth China daily hardware industry expert committee since 2006. At present, he is the employee representative supervisor of the Company, the director of Hangzhou ROBAM Industrial Group Co., Ltd., the supervisor of Hangzhou ROBAM Gas Station Co., Ltd., and the secretary general of Hangzhou Yuhang District ROBAM Charity Foundation.

Mr. Zhang Songnian, Han nationality, born in September 1966, Chinese, without permanent residency abroad; high school education. He began to work in 1983 and successively served as the production section chief of Yuhang Hongxing Hardware Factory, the deputy general manager of Hangzhou Huafa Electric Appliance Co., Ltd., the deputy director of production department, director of the second production department and general manager of product R&D center of ROBAM Group, and the supervisor of ROBAM Home Appliances. At present, he is the supervisor of the Company, the director of Hangzhou ROBAM Industrial Group Co., Ltd.

Ms. Zhang Huifen, Han nationality, born in October 1977, Chinese, without permanent residency abroad; college degree, junior economist, junior accountant. She began to work in 1997 and successively served as the employee of Hangzhou Gaobo Electronic Co., Ltd., the employee of punching machine third workshop, member of audit department of marketing center and office clerk of financial center of ROBAM Group. At present, he is the employee representative supervisor of the Company.

Mr. Shen Yueming, Han nationality, born in November 1959, Chinese, without permanent residency abroad; high school education. He began to work in 1978 and successively served as the factory director of Tingzhi Food Factory of Yuhang Supply and Marketing Cooperative, the production section director of Hangzhou Huafa Electric Appliance Co., Ltd., and the general manager of Beijing ROBAM Electric Appliance Sales Co., Ltd. At present, he is the supervisor of the Company.

3). Resume of current senior management

Mr. Ren Fujia is the general manager of the Company. Please refer to the resume of the directors of the Company for the introduction.

Mr. Xiazhiming, Han nationality, born in May 1975, Chinese, without permanent residency abroad; college degree. He began to work in 1996 and successively served as the production section chief of Qiaori Electric Products Factory, the manufacturing director of Foxconn Technology Co., Ltd. and the production director of the Company's production center. At present, he is the deputy general manager of the Company.

Mr. He Yadong, Han nationality, born in August 1974, Chinese, without permanent residency abroad; bachelor degree, senior economist. He began to work in 2000 and successively served as the marketing section chief, director of marketing department and deputy general manager of marketing center of ROBAM Group, the assistant to general manager of ROBAM Home Appliances, and director of the Company. At present, he is the deputy general manager of the Company.

Mr. Zhou Haixin, Han nationality, born in February 1975, Chinese, without permanent residency abroad; doctor degree, senior engineer. He began to work in 2001 and successively served as the researcher of Agilent Technologies Software Co. Ltd., the project manager of Sony Ericsson Mobile Communication Products Co., Ltd., the project director of Qingdao Haier Telecom Co., Ltd., the R&D director of Guangbao Mobile Electronic and Telecommunication Components Co., Ltd., and the senior R&D director of the Company. At present, he is the deputy general manager of the Company.

Mr. Zhang Guofu, Han nationality, born in December 1969, Chinese, without permanent residency abroad; bachelor degree. He began to work in 1990 and successively served as the capital section chief, director of financial center of Hangzhou ROBAM Industrial Group Co., Ltd., and financial chief of Hangzhou ROBAM Home Appliances & Kitchen Sanitary Co., Ltd. At present, he is the chief financial officer of the Company, the supervisor of Hangzhou Mingqi Electric Co., Ltd., the director of Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd., and the director of De Dietrich Trade (Shanghai) Co., Ltd.

Service status in the shareholder unit

Applicable Not applicable

| Name of staff | Shareholder unit name | Position held in shareholder unit | Whether to receive remuneration or allowance in the shareholder unit |
|----------------|---|-----------------------------------|--|
| Ren Jianhua | Hangzhou ROBAM Industrial Group Co., Ltd. | Chairman | No |
| Ren Jianhua | Hangzhou Jinchuang Investment Co., Ltd. | Executive director | No |
| Ren Luozhong | Hangzhou ROBAM Industrial Group Co., Ltd. | Deputy chairman | No |
| Zhao Jihong | Hangzhou ROBAM Industrial Group Co., Ltd. | Director, general manager | No |
| Shen Guoliang | Hangzhou ROBAM Industrial Group Co., Ltd. | Director | No |
| Zhang Linyong | Hangzhou ROBAM Industrial Group Co., Ltd. | Director | No |
| Tang Genquan | Hangzhou ROBAM Industrial Group Co., Ltd. | Director | No |
| Zhang Songnian | Hangzhou ROBAM Industrial Group Co., Ltd. | Director | No |

Description of service status in the shareholder unit: none

Service status in other unit

Applicable Not applicable

| Name of staff | Other unit name | Position held in other unit |
|---------------|--|--|
| Ren Jianhua | Hangzhou Amblem Kitchenware Co., Ltd. | Chairman |
| | Garden Hotel Hangzhou | Deputy chairman |
| | Hangzhou Dongming Forest Park Co., Ltd. | Director |
| | Hangzhou Nbond Nonwoven Co., Ltd. | Chairman |
| | Zhejiang Hangzhou Yuhang Rural Commercial Bank Company Limited | Director |
| | Hangzhou ROBAM Gas Station Co., Ltd. | Chairman |
| | Hangzhou Jinnuochang Investment Management Partnership (Limited Partnership) | Executive partner |
| | Hangzhou Bonyee Daily Necessity Technology Co., Ltd. | Executive director |
| | Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. | Executive director and general manager |
| | Hangzhou Mingqi Electric Co., Ltd. | Executive director and general manager |
| Ren Fujia | De Dietrich Trade (Shanghai) Co., Ltd. | Deputy chairman |
| | Hangzhou Amblem Kitchenware Co., Ltd. | Director |
| | Hangzhou Nbond Nonwoven Co., Ltd. | Director |
| Zhao Jihong | Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Chairman |
| | uTransHub Technologies Co., Ltd. | Director |
| | Zhejiang Cooking Future Technology Co., Ltd. | Chairman |
| Ren Luozhong | Hangzhou Amblem Kitchenware Co., Ltd. | Director |
| Shen Guoliang | Hangzhou Amblem Kitchenware Co., Ltd. | Supervisor |
| | Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Deputy chairman |
| | Beijing ROBAM Electric Appliance Sales Co., Ltd. | Supervisor |

| | | |
|--------------|--|-------------------------------------|
| | Zhejiang Cooking Future Technology Co., Ltd. | Director |
| He Yuanfu | Sichuan Langsha Holding Ltd. | Independent director |
| | Zhejiang Ruirentang Pharmaceutical Chain Co., Ltd. | Independent director |
| | CertusNet Information Co., Ltd. | Independent director |
| | Chint Anneng Digital Power (Zhejiang) Co., Ltd. | Independent director |
| Chen Yuanzhi | China Executive Leadership Academy Pudong | Professor |
| | Hangzhou Gosing Rubber&Plastic Materials Co., Ltd. | Independent director |
| | Research Center of Technological Innovation, Tsinghua University | Researcher |
| Yu Lieming | Hamaton Automotive Technology Co., Ltd. | Secretary to the board of directors |
| Wang Gang | Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. | Supervisor |
| | Shanghai MXCHIP Information Technology Co., Ltd. | Supervisor |
| | Hangzhou Fortune Gas Cryogenic Group Co., Ltd. | Director |
| | Versolsolar Hangzhou Co., Ltd. | Director |
| | Hangzhou Nbond Nonwoven Co., Ltd. | Director |
| | De Dietrich Trade (Shanghai) Co., Ltd. | Director |
| | Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Director |
| | Hangzhou Wheeler General Machinery Co., Ltd. | Director |
| | Hangzhou Guoguang Touring Commodity Co., Ltd. | Director |
| | Hangzhou Xiaodian Technology Co., Ltd. | Independent director |
| | Hangzhou Great Star Industrial Co., Ltd. | Independent director |
| Zhang Guofu | De Dietrich Trade (Shanghai) Co., Ltd. | Director |
| | Hangzhou Mingqi Electric Co., Ltd. | Supervisor |
| | Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Director |
| Tang Genquan | Hangzhou ROBAM Gas Station Co., Ltd. | Supervisor |

Punishment of current directors, supervisors and senior management of the Company and those who left during the reporting period by securities regulators in recent three years

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

Decision making procedures, determination basis and actual payment of remuneration of directors, supervisors and senior management

The Company has established a sound performance appraisal system and salary system for senior management, whose work performance is directly linked to their income. The remuneration and appraisal committee of the board of directors is responsible for the year-end assessment of the working ability, performance of duties, completion of responsibility objectives, etc. of the senior management, and preparing the remuneration plan and submitting it to the board of directors of the Company for approval. The remuneration of directors, supervisors and senior management shall be paid on time.

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

Unit: 10,000 yuan

| Name | Position | Gender | Age | Status of service | Total pretax remuneration received from the Company | Whether to get remuneration from related parties of the Company |
|--------------|---|--------|-----|-------------------|---|---|
| Ren Jianhua | Chairman | Male | 66 | Incumbent | 86.91 | No |
| Ren Fujia | Deputy chairman, general manager | Male | 39 | Incumbent | 121.02 | No |
| Ren Luozhong | Director | Male | 60 | Incumbent | 81.31 | No |
| Zhao Jihong | Director | Male | 60 | Incumbent | 84.11 | No |
| Wang Gang | Director, secretary to the board of directors | Male | 47 | Incumbent | 98.43 | No |

| | | | | | | | |
|----------------|--------------------------------------|--|--------|----|----------------|----------|----|
| Shen Guoliang | Director | | Male | 57 | Incumbent | 72.39 | No |
| Ma Guoxin | Independent director | | Male | 69 | Leaving office | 6.69 | No |
| He Yuanfu | Independent director | | Male | 67 | Incumbent | 9.52 | No |
| Chen Yuanzhi | Independent director | | Male | 45 | Incumbent | 9.52 | No |
| Yu Lieming | Independent director | | Male | 45 | Incumbent | 2.86 | No |
| Zhang Linyong | Chairman of the board of supervisors | | Male | 57 | Incumbent | 66.52 | No |
| Tang Genquan | Supervisor | | Male | 62 | Incumbent | 82.99 | No |
| Zhang Songnian | Supervisor | | Male | 56 | Incumbent | 66.52 | No |
| Zhang Huifen | Supervisor | | Female | 44 | Incumbent | 13.72 | No |
| Shen Yueming | Supervisor | | Male | 63 | Incumbent | 28.21 | No |
| He Yadong | Deputy general manager | | Male | 48 | Incumbent | 114.89 | No |
| Xia Zhiming | Deputy general manager | | Male | 47 | Incumbent | 113.32 | No |
| Zhou Haixin | Deputy general manager | | Male | 47 | Incumbent | 262.66 | No |
| Zhang Guofu | Chief financial officer | | Male | 53 | Incumbent | 102.63 | No |
| Total | -- | | -- | -- | -- | 1,424.22 | -- |

VI. Performance of duties by directors during the reporting period

1. Board of Directors during this reporting period

| Meeting session | Convening date | Date of disclosure | Meeting resolution |
|--|------------------|--------------------|---|
| The 9th Meeting of the Fifth Board of Directors | March 31, 2022 | April 1, 2022 | <i>Announcement of the Resolution of ROBAM's 9th Meeting of the Fifth Board of Directors</i> |
| The 10th Meeting of the Fifth Board of Directors | April 19, 2022 | April 20, 2022 | <i>Announcement of the Resolution of ROBAM's 10th Meeting of the Fifth Board of Directors</i> |
| The 11th Meeting of the Fifth Board of Directors | May 10, 2022 | May 11, 2022 | <i>Announcement of the Resolution of ROBAM's 11th Meeting of the Fifth Board of Directors</i> |
| The 12th Meeting of the Fifth Board of Directors | August 25, 2022 | August 26, 2022 | <i>Announcement of the Resolution of ROBAM's 12th Meeting of the Fifth Board of Directors</i> |
| The 13th Meeting of the Fifth Board of Directors | October 24, 2022 | October 25, 2022 | <i>Announcement of the Resolution of ROBAM's 13th Meeting of the Fifth Board of Directors</i> |

2. Attendance of directors at the board meetings and the general meeting of shareholders

| Attendance of directors at the board meetings and the general meeting of shareholders | | | | | | | |
|---|--|---|---|--|---------------------------------|--|---|
| Name of director | Number of board meetings to be attended during this reporting period | Number of board meetings attended on site | Number of board meetings attended by correspondence | Number of board meetings delegated to attend | Number of board meetings absent | Whether not to personally attend the board meeting for two consecutive times | Number of shareholders' meetings attended |
| Ren Jianhua | 5 | 4 | 1 | 0 | 0 | No | 3 |

| | | | | | | | |
|---------------|---|---|---|---|---|----|---|
| Ren Fujia | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Zhao Jihong | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Ren Luozhong | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Wang Gang | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Shen Guoliang | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Ma Guoxin | 4 | 3 | 1 | 0 | 0 | No | 3 |
| He Yuanfu | 5 | 4 | 1 | 0 | 0 | No | 3 |
| Chen Yuanzhi | 5 | 2 | 3 | 0 | 0 | No | 3 |
| Yu Lieming | 1 | 1 | 0 | 0 | 0 | No | 0 |

3. Objections made by directors on relevant matters

Whether the director raises any objection to the relevant matters of the Company

Yes No

During the reporting period, the directors did not raise any objection to the relevant matters of the Company.

4. Other description on the performance of duties by the directors

Whether relevant suggestions of the director to the Company have been adopted: Not applicable

Description on adoption or non-adoption of relevant suggestions of the director to the Company: none

VII. Special committees under the board of directors during the reporting period

| Name of committee | Member | Number of meetings held | Convening date | Meeting content |
|---------------------------------------|--|-------------------------|------------------|---|
| Audit committee | He Yuanfu, Chen Yuanzhi, Ren Luozhong | 1 | January 15, 2022 | 1. Review the <i>2021 Audit Work Plan of the Company</i> |
| Audit committee | He Yuanfu, Chen Yuanzhi, Ren Luozhong | 1 | April 18, 2022 | 1. Review the <i>2021 Audit Report of the Company</i> ; 2. Review the <i>2021 Internal Control Evaluation Report</i> ; 3. Review the <i>Proposal on Renewing the Appointment of the Company's Audit Institution for 2022</i> ; 4. Review the <i>Full Text of First Quarter Report of the Company in 2022</i> . |
| Audit committee | He Yuanfu, Chen Yuanzhi, Ren Luozhong | 1 | August 25, 2022 | 1. Review the <i>Semiannual Report of the Company in 2022</i> |
| Audit committee | He Yuanfu, Chen Yuanzhi, Ren Luozhong | 1 | October 24, 2022 | 1. Review the <i>Third Quarter Report of the Company in 2022</i> |
| Nomination committee | He Yuanfu, Chen Yuanzhi, Ren Jianhua | 1 | May 4, 2022 | 1. Review the <i>Proposal on Nominating the Senior Management of the Company</i> |
| Nomination committee | He Yuanfu, Chen Yuanzhi, Ren Jianhua | 1 | August 25, 2022 | 1. Review the <i>Proposal on Nominating the Independent Directors of the Company</i> |
| Remuneration and assessment committee | Ma Guoxin, Chen Yuanzhi, Ren Fujia | 1 | January 20, 2022 | 1. Review the <i>Proposal on 2021 Annual Performance Appraisal of Senior Management</i> |
| Remuneration and assessment committee | Ma Guoxin, Chen Yuanzhi, Ren Fujia | 1 | March 31, 2022 | 1. Review <i>The Company's 2022 Stock Option Incentive Plan (draft) and its Abstract</i> ; 2. Review the <i>Implementation, Assessment and Management Measures for the Company's 2022 Stock Option Incentive Plan</i> ; |
| Strategic committee | Ren Jianhua, Ren Fujia, Ma Guoxin, Wang Gang | 1 | January 13, 2022 | 1. Review the <i>Proposal on 2021 Annual Strategic Review</i> |

VIII. Work of board of supervisors

Whether the board of supervisors find any risk of the Company in the supervision activities during the reporting period

Yes No

The board of supervisors has no objection to the supervisory matters during the reporting period.

IX. Company Employees

1. Number of employees, professional composition and education background

| | |
|---|----------------------------------|
| Number of employees in the parent company at the end of the reporting period (person) | 3,322 |
| Number of employees in major subsidiaries at the end of the reporting period (person) | 1,773 |
| Total number of employees at the end of the reporting period (person) | 5,095 |
| Total number of employees receiving salary in the current period (person) | 5,102 |
| Number of retired employees whose expenses need to be borne by the parent company and major subsidiaries (person) | 91 |
| Professional composition | |
| Professional composition categories | Number of professionals (person) |
| Production personnel | 1,937 |
| Sales personnel | 1,467 |
| Technical personnel | 929 |
| Financial personnel | 176 |
| Administrative personnel | 586 |
| Total | 5,095 |
| Education background | |
| Education background categories | Number (person) |
| Doctor | 8 |
| Master | 200 |
| Bachelor | 1,499 |
| College | 1,028 |
| Other | 2,360 |
| Total | 5,095 |

2. Pay policy

The Company has formulated “Salary Management Standards” and “Performance Management Standards”, and established a salary management system based on the post value and centered on the competency and performance evaluation of employees, according to the salary status of the regional market and industry.

3. Training plan

In 2022, the Company carried out various trainings, including Lemon, Blue Whale, Sunflower, Ivy League and other projects as well as the Elite Plan; As the Company's own mobile learning online platform, Chestnut School played an important role in the achievement transformation of the development course of internal trainer, and the Company's employees' participation in learning has been greatly improved.

4. Labor outsourcing

Applicable Not applicable

| | |
|--|----------------|
| Total hours of labor outsourcing (hours) | 3,221,420 |
| Total remuneration paid for labor outsourcing (yuan) | 137,767,526.04 |

X. Profit distribution and share capital increase from capital surplus

Profit distribution policy during the reporting period, especially the formulation, implementation or adjustment of cash dividend policy

Applicable Not applicable

| | |
|---|-----|
| Description for cash dividend policy | |
| Does it meet the requirements of the Company's articles of association and of the | Yes |

| | |
|--|-----|
| resolutions of shareholders' meeting? | |
| Is the dividend distribution standard and proportion specific and clear? | Yes |
| Are relevant decision-making procedures and mechanisms complete? | Yes |
| Have the independent directors performed their duties and fulfilled their due roles? | Yes |
| Do the minor shareholders have the chance to fully express their opinions and demands, and are their legal rights and interests fully protected? | Yes |
| Are the conditions and procedures normative and transparent in case of adjustments or changes of the cash dividend policy? | Yes |

The Company made profits during the reporting period and the profits available for distribution to shareholders of the parent company were positive, but no proposal for the distribution of cash dividend was put forward

Applicable Not applicable

Profit distribution and share capital increase from capital surplus during the reporting period

Applicable Not applicable

| | |
|---|------------------|
| Bonus shares per 10 shares (shares) | 0 |
| Dividend per 10 shares (yuan) (including tax) | 5 |
| Equity base of distribution plan (shares) | 944,094,916 |
| Amount of cash dividend (yuan) (including tax) | 472,047,458.00 |
| Amount of cash dividend in other forms (e.g. share repurchase) (yuan) | 0.00 |
| Amount of cash dividend (including other forms) (yuan) | 472,047,458.00 |
| Distributable profit (yuan) | 8,156,489,150.49 |
| Ratio of total amount of cash dividend (including other forms) to total amount of distributable profit | 100% |
| Cash dividend distribution in this period | |
| Should the Company be in a growing stage and have major capital expenditure arrangements, the cash dividend should account for a minimum of 20% of the profit distribution when the profit is distributed. | |
| Description for details of profit distribution or share capital increase from capital surplus plan | |
| According to the standard unqualified audit report issued by ShineWing Certified Public Accountants, the Company's net profit attributable to the parent company owner in 2022 was RMB 1,657,226,772.47 (number of parent company), plus the undistributed profit (parent company) of RMB 6,971,309,836.02 at the beginning of the year, minus the cash dividend of profit distribution of 2021, i.e., RMB 472,047,458.00, the Company's profit available to shareholders at the end of 2022 was RMB 8,156,489,150.49. Taking 944,094,916 shares as the radix (the existing total capital stock of 949,024,050 shares, excluding 4,929,134 shares repurchased), the Company distributed cash dividends of RMB 5 (tax inclusive) for every 10 shares to all shareholders, amounting up to a total of RMB 472,047,458.00. | |
| In case of any change due to the listing of new shares, the exercising of equity incentive, the conversion of convertible bonds into shares, share repurchase, etc. during the period from the disclosure of the distribution plan to the equity registration date when the profit distribution is implemented, the distribution proportion will be adjusted accordingly according to the principle that the total amount of cash dividends will remain unchanged. | |

XI. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable Not applicable

1. Equity incentive

2021 stock option plan:

1. 1. On April 19, 2022, the Company held the 10th meeting of the fifth Board of Directors and the 10th meeting of the fifth Board of Supervisors, deliberated and adopted the *Proposal on the Cancellation of Partial Stock Options in the 2021 Stock Option Incentive Plan* and the *Proposal on Cancellation of the 2021 Stock Option Incentive Plan for Failure to Meet the Exercise Conditions during the First Exercise Period*.

In accordance with relevant laws and regulations and the Company's *Proposal on 2021 Stock Option Incentive Plan (draft)*, 4 incentive objects no longer meet the incentive conditions due to their resignation, thus the Company will cancel 80,000 stock options which have been granted to but not exercised by such incentive objects; Due to the failure to meet the exercise conditions of stock options in 2021 during the first exercise period, the Company will cancel 1,184,000 stock options held by the incentive objects that have been granted in the first exercise period but do not meet the exercise conditions.

2. On April 26, 2022, after verification and confirmation by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the cancellation of the aforementioned 1,264,000 stock options has been completed. The Company has canceled a total of 1,264,000 stock options, accounting for 0.13% of the Company's current total capital stock. The cancellation of stock options conforms to relevant laws and regulations, the *Articles of Association* and the *Incentive Plan (Draft)*. The stock options that have been canceled this time have not yet been exercised, and the cancellation will not have any impact on the Company's capital stock, and the capital stock structure has not changed.

2022 stock option plan:

1. On March 31, 2022, the Company held the 9th meeting of the fifth board of directors, deliberated and adopted the *Proposal on 2022 Stock Option Incentive Plan (draft) of the Company and its Abstract* and other relevant proposals, and the independent directors expressed their independent consent on the matters related to the Company's stock option incentive plan. The 9th meeting of the fifth board of supervisors of the Company deliberated and adopted the above-mentioned relevant proposals and issued the consent. The Company disclosed the above matters on April 1, 2022.

2. From April 1, 2022 to April 10, 2022, the Company publicized the names and positions of the incentive objects of the stock option incentive plan through internal posting. On April 13, 2022, the board of supervisors of the Company issued the *Review Opinions and Announcement of the Board of Supervisors on the List of Incentive Objects of the 2022 Stock Option Incentive Plan*. On the same day, the Company disclosed the "Self-inspection Report on Insiders' and Incentive Objects' Trading of Company Stock with Inside Information of 2022 Restricted Stock Incentive Plan".

3. On April 21, 2022, the Company held the first extraordinary general meeting of shareholders in 2022, deliberated and adopted the *Proposal on 2022 Stock Option Incentive Plan (draft) of the Company and its Abstract* and other relevant proposals. The plan was approved by the first extraordinary general meeting of shareholders in 2022, and the board of directors was authorized to determine the grant date of stock option, grant stock option to incentive objects when they meet the conditions and handle all matters necessary for granting equity.

4. On May 10, 2022, the Company's 11th meeting of the fifth Board of Directors and the 11th meeting of the fifth Board of Supervisors deliberated and adopted the *Proposal on Granting Stock Options to Incentive Objects*. The board of supervisors once again verified the list of incentive objects granted and expressed their consent. The independent directors of the Company expressed their independent consent thereon.

5. On May 26, 2022, the Company completed the registration of the option plan grant. Due to the resigned personnel did not have the qualification of incentive objects, the actual number of incentive objects granted in this stock option incentive plan has been adjusted from 285 to 282, and the total number of equity actually granted has been adjusted from 4,810,000 to 4,780,000, accounting for approximately 0.50% of the Company's current total capital stock.

Equity incentive obtained by directors and senior management of the Company

Applicable Not applicable

Evaluation mechanism and incentive for senior management:

1. On April 14, 2021, the Company held the 4th meeting of the fifth board of directors, deliberated and adopted the *Proposal on Business Partner Shareholding Plan (draft) of the Company and its Abstract* and other relevant proposals, and the independent directors expressed their independent consent on the matters related to the Company's business partner shareholding plan. The 4th meeting of the fifth board of supervisors of the Company deliberated and adopted the above-mentioned relevant proposals and expressed their consent. The Company disclosed the above matters on April 15, 2021.

2. On April 30, 2021, the Company held the first extraordinary general meeting of shareholders in 2021, deliberated and adopted the *Proposal on Business Partner Shareholding Plan (Draft) of the Company and its Abstract* and other relevant proposals. The plan was approved by the first extraordinary general meeting of shareholders in 2021, and the board of directors was authorized to determine and handle all matters related to the plan.

3. On April 20, 2022, the Company disclosed the *Announcement on the Failure to Meet the 2021 Assessment Conditions for the Business Partner Shareholding Plan*. According to relevant provisions of the shareholding plan, in case of a failure of meeting the 2021 assessment conditions for the business partner shareholding plan, the Company will not withdraw the special funds for the shareholding plan this year.

2. Implementation of the employee stock ownership plan

Applicable Not applicable

3. Other employee incentives

Applicable Not applicable

XII. Construction and implementation of internal control system during the reporting period

1. Construction and implementation of internal control

See the 2022 *Internal Control Self-evaluation Report* disclosed by the Company on the designated information disclosure website <http://www.cninfo.com.cn> for details.

2. Details of significant internal control defects discovered during the reporting period

Yes No

XIII. Management and control of subsidiaries during the reporting period

The Company appoints directors or senior management to hold regular business and financial meetings every month according to the Company's development and business objectives specified in the annual budget planning meeting, and timely review and follow up the implementation of the subsidiaries' business plans and the completion of various performance evaluation indicators. According to the requirements of the Company's *Information Disclosure Management System*, each subsidiary shall timely report relevant information on major business/financial matters to the headquarters of the listed company, give timely feedback on the progress or changes of major matters, and perform the approval procedures of the board of directors and the general meeting of shareholders when necessary.

XIV. Internal control self-evaluation report or internal control audit report

1. Internal control self-evaluation report

| | |
|--|--|
| Full disclosure date of internal control self-evaluation report | April 26, 2023 |
| Index of full disclosure of internal control evaluation report | Cninfo: Full text of 2022 internal control self-evaluation report of ROBAM |
| Proportion of the total assets of the unit included in the evaluation scope to the total assets of the consolidated financial statement of the Company | 100.00% |
| Proportion of operating income of the unit included in the evaluation scope to the operating income of the consolidated financial statement of the Company | 100.00% |
| Defect identification standard | |
| Number of major defects in financial reports | 0 |
| Number of major defects in non-financial reports | 0 |
| Number of important defects in financial reports | 0 |
| Number of important defects in non-financial reports | 0 |

1. Defect identification standard for internal control of financial reports

| Defect | Definition | Quantitation standard | Qualitative standard |
|--------------|---|--|--|
| Major defect | A combination of one or more internal control deficiencies existing in the internal control that may result in a failure to timely prevent or detect and correct material misstatement in the financial statements. | The quantitative standard takes the operating income and the total assets as the measurement index. 1) The internal control defects that may cause losses or whose losses are related to the income statement are measured on the basis of operating income: Major defect: misstatement amount > 2% of operating income; 2) The internal control defects that may cause losses or whose losses are related to the assets management are measured on the basis of total assets: Major defect: misstatement amount > 1% of total assets; | Signs of major defects in the financial report include: 1) Corrupt practice of directors, supervisors and senior management; 2) Misstatement correction of material errors in financial reports that have been announced by the Company; 3) Material misstatement in the current financial report, which is not found by the internal control in the process of operation; 4) Ineffective control and supervision of the Company's external and internal |

| | | | |
|------------------|--|--|---|
| | | | financial reports by the audit committee and audit department. |
| Important defect | A combination of one or more internal control deficiencies existing in the internal control that are not as severe as major defects, but are still sufficient to attract the attention of corporate financial reporting supervisors. | The quantitative standard takes the operating income and the total assets as the measurement index. 1) The internal control defects that may cause losses or whose losses are related to the income statement are measured on the basis of operating income: Important defect: 1% of operating income < misstatement amount < 2% of operating income; 2) The internal control defects that may cause losses or whose losses are related to the assets management are measured on the basis of total assets: Important defect: 0.5% of total assets < misstatement amount < 1% of total assets; | Signs of important defects in the financial report include: 1) Failure to select and apply accounting policies in accordance with generally accepted accounting principles; 2) No anti-fraud procedures and control measures have been established; 3) There is no corresponding control mechanism established or no implementation of and no corresponding compensatory control for the accounting treatment of non-routine or special transactions; 4) One or more defects in the control of the final financial reporting process and no reasonable assurance that the financial statements will achieve the objective of authenticity and completeness. |
| Common defect | It refers to other defects other than the major defects and important defects. | The quantitative standard takes the operating income and the total assets as the measurement index. 1) The internal control defects that may cause losses or whose losses are related to the income statement are measured on the basis of operating income: Common defect: misstatement amount < 1% of operating income; 2) The internal control defects that may cause losses or whose losses are related to the assets management are measured on the basis of total assets: Common defect: misstatement amount < 0.5% of total assets; | Common defects in financial reports refer to control defects other than the major defects and important defects mentioned above. |

2. Defect identification standard for internal control of non-financial reports

| Defect | Definition | Quantitation standard | Qualitative standard |
|------------------|--|--|--|
| Major defect | It refers to a combination of one or more control defects that may cause an enterprise to significantly deviate from control objectives. | Major defect: direct property loss > RMB 20 million; | 1) The defects in non-financial reports are mainly determined according to the influence of the defects on the business process effectiveness and the possibility of occurrence; 2) The defects with high possibility that will seriously reduce the work efficiency or effect, or seriously increase the uncertainty of the effect, or make it seriously deviate from the expected goal are major defects; |
| Important defect | It refers to a combination of one or more control defects whose severity and economic consequences are inferior to those of a major defect but may cause an enterprise to deviate from control objectives. | Important defect: RMB 5 million < direct property loss < RMB 20 million; | 1) The defects in non-financial reports are mainly determined according to the influence of the defects on the business process effectiveness and the possibility of occurrence; 2) The defects with high possibility that will significantly reduce the work efficiency or effect, or significantly increase the uncertainty of the effect, or make it significantly deviate from the expected goal are important defects; |
| Common defect | Other control defects other than major defects and important defects. | Common defect: direct property loss < RMB 5 million; | 1) The defects in non-financial reports are mainly determined according to the influence of the defects on the business process effectiveness and the possibility of occurrence; 2) The defects with low possibility that will reduce the work efficiency or effect, or increase the uncertainty of the effect, or make it deviate |

from the expected goal are common defects;

2. Internal control audit report

Applicable Not applicable

| Deliberations in the internal control audit report | |
|---|--|
| On December 31, 2022, ROBAM maintained effective internal control over financial reporting in all major aspects in accordance with the <i>Basic Standards for Enterprise Internal Control</i> and relevant regulations. | |
| Disclosure of internal control audit report | Disclosure |
| Disclosure date of the full text of internal control audit report | April 26, 2023 |
| Disclosure index of the full text of internal control audit report | Cninfo: Full text of 2022 internal control audit report of ROBAM |
| Type of the opinions on internal control audit report | Standard unqualified opinions |
| Whether there are significant defects in non-financial reports | No |

Whether the accounting firm issues an internal control audit report with non-standard opinions

Yes No

Whether the internal control audit report issued by the accounting firm is consistent with the self-evaluation report of the board of directors

Yes No

XV. Rectification of problems in self-inspection of special actions for governance of listed companies

According to the requirements of the regulatory authorities, the Company has carried out a four-month special self-inspection on the governance of listed companies since December 17, 2020. In the special self-inspection, the Company comprehensively reviewed the corporate governance in seven aspects: the basic situation of listed companies, the operation and decision-making of organizations, the controlling shareholders, actual controllers and related parties, the construction of internal control standard system, information disclosure and transparency and institutions, foreign investors; find problems and deficiencies according to the regulatory rules, the *Articles of Association* and other normative documents, take the special self-inspection activity as an opportunity to improve the governance level and safeguard the interests of investors. Through such self-inspection, the Company does not violate the provisions of the state and the CSRC. The corporate governance level meets the requirements of laws and regulations such as the *Company Law*, the *Securities Law*, the *Guidelines for Standard Operation of Listed Companies* of Shenzhen Stock Exchange and the *Guidelines for Articles of Association of Listed Companies*, and the Company's governance structure is relatively perfect and its operation is standardized. The Company will continue to sort out and update the issued internal control system of the Company in a timely manner in accordance with the existing laws and regulations, and constantly establish and improve the internal control system of the Company to make it play a real and effective role.

Section 5 Environmental and social responsibility

I. Major environmental issues

Whether the listed company and its subsidiaries are key pollutant discharging units announced by environmental protection authorities

Yes No

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

Applicable Not applicable

Reasons for non-disclosure of other environmental information: none

II. Social responsibility

See the *2022 Environmental, Social and Corporate Governance Report* disclosed by the Company on the designated information disclosure media <http://www.cninfo.com.cn> for details.

III. Consolidate and expand the achievements of poverty alleviation and rural revitalization

See the *2022 Environmental, Social and Corporate Governance Report* disclosed by the Company on the designated information disclosure media <http://www.cninfo.com.cn> for details.

Section 6 Important Matters

I. Performance in fulfilling commitments

1. Commitments fulfilled within and not fulfilled by the end of the reporting period by the Company's actual controller, shareholders, related parties, acquirer and other commitment parties

Applicable Not applicable

| Commitment reason | Commitment party | Commitment type | Commitment content | Commitment time | Time limit for acceptance | Degree of performance |
|---|---|---|--|-------------------|---------------------------|-----------------------|
| Commitment made at the time of IPO or refinancing | Directors, supervisors and senior management directly or indirectly holding shares of the Company | Commitment to restriction on sales of shares | After the expiry of the 36-month sales restriction period, the shares transferred each year during his/her tenure shall not exceed 25% of the total number of shares held directly or indirectly in the Company; the Company shares directly or indirectly held shall not be transferred within six months after the resignation. | November 23, 2010 | Long-term | Strict performance |
| Commitment made at the time of IPO or refinancing | Hangzhou ROBAM Industrial Group Co., Ltd.; Ren Jianhua | Commitment on avoiding horizontal competition | 1. The Company/I and other enterprises under the control of the Company/me do not, and will not, directly or indirectly, engage in any activities that constitute horizontal competition with the existing and future business of ROBAM and its holding subsidiaries; 2. If any business opportunity obtained the Company/I and other enterprises under the control of the Company/me from any third party constitutes or may constitute substantial competition with the business of ROBAM, the Company/I will immediately notify ROBAM and transfer such business opportunity to ROBAM; 3. The Company/I and other enterprises under the control of the Company/me commit not to provide technical information, process flow, marketing channels or other trade secrets to other companies, enterprises, organizations or individuals whose business constitutes competition with the business of ROBAM. | November 23, 2010 | Long-term | Strict performance |
| Whether the commitment is fulfilled on time | Yes | | | | | |

2. In case the Company's asset or project saw earning expectation, and the reporting period is still covered by the term of the earning expectation, the Company shall make a statement about the asset or project fulfilling the original expectation and the reasons thereof.

Applicable Not applicable

II. Non-operating occupation of funds of listed companies by controlling shareholders and other related parties

Applicable Not applicable

No non-operating occupation of funds of listed companies by controlling shareholders and other related parties during the reporting period.

III. Illegal external guarantee

Applicable Not applicable

No illegal external guarantee of the Company during the reporting period.

IV. Statement of the board of directors on the latest “non-standard audit report”

Applicable Not applicable

V. Statement of the board of directors, the board of supervisors and independent directors (if any) on the “non-standard audit report” of the accounting firm during the reporting period

Applicable Not applicable

VI. Explanation of changes in accounting policy and accounting estimates or significant accounting error correction when compared to the financial statements of the previous year

Applicable Not applicable

There is no change in accounting policy, accounting estimate or significant accounting error correction in the reporting period.

VII. Explanation of changes in the scope of combined financial statements when compared with financial statements of the previous fiscal year

Applicable Not applicable

In June 22, 2022, the Company invested and established Hangzhou Jinhe Electric Appliances Co., Ltd. with the registered capital of RMB 10 million and shareholding ratio of 100%. Such company belongs to the retail and wholesale industry and mainly engages in the sales of kitchen appliance products of the Company. Now, its registered capital has been paid in and the company has been put into operation.

VIII. Appointment of and dismissal of accounting firms

Accounting firm currently appointed

| | |
|-----------------------------------|--|
| Name of Chinese accounting firm | Shinewing Certified Public Accountants (special general partnership) |
| Remuneration (10,000 yuan) | 145 |
| Term of audit services | 4 |
| CPAs | Lei Yongxin, Wang Qing |
| Term of auditing services of CPAs | 4 |

Has the accounting firm been changed within the reporting period?

Yes No

Employment of internal control audit accounting firm, financial advisor or sponsor

Applicable Not applicable

ShineWing Certified Public Accountants (Special general partnership) served as the internal control audit agency of the Company in 2022, with an audit fee of RMB 1,450,000, including: RMB 1,150,000 for financial statement audit and RMB 300,000 for internal control audit.

IX. Delisting confronted upon disclosure of the annual report

Applicable Not applicable

X. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization of the Company during the reporting period.

XI. Major litigation, arbitration matters

Applicable Not applicable

No major litigation or arbitration matters of the Company during the reporting period.

XII. Punishment and rectification

Applicable Not applicable

No punishment or rectification of the Company during the reporting period.

XIII. Credit conditions of the Company, its controlling shareholders and actual controllers

Applicable Not applicable

XIV. Major related transactions

1. Related transactions related to daily operation

Applicable Not applicable

No related transactions related to daily operation of the Company during the reporting period.

2. Related transactions arising from the acquisition or sale of assets or equity

Applicable Not applicable

No Related transactions arising from the acquisition or sale of assets or equity of the Company during the reporting period.

3. Related transactions of joint foreign investment

Applicable Not applicable

No related transactions of joint foreign investment of the Company during the reporting period.

4. Related claims and debts

Applicable Not applicable

No related claims and debts of the Company during the reporting period.

5. Transactions with related financial companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other major related transactions

Applicable Not applicable

No other major related transactions of the Company during the reporting period.

XV. Major contracts and their performance

1. Trusteeship, contracting and lease

(1) Trusteeship

Applicable Not applicable

No trusteeship of the Company during the reporting period.

(2) Contracting

Applicable Not applicable

No contracting of the Company during the reporting period.

(3) Lease

Applicable Not applicable

No lease of the Company during the reporting period.

2. Major guarantee

Applicable Not applicable

No major guarantee of the Company during the reporting period.

3. Entrusted cash asset management

(1) Entrusted financing

Applicable Not applicable

Entrusted financing during the reporting period

Unit: 10,000 yuan

| Specific type | Source of funds for entrusted financing | Amount incurred in entrusted financing | Outstanding balance | Overdue amount not recovered | Overdue amount of impairment accrued for financial management not recovered |
|-------------------------|---|--|---------------------|------------------------------|---|
| Bank financial products | Owned fund | 252,000.00 | 251,184.45 | 0 | 0 |
| Total | | 252,000.00 | 251,184.45 | 0 | 0 |

Specific circumstance of high-risk entrusted financing with significant single amount or with low security and poor liquidity

Applicable Not applicable

The entrusted financing is expected not to recover the principal or has other circumstances that may cause impairment

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

No entrusted loans of the Company during the reporting period.

4. Other major contracts

Applicable Not applicable

No other major contracts of the Company during the reporting period.

XVI. Description of other important events

Applicable Not applicable

No other important events to be described during the reporting period.

XVII. Major events of subsidiaries

Applicable Not applicable

Section 7 Changes in Shares and Shareholders

I. Change in shares

1. Change in shares

Unit: share

| | Before this change | | Increase / decrease (+, -) | | | | | After this change | |
|---|--------------------|------------|----------------------------|----------------|--|-----------|------------|-------------------|------------|
| | Quantity | Proportion | New issue of shares | Share donation | Share capital increase from reserved funds | Other | Subtotal | Quantity | Proportion |
| I. Restricted shares | 14,123,269 | 1.49% | | | | - | -2,070,000 | 12,053,269 | 1.27% |
| 1. State shareholding | | | | | | | | | |
| 2. State legal person shareholding | | | | | | | | | |
| 3. Other domestic shareholding | 14,123,269 | 1.49% | | | | - | -2,070,000 | 12,053,269 | 1.27% |
| Wherein: domestic legal person shareholding | | | | | | | | | |
| Domestic natural person shareholding | 14,123,269 | 1.49% | | | | - | -2,070,000 | 12,053,269 | 1.27% |
| 4. Foreign shareholding | | | | | | | | | |
| Wherein: foreign legal person shareholding | | | | | | | | | |
| Foreign natural person shareholding | | | | | | | | | |
| II. Unrestricted shares | 934,900,781 | 98.51% | | | | 2,070,000 | 2,070,000 | 936,970,781 | 98.73% |
| 1. RMB common share | 934,900,781 | 98.51% | | | | 2,070,000 | 2,070,000 | 936,970,781 | 98.73% |
| 2. Foreign shares listed in China | | | | | | | | | |
| 3. Foreign shares listed abroad | | | | | | | | | |
| 4. Other | | | | | | | | | |
| III. Total amount of shares | 949,024,050 | 100.00% | | | | 0 | 0 | 949,024,050 | 100.00% |

Causes for change in shares

Applicable Not applicable

Unlocked by the directors, supervisors and senior management of the Company based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year.

Approval of changes in shares

Applicable Not applicable

Transfer of share changes

Applicable Not applicable

Influence of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes in the most recent year and the most recent period

Applicable Not applicable

Other information the Company deems necessary or required by the securities regulatory authorities to disclose

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

| Shareholder's name | Number of restricted shares at the beginning of the period | Number of restricted shares increased in current period | Number of shares released from restricted sale in current period | Number of restricted shares at the end of the period | Reasons for restricted sale | Date of lifting the restricted sale |
|--------------------|--|---|--|--|--|---|
| Zhao Jihong | 1,267,549 | 0 | 316,875 | 950,674 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Zhang Songnian | 834,234 | 0 | 208,500 | 625,734 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Zhang Linyong | 834,236 | 0 | 208,500 | 625,736 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Zhang Guofu | 308,962 | 0 | 0 | 308,962 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Xia Zhiming | 308,962 | 0 | 0 | 308,962 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Wang Gang | 432,562 | 0 | 0 | 432,562 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Tang Genquan | 834,234 | 0 | 208,500 | 625,734 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Shen Guoliang | 1,143,198 | 0 | 285,750 | 857,448 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Ren Luozhong | 1,267,546 | 0 | 316,875 | 950,671 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Ren Jianhua | 4,442,362 | 0 | 0 | 4,442,362 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Ren Fujia | 2,100,056 | 0 | 525,000 | 1,575,056 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| He Yadong | 308,962 | 0 | 0 | 308,962 | Lock-up shares for directors, supervisors, senior management | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |
| Shen Yueming | 40,406 | 0 | 0 | 40,406 | Lock-up shares for directors, supervisors, senior | Unlock based on 25% of the Company's shares registered in his/her name on the last trading day of the previous year |

| | | | | | | |
|-------|------------|---|-----------|------------|------------|----|
| | | | | | management | |
| Total | 14,123,269 | 0 | 2,070,000 | 12,053,269 | -- | -- |

II. Securities issuance and listing

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

Applicable Not applicable

2. Description of changes in the total number of shares, shareholder structure, asset and liability structure of the Company

Applicable Not applicable

3. Existing internal employee shares

Applicable Not applicable

III. Shareholders and actual controllers

1. Number and shareholding of the Company's shareholders

Unit: share

| Total number of common shareholders at the end of the reporting period | 59,999 | Total number of common shareholders at the end of the previous month before the disclosure date of the annual report | 53,121 | Total number of preferred shareholders with voting rights restored at the end of the reporting period | 0 | Total number of preferred shareholders with voting rights restored at the end of the previous month before the disclosure date of the annual report | 0 | |
|--|---------------------------------|--|--|---|---|---|------------------------|----------|
| Shareholders holding more than 5% shares or top 10 shareholders | | | | | | | | |
| Shareholder's name | Shareholder nature | Shareholding ratio | Number of shares held at the end of the reporting period | Increase or decrease during the reporting period | Number of shares held with limited sales conditions | Number of shares held with unlimited sales conditions | Pledge, mark or freeze | |
| | | | | | | | Status of shares | Quantity |
| Hangzhou ROBAM Industrial Group Co., Ltd. | Domestic non-state legal person | 49.68% | 471,510,000 | | | 471,510,000 | | |
| Hong Kong Securities Clearing Company Limited | Overseas legal person | 9.39% | 89,096,531 | | | 89,096,531 | | |
| TEMASEK FULLERTON ALPHA PTE LTD | Overseas legal person | 1.76% | 16,730,061 | | | 16,730,061 | | |
| Shen Guoying | Domestic natural person | 1.29% | 12,240,000 | | | 12,240,000 | | |
| CITIC Securities Company Limited - Social Security Fund 1106 Portfolio | Other | 0.74% | 7,029,066 | | | 7,029,066 | | |
| PICC Property and Casualty Company Limited - Traditional - General Insurance | Other | 0.74% | 7,011,440 | | | 7,011,440 | | |

| Products | | | | | | | | |
|---|---|------------------|-------------|--|-----------|-----------|--|--|
| National Social Security Fund 418 Portfolio | Other | 0.72% | 6,822,706 | | | 6,822,706 | | |
| Hangzhou Jinchuang Investment Co., Ltd. | Domestic non-state legal person | 0.70% | 6,640,085 | | | 6,640,085 | | |
| Hangzhou Yinchuang Investment Co., Ltd. | Domestic non-state legal person | 0.67% | 6,318,000 | | | 6,318,000 | | |
| Ren Jianhua | Domestic natural person | 0.62% | 5,923,150 | | 4,442,362 | 1,480,788 | | |
| Situation of strategic investors or general legal persons becoming the top 10 shareholders due to the allotment of new shares (if any) (see note 3) | N/A | | | | | | | |
| Description of the above-mentioned shareholder association or concerted action | The actual controller of the Company's controlling shareholder Hangzhou ROBAM Industrial Group Co., Ltd. and the shareholder Hangzhou Jinchuang Investment Co., Ltd. is Mr. Ren Jianhua, and the natural person shareholder Shen Guoying is the wife of Ren Jianhua. The above shareholders have the possibility of acting in unison. | | | | | | | |
| Description of the above shareholders involved in entrusting / entrusted voting right and waiver of voting right | N/A | | | | | | | |
| Special note on the existence of special repurchase accounts among the top 10 shareholders (if any) (see Note 10) | N/A | | | | | | | |
| Shareholding of top 10 shareholders with unlimited sales conditions | | | | | | | | |
| Shareholder's name | Number of shares with unlimited sales conditions held at the end of the reporting period | Share type | | | | | | |
| | | Share type | Quantity | | | | | |
| Hangzhou ROBAM Industrial Group Co., Ltd. | 471,510,000 | RMB common share | 471,510,000 | | | | | |
| Hong Kong Securities Clearing Company Limited | 89,096,531 | RMB common share | 89,096,531 | | | | | |
| TEMASEK FULLERTON ALPHA PTE LTD | 16,730,061 | RMB common share | 16,730,061 | | | | | |
| Shen Guoying | 12,240,000 | RMB common share | 12,240,000 | | | | | |
| CITIC Securities Company Limited - Social Security Fund 1106 Portfolio | 7,029,066 | RMB common share | 7,029,066 | | | | | |
| PICC Property and Casualty Company Limited - Traditional - General Insurance Products | 7,011,440 | RMB common share | 7,011,440 | | | | | |
| National Social Security Fund 418 Portfolio | 6,822,706 | RMB common share | 6,822,706 | | | | | |
| Hangzhou Jinchuang Investment Co., Ltd. | 6,640,085 | RMB common share | 6,640,085 | | | | | |
| Hangzhou Yinchuang Investment Co., Ltd. | 6,318,000 | RMB common share | 6,318,000 | | | | | |
| Industrial and Commercial Bank of China Limited—Penghua selects hybrid securities investment funds with ingenuity | 5,787,141 | RMB common share | 5,787,141 | | | | | |
| Description of the association or concerted action between top 10 public shareholders with unlimited sales conditions, and between top 10 public shareholders with unlimited sales conditions and top 10 shareholders | The actual controller of the Company's controlling shareholder Hangzhou ROBAM Industrial Group Co., Ltd. and the shareholder Hangzhou Jinchuang Investment Co., Ltd. is Mr. Ren Jianhua, and the natural person shareholder Shen Guoying is the wife of Ren Jianhua. The above shareholders have the possibility of acting in unison. | | | | | | | |

| | |
|---|-----|
| Securities margin trading business attended by top 10 ordinary shareholders (if any) (see note 4) | N/A |
|---|-----|

Whether the Company's top 10 common shareholders and top 10 common shareholders with unlimited sales conditions agreed on a repurchase transaction during the reporting period

Yes No

The Company's top 10 common shareholders and top 10 common shareholders with unlimited sales conditions did not agree on a repurchase transaction during the reporting period

2. Controlling shareholders of the Company

Nature of controlling shareholder: natural person holding

Type of controlling shareholder: legal person

| Controlling shareholder's name | Legal Representative / Head of Unit | Date of establishment | Organization code | Main business |
|---|---|-----------------------|--------------------|---|
| Hangzhou ROBAM Industrial Group Co., Ltd. | Ren Jianhua | March 22, 1995 | 913301101438402503 | Industrial investment, import and export of goods |
| Equity of other domestic and foreign listed companies controlled and participated by controlling shareholders during the reporting period | The controlling shareholder of Hangzhou Nbond Nonwoven Co., Ltd., and the participating shareholder of Zhejiang CFMOTO Power Co., Ltd, Hangzhou Fortune Gas Cryogenic Group Co., Ltd. | | | |

Change of controlling shareholders during the reporting period

Applicable Not applicable

No change in controlling shareholders during the reporting period.

3. Actual controller of the Company and the person acting in concert

Nature of actual controller: domestic natural person

Type of actual controller: natural person

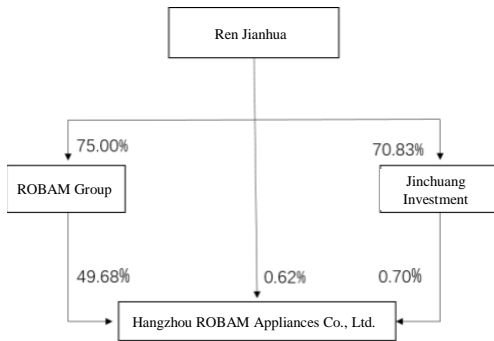
| Actual controller's name | Relationship with actual controller | Nationality | Whether to obtain the right of residence in other countries or regions |
|--|--|-------------|--|
| Ren Jianhua | Self | Chinese | No |
| Main occupations and positions | Please refer to the resume of the Company's directors for details | | |
| Domestic and foreign listed companies that have held shares in the past 10 years | Actual controller of Hangzhou ROBAM Appliances Co., Ltd. and Hangzhou Nbond Nonwoven Co., Ltd. | | |

Changes in actual controller during the reporting period

Applicable Not applicable

No change in actual controller during the reporting period.

Block diagram of property right and control relationship between the Company and actual controller



The actual controller controls the Company through trust or other asset management methods

Applicable Not applicable

4. The cumulative number of pledged shares of the Company's controlling shareholder or the largest shareholder and its persons acting in concert accounts for 80% of the Company's shares held by them

Applicable Not applicable

5. Other legal person shareholders holding more than 10%

Applicable Not applicable

6. Restricted share reduction of controlling shareholders, actual controller, reorganizers and other commitment subjects

Applicable Not applicable

IV. Specific implementation of share repurchase in the reporting period

Implementation progress of share repurchase

Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized competitive bidding trading

Applicable Not applicable

Section 8 Preferred Shares

Applicable Not applicable

No preferred shares of the Company during the reporting period.

Section 9 Corporate Bonds

Applicable Not applicable

Section 10 Financial Report

I. Audit report

| | |
|-------------------------------------|--|
| Type of audit opinion | Standard unqualified opinion |
| Date of signing of audit report | April 25, 2023 |
| Name of audit institution | Shinewing Certified Public Accountants (special general partnership) |
| Name of Certified Public Accountant | Lei Yongxin, Wang Qing |

Audit report

XYZH/2023BJAA10B0385

To all shareholders of Hangzhou ROBAM Appliances Co., Ltd.:

I. Audit opinion

We have audited the accompanying financial statements of Hangzhou ROBAM Appliances Co., Ltd. (hereinafter referred to as ROBAM), including the consolidated balance sheet and the balance sheet of parent company as of December 31, 2022, consolidated income statement and income statement of parent company, consolidated cash flow statement and cash flow statement of parent company, consolidated statement of change in equity and statement of change in equity of parent company for the year 2022 and notes to relevant financial statements.

In our opinion, the attached financial statements of your company have been prepared in accordance with the provisions of the Accounting Standards for Business Enterprises and give a true and fair view of the consolidated financial position and financial position of parent company of ROBAM as of December 31, 2022 and of the financial performance and cash flows for the year 2022 in all significant terms.

II. Basis for audit opinion

We conducted our audit in accordance with the Standards on Auditing for Certified Public Accountants. The “responsibility of certified public accountants for audit of financial statements” in the audit report further expounds our responsibilities under such standards. We were independent of ROBAM and fulfill other responsibilities in terms of professional ethics according to the code of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit items

The key audit items are those that we consider most important to audit the financial statements of the current period in our professional judgment. The response to these items is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these items separately. We have identified the following items as key audit items to be communicated in the audit report.

| 1. Revenue recognition - agency model and engineering channels | |
|--|--|
| Key audit items | Response in audit |
| <p>Refer to Notes to financial statements IV. 33 and VI. 37 Operating income and operating cost.</p> <p>In 2022, the operating income of ROBAM was RMB 1,027,150.06, representing an increase of RMB 123,794,500 compared with that in 2021, including the agency mode income of RMB 2,446,494,400 and the engineering channel income of RMB 2,058,478,200, totally accounting for 43.86% of revenue of the period.</p> <p>Since the agency mode income and engineering channel income account for large proportion in the operating income and are one of the key performance indicators of ROBAM, there may be an inherent risk that the management may recognize the income in the wrong way to reach the specific goal or expected goal. Therefore, we regard income recognition as a key audit issue.</p> | <p>For the income recognition of the agency mode and engineering channels, the audit procedures we implemented mainly include:</p> <ol style="list-style-type: none"> 1. Understand key internal controls related to income recognition, evaluate and test the effectiveness of internal control design and implementation; 2. Check the information of the shareholders and main personnel of the agency company and evaluate whether there is any correlation; 3. Evaluate whether the income recognition method and recognition time point comply with the relevant provisions of the Accounting Standards for Business Enterprises in combination with the contract terms and business nature and the terms related to the time point of commodity control transfer; 4. Carry out substantive analysis procedures on operating income and gross margin ratio by channels, customers, products, etc., identify whether there are significant or abnormal fluctuations, and analyze the causes of fluctuations; 5. Check the original documents of the income recognition for major customers according to the income recognition policy and settlement process and evaluate the authenticity and accuracy of operating income recognition; 6. Confirm current sales to main customers by sampling combined with the confirmation of accounts receivable; 7. Carry out the cut-off test procedure of income, check the supporting documents such as outbound delivery order and acceptance certificate for the operating income recognized before and after the balance sheet date, and evaluate whether the operating income is recognized within an appropriate period; 8. Check whether the information relating to operating income has been properly presented and disclosed in the financial statements. |

| 2. Impairment of notes receivable and accounts receivable | |
|--|---|
| Key audit items | Response in audit |
| <p>Refer to Notes to financial statements IV. 11.12, VI. 3 Notes receivable and VI. 4 Accounts receivable.</p> <p>As of December 31, 2022, the balance of notes receivable of ROBAM was RMB 902,437,900 and the provision for bad debt was RMB 20,664,600; the balance of accounts receivable was RMB 2,792,948,900, and the provision for bad debt was RMB 1,103,342,100.</p> <p>Due to the large amount of notes receivable and accounts receivable at the end of the period, the management needs to use material accounting estimate and judgment when determining the recoverable amount, so we regard the impairment of notes receivable and accounts receivable as the key audit items.</p> | <p>For the impairment of notes receivable and accounts receivable, the audit procedures we implemented mainly include:</p> <ol style="list-style-type: none"> 1. Understand key internal controls for notes receivable and accounts receivable of ROBAM, evaluate and test the effectiveness of internal control design and implementation; 2. Check the contracts of main customers according to the income status, understand the settlement terms, pay attention to the customers who have not made payment after the settlement credit period or acceptance period, and analyze the reasons. Judge the solvency of customers by understanding their operating and financial conditions; 3. Analyze the implementation of the new financial instrument standards for receivables, including the rationality of determination and estimation of the expected credit loss model for the receivables of ROBAM, calculate the expected credit loss amount on the balance sheet date, and analyze whether the credit loss is fully accounted for in the receivables period; 4. Verify the rationality of expected credit loss of receivables combined with the receivables confirmation procedure and post-dated collection by analyzing the aging of accounts receivable; 5. Carry out supervision procedures, check the balance of notes receivable at the end of the period, and check the current endorsement and discount status to check whether they conform to the derecognition conditions; 6. Check the post-dated acceptance status of notes receivable from main customers, record the amount of notes receivable collected after the post-dated period, and check the supporting documents, such as bank receipt and other vouchers, for those with large amounts of notes receivable; 7. Check whether the information relating to notes receivable and accounts receivable has been properly presented and disclosed in the financial statements. |

IV. Other information

The management of ROBAM (hereinafter referred to as the management) is responsible for other information, including the information covered in ROBAM annual report for 2022, but excluding the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information and we does not express any form of verification conclusions on other information.

Combined with our audit of the financial statements, it's our responsibility to read other information. In this process, we shall consider whether material inconsistency or material misstatement of other information with the financial statements or the situation understood by us in the audit process.

Based on the work that has been executed by us, we should report the fact of material misstatement confirmed in other information. We have nothing to report in this regard.

V. Responsibility of management and government for the financial statements

The management is responsible for preparing the financial statements in accordance with the provisions of the Accounting Standards for Business Enterprises and giving a true and fair view; designing, implementing and maintaining necessary internal control, so that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for evaluating the going-concern ability of ROBAM, disclosing the matters related to the going-concern (if applicable) and using the going-concern assumption, unless the management plans to liquidate ROBAM or stop operation or no other realistic options.

The government is responsible for supervising the financial reporting process of ROBAM.

VI. Responsibility of certified public accountants for audit of financial statements

Our goal is to obtain reasonable guarantee on inexistence of the material misstatement of the financial statements whether due to fraud or error and to issue an audit report including audit opinion. Reasonable guarantee is high level guarantee, but it cannot guarantee that a material misstatement of the audit executed according to the auditing standards will always be found. Misstatement may be caused by fraud or error. If the reasonable expected misstatements may affect the economic decision made by the financial statement user according to the financial statements, whether individually or collectively, the misstatement is generally believed material.

We made professional judgment and maintained professional skepticism in the audit process according to the auditing standards.

We also performed the following:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as the basis for audit opinion. Since the fraud may involve collusion, forge, intentional omission, false statement or above internal control, the risk of material misstatement caused by fraud is higher than that caused by error.
- (2) Understand internal control related to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosure.
- (4) Draw a conclusion about the appropriateness of the going-concern assumption used by the management. Meanwhile, draw a conclusion about the major uncertainty of the matters or circumstances possibly resulting in major concerns about the going-concern ability of ROBAM according to the audit evidence obtained. If we draw a conclusion that major uncertainty exists, the auditing standards require us to request the statement user to notice relevant disclosure in the financial statements in the audit report; in case of insufficient disclosure, we should issue a modified audit report. Our conclusion is made on the basis of the information available as of the audit report date. However, the future matters or circumstances may result in going concern failure of ROBAM.
- (5) Evaluate the overall presentation, structure and content of the financial statements and evaluate whether the financial statements give a true and fair view of relevant transactions and matters.
- (6) Obtain adequate and appropriate audit evidence for the financial information of ROBAM entity or business activities to express an opinion on the financial statements. We are responsible for guiding, supervising and implementing the group audit and take full responsibility for the audit opinions.

We communicate with the governance on the planned audit scope, time arrangement and major audit findings, including the internal control defects identified by us in the audit and worthy attention.

We also provide the governance with a statement of compliance with the ethical requirements relating to our independence and communicate with the governance with respect to all relations and other matters that may reasonably be considered to affect our independence and the relevant precautions (if applicable).

From the items communicated with the governance, we determine which items are most important to the audit of current financial statements and thus constitute the key audit items. We describe these items in our audit report, unless the disclosure of these matters is prohibited by law or regulation, or, in rare circumstances, we determine that we should not communicate the items in our audit report if it is reasonably expected that the negative consequences of communicating an item outweigh the benefits in the public interest.

II. Financial statements

Unit of statements in financial notes: CNY

1. Consolidated Balance Sheet

Unit: Hangzhou ROBAM Appliances Co., Ltd.

December 31, 2022

Unit: yuan

| Item | December 31, 2022 | January 01, 2022 |
|---------------------------------|-------------------|------------------|
| Current assets: | | |
| Monetary capital | 5,292,762,670.94 | 3,802,201,346.55 |
| Deposit reservation for balance | | |
| Lending funds | | |
| Trading financial assets | 2,511,844,508.00 | 2,872,312,500.00 |
| Derivative financial assets | | |
| Notes receivable | 881,773,341.71 | 1,330,193,894.82 |
| Accounts receivable | 1,689,606,828.94 | 1,597,692,860.90 |
| Receivables financing | | |
| Advances to suppliers | 177,500,353.37 | 131,162,030.95 |

| | | |
|---------------------------------------|-------------------|-------------------|
| Premiums receivables | | |
| Reinsurance accounts receivable | | |
| Provision of cession receivable | | |
| Other receivables | 80,429,057.84 | 73,487,381.46 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Redemptory monetary capital for sale | | |
| Inventory | 1,610,110,798.10 | 1,772,231,632.25 |
| Contract assets | | |
| Assets held for sales | | |
| Non-current assets due within a year | | |
| Other current assets | 334,348.76 | 4,110,429.16 |
| Total current assets | 12,244,361,907.66 | 11,583,392,076.09 |
| Non-current assets: | | |
| Loans and advances | | |
| Debt investment | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investment | 8,718,505.62 | 5,405,129.91 |
| Other equity instrument investments | 2,116,023.22 | 2,116,023.22 |
| Other non-current financial assets | | |
| Investment properties | 55,887,198.54 | 11,085,896.07 |
| Fixed assets | 1,622,235,227.74 | 1,179,306,020.01 |
| Construction in progress | 406,258,146.69 | 454,643,364.82 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use assets | 22,220,144.13 | 29,902,954.22 |
| Intangible assets | 221,356,558.38 | 229,391,803.26 |
| Development expenditure | | |
| Goodwill | 60,573,832.56 | 80,589,565.84 |
| Long-term unamortized expenses | 5,852,899.90 | 5,385,436.20 |
| Deferred income tax assets | 340,811,345.96 | 286,348,037.04 |
| Other non-current assets | 49,433,497.13 | 38,468,874.44 |
| Total non-current assets | 2,795,463,379.87 | 2,322,643,105.03 |
| Total assets | 15,039,825,287.53 | 13,906,035,181.12 |
| Current liabilities: | | |
| Short-term borrowing | 51,723,429.99 | 29,616,655.41 |
| Borrowings from central bank | | |
| Borrowing funds | | |
| Trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 872,550,306.86 | 962,665,463.99 |
| Accounts payable | 2,418,755,167.31 | 2,181,900,261.00 |
| Advance from customers | | |
| Contract liabilities | 959,915,567.03 | 1,026,782,402.35 |
| Financial assets sold for repurchase | | |
| Deposits from customers and interbank | | |
| Acting trading securities | | |
| Acting underwriting securities | | |
| Payroll payable | 153,942,329.88 | 165,177,425.08 |
| Tax payable | 152,351,620.58 | 212,202,393.54 |

| | | |
|---|-------------------|-------------------|
| Other payables | 281,878,208.25 | 267,781,215.06 |
| Including: Interest payable | | |
| Dividends payable | | |
| Fees and commissions payable | | |
| Dividend payable for reinsurance | | |
| Liabilities held for sales | | |
| Non-current liabilities due within a year | 5,720,175.21 | 5,387,591.43 |
| Other current liabilities | 120,126,501.73 | 124,284,081.56 |
| Total current liabilities | 5,016,963,306.84 | 4,975,797,489.42 |
| Non-current liabilities: | | |
| Reserve fund for insurance contracts | | |
| Long-term borrowing | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual bond | | |
| Lease liabilities | 18,588,966.67 | 26,177,034.29 |
| Long-term payable | | |
| Long-term payroll payable | | |
| Estimated liabilities | | |
| Deferred income | 123,912,110.43 | 131,747,378.42 |
| Deferred income tax liabilities | 22,107,934.58 | 6,254,762.76 |
| Other non-current liabilities | | |
| Total non-current liabilities | 164,609,011.68 | 164,179,175.47 |
| Total liabilities | 5,181,572,318.52 | 5,139,976,664.89 |
| Owner's equity: | | |
| Capital stock | 949,024,050.00 | 949,024,050.00 |
| Other equity instruments | | |
| Including: preferred stock | | |
| Perpetual bond | | |
| Capital reserve | 409,997,665.58 | 404,918,098.15 |
| Minus: treasury stock | 199,995,742.59 | 199,995,742.59 |
| Other comprehensive income | -100,157,634.16 | -100,157,634.16 |
| Special reserve | | |
| Surplus reserves | 474,516,412.50 | 474,516,412.50 |
| General risk preparation | | |
| Undistributed profit | 8,199,079,015.58 | 7,098,721,555.37 |
| Total owners' equities attributable to the owners of parent company | 9,732,463,766.91 | 8,627,026,739.27 |
| Minority equity | 125,789,202.10 | 139,031,776.96 |
| Total owners' equities | 9,858,252,969.01 | 8,766,058,516.23 |
| Total liabilities and owners' equities | 15,039,825,287.53 | 13,906,035,181.12 |

Legal representative: Ren Jianhua
Zhang Guofu

Head of accounting work: Zhang Guofu

Head of accounting body:

2. Balance sheet of parent company

Unit: yuan

| Item | December 31, 2022 | January 01, 2022 |
|--------------------------|-------------------|------------------|
| Current assets: | | |
| Monetary capital | 5,054,810,287.04 | 3,554,239,202.02 |
| Trading financial assets | 2,500,000,000.00 | 2,800,000,000.00 |

| | | |
|---|-------------------|-------------------|
| Derivative financial assets | | |
| Notes receivable | 879,223,549.33 | 1,327,893,894.82 |
| Accounts receivable | 1,620,543,528.97 | 1,496,691,827.59 |
| Receivables financing | | |
| Advances to suppliers | 167,724,048.79 | 108,926,615.26 |
| Other receivables | 83,900,676.77 | 66,149,239.78 |
| Including: Interest receivable | | |
| Dividends receivable | 10,200,000.00 | |
| Inventory | 1,499,780,747.70 | 1,674,764,364.28 |
| Contract assets | | |
| Assets held for sales | | |
| Non-current assets due within a year | | |
| Other current assets | | |
| Total current assets | 11,805,982,838.60 | 11,028,665,143.75 |
| Non-current assets: | | |
| Debt investment | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investment | 251,769,849.44 | 242,037,500.08 |
| Other equity instrument investments | 2,116,023.22 | 2,116,023.22 |
| Other non-current financial assets | | |
| Investment properties | 4,426,211.90 | 11,361,192.77 |
| Fixed assets | 1,396,227,874.68 | 1,114,958,987.32 |
| Construction in progress | 406,258,146.69 | 280,105,490.57 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 149,864,689.61 | 152,123,403.04 |
| Development expenditure | | |
| Goodwill | | |
| Long-term unamortized expenses | 1,486,622.90 | 1,653,433.47 |
| Deferred income tax assets | 323,776,879.25 | 285,017,337.53 |
| Other non-current assets | 49,433,497.13 | 36,602,077.16 |
| Total non-current assets | 2,585,359,794.82 | 2,125,975,445.16 |
| Total assets | 14,391,342,633.42 | 13,154,640,588.91 |
| Current liabilities: | | |
| Short-term borrowing | 573,429.99 | 29,616,655.41 |
| Trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 810,820,603.91 | 869,702,988.97 |
| Accounts payable | 2,282,866,624.07 | 2,051,194,342.69 |
| Advance from customers | | |
| Contract liabilities | 890,640,445.28 | 923,802,307.69 |
| Payroll payable | 121,417,848.03 | 129,893,906.19 |
| Tax payable | 130,548,651.54 | 196,058,797.24 |
| Other payables | 254,460,632.28 | 240,983,242.45 |
| Including: Interest payable | | |
| Dividends payable | | |
| Liabilities held for sales | | |
| Non-current liabilities due within a year | | |
| Other current liabilities | 109,801,716.95 | 110,927,917.94 |

| | | |
|--|-------------------|-------------------|
| Total current liabilities | 4,601,129,952.05 | 4,552,180,158.58 |
| Non-current liabilities: | | |
| Long-term borrowing | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual bond | | |
| Lease liabilities | | |
| Long-term payable | | |
| Long-term payroll payable | | |
| Estimated liabilities | | |
| Deferred income | 86,923,728.32 | 102,890,393.42 |
| Deferred income tax liabilities | 13,804,141.19 | |
| Other non-current liabilities | | |
| Total non-current liabilities | 100,727,869.51 | 102,890,393.42 |
| Total liabilities | 4,701,857,821.56 | 4,655,070,552.00 |
| Owner's equity: | | |
| Capital stock | 949,024,050.00 | 949,024,050.00 |
| Other equity instruments | | |
| Including: preferred stock | | |
| Perpetual bond | | |
| Capital reserve | 409,608,575.62 | 404,873,115.14 |
| Minus: treasury stock | 199,995,742.59 | 199,995,742.59 |
| Other comprehensive income | -100,157,634.16 | -100,157,634.16 |
| Special reserve | | |
| Surplus reserves | 474,516,412.50 | 474,516,412.50 |
| Undistributed profit | 8,156,489,150.49 | 6,971,309,836.02 |
| Total owners' equities | 9,689,484,811.86 | 8,499,570,036.91 |
| Total liabilities and owners' equities | 14,391,342,633.42 | 13,154,640,588.91 |

3. Consolidated Statement of Income

Unit: yuan

| Item | Year 2022 | Year 2021 |
|--|-------------------|-------------------|
| I. Total operating income | 10,271,500,571.04 | 10,147,706,035.35 |
| Including: Operating income | 10,271,500,571.04 | 10,147,706,035.35 |
| Interest revenue | | |
| Premium earned | | |
| Fee and commission income | | |
| II. Total operating costs | 8,494,920,336.60 | 7,960,178,225.56 |
| Including: Operating costs | 5,137,368,758.15 | 4,835,053,404.37 |
| Interest expenditure | | |
| Fee and commission expense | | |
| Surrender value | | |
| Net payments for insurance claims | | |
| Net reserve fund extracted for insurance contracts | | |
| Bond insurance expense | | |
| Reinsurance costs | | |
| Taxes and surcharges | 78,564,584.05 | 80,591,250.17 |
| Selling expenses | 2,613,626,073.89 | 2,454,418,039.92 |

| | | |
|--|------------------|------------------|
| Management costs | 430,968,403.74 | 363,762,372.63 |
| Research and development expenses | 391,614,805.38 | 366,026,666.34 |
| Financial expenses | -157,222,288.61 | -139,673,507.87 |
| Including: interest expenditure | 10,249,057.76 | 9,638,311.28 |
| Interest revenue | 162,232,029.99 | 152,136,833.79 |
| Plus: other incomes | 148,475,570.29 | 77,424,555.44 |
| Income from investment (loss expressed with “-”) | 98,961,069.15 | 90,502,532.06 |
| Including: Income from investment of joint venture and cooperative enterprise | -826,624.29 | -47,639.68 |
| Income from derecognition of financial assets measured at amortized cost | | |
| Exchange gain (loss expressed with “-”) | | |
| Net exposure hedging gain (loss expressed with “-”) | | |
| Income from fair value changes (loss expressed with “-”) | | |
| Credit impairment losses (loss expressed with “-”) | -224,114,601.65 | -765,499,437.07 |
| Assets impairment losses (loss expressed with “-”) | -24,998,305.92 | -52,632,725.80 |
| Income from disposal of assets (loss expressed with “-”) | 143,437.75 | -2,122,173.87 |
| III. Operating profits (loss expressed with “-”) | 1,775,047,404.06 | 1,535,200,560.55 |
| Plus: Non-operating income | 3,268,479.05 | 1,779,825.86 |
| Minus: non-operating expenditure | 5,343,278.82 | 4,211,465.75 |
| IV. Total profits (total loss expressed with “-”) | 1,772,972,604.29 | 1,532,768,920.66 |
| Minus: Income tax expenses | 214,666,153.99 | 183,977,497.96 |
| V. Net profits (net loss expressed with “-”) | 1,558,306,450.30 | 1,348,791,422.70 |
| (I) Classified by business continuity | | |
| 1. Net profits from going concern (net loss expressed with “-”) | 1,558,306,450.30 | 1,348,791,422.70 |
| 2. Net profits from discontinuing operation (net loss expressed with “-”) | | |
| (II) Classified by ownership | | |
| 1. Net profits attributable to shareholders of parent company | 1,572,404,918.21 | 1,331,712,059.03 |
| 2. * Minority interest income | -14,098,467.91 | 17,079,363.67 |
| VI. Net amount of other comprehensive income after tax | | -85,000,000.00 |
| Net amount of other comprehensive income after tax attributed to parent company owners | | -85,000,000.00 |
| (I) Other comprehensive income that can't be reclassified into profit and loss | | -85,000,000.00 |
| 1. Remeasure the variation of net indebtedness or net asset of defined benefit plan | | |
| 2. Other comprehensive income that can't be reclassified into profit and loss in the | | |

| | | |
|---|------------------|------------------|
| invested enterprise under equity method | | |
| 3. Fair value change of other equity instrument investments | | -85,000,000.00 |
| 4. Fair value change of enterprise credit risks | | |
| 5. Other | | |
| (II) Other comprehensive income that will be reclassified into profit and loss | | |
| 1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method | | |
| 2. Fair value change of other debt investments | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| 4. Provision for credit impairment of other debt investments | | |
| 5. Cash flow hedging reserve | | |
| 6. Balance arising from the translation of foreign currency financial statements | | |
| 7. Other | | |
| Net amount of other comprehensive income after tax attributed to minority shareholders | | |
| VII. Total comprehensive income | 1,558,306,450.30 | 1,263,791,422.70 |
| Total comprehensive income attributed to parent company owners | 1,572,404,918.21 | 1,246,712,059.03 |
| Total comprehensive income belonging to minority shareholders | -14,098,467.91 | 17,079,363.67 |
| VIII. Earnings per share | | |
| (I) Basic earnings per share | 1.67 | 1.41 |
| (II) Diluted earnings per share | 1.67 | 1.41 |

In case of business combination involving enterprises under common control in this period, the net profits achieved by the combined enterprise before combination were RMB and achieved by the combined enterprise in previous period were RMB .

Legal representative: Ren Jianhua Head of accounting work: Zhang Guofu Head of accounting body: Zhang Guofu

4. Income statement of parent company

Unit: yuan

| Item | Year 2022 | Year 2021 |
|-----------------------------------|------------------|------------------|
| I. Operating income | 9,524,550,185.59 | 9,284,231,145.49 |
| Minus: Operating costs | 4,901,492,041.67 | 4,557,542,158.07 |
| Taxes and surcharges | 69,828,676.76 | 73,299,717.92 |
| Selling expenses | 2,218,801,283.55 | 2,044,292,085.93 |
| Management costs | 304,689,831.15 | 261,914,391.23 |
| Research and development expenses | 376,891,023.54 | 349,772,824.04 |
| Financial expenses | -156,113,652.92 | -137,078,786.08 |
| Including: interest expenditure | 8,322,009.99 | 7,860,839.16 |
| Interest revenue | 158,191,509.22 | 146,898,250.58 |
| Plus: other incomes | 131,366,920.67 | 71,947,430.91 |

| | | |
|--|------------------|------------------|
| Income from investment (loss expressed with “-”) | 107,771,898.15 | 109,604,014.60 |
| Including: Income from investment of joint venture and cooperative enterprise | -514,676.57 | -47,639.68 |
| Income from derecognition of financial assets measured at amortized cost (loss expressed with “-”) | | |
| Net exposure hedging gain (loss expressed with “-”) | | |
| Income from fair value changes (loss expressed with “-”) | | |
| Credit impairment losses (loss expressed with “-”) | -165,304,249.28 | -765,307,835.18 |
| Assets impairment losses (loss expressed with “-”) | -4,982,572.64 | -52,632,725.80 |
| Income from disposal of assets (loss expressed with “-”) | -157,339.21 | -2,281,424.63 |
| II. Operating profit (loss to be filled out with the minus sign “-”) | 1,877,655,639.53 | 1,495,818,214.28 |
| Plus: Non-operating income | 3,023,087.48 | 1,323,613.73 |
| Minus: non-operating expenditure | 4,201,871.53 | 2,551,970.49 |
| III. Total profit (total loss to be filled out with the minus sign “-”) | 1,876,476,855.48 | 1,494,589,857.52 |
| Minus: Income tax expenses | 219,250,083.01 | 170,448,503.19 |
| IV. Net profit (net loss to be filled out with the minus sign “-”) | 1,657,226,772.47 | 1,324,141,354.33 |
| (I) Net profits from going concern (net loss expressed with “-”) | 1,657,226,772.47 | 1,324,141,354.33 |
| (II) Net profits from discontinuing operation (net loss expressed with “-”) | | |
| V. Net amount of other comprehensive income after tax | | -85,000,000.00 |
| (I) Other comprehensive income that can't be reclassified into profit and loss | | -85,000,000.00 |
| 1. Remeasure the variation of net indebtedness or net asset of defined benefit plan | | |
| 2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method | | |
| 3. Fair value change of other equity instrument investments | | -85,000,000.00 |
| 4. Fair value change of enterprise credit risks | | |
| 5. Other | | |
| (II) Other comprehensive income that will be reclassified into profit and loss | | |
| 1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method | | |
| 2. Fair value change of other debt investments | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |

| | | |
|--|------------------|------------------|
| 4. Provision for credit impairment of other debt investments | | |
| 5. Cash flow hedging reserve | | |
| 6. Balance arising from the translation of foreign currency financial statements | | |
| 7. Other | | |
| VI. Total comprehensive income | 1,657,226,772.47 | 1,239,141,354.33 |
| VII. Earnings per share | | |
| (I) Basic earnings per share | | |
| (II) Diluted earnings per share | | |

5. Consolidated Statement of Cash Flow

Unit: yuan

| Item | Year 2022 | Year 2021 |
|---|-------------------|-------------------|
| I. Cash flow from financing activities: | | |
| Cash from selling commodities or offering labor | 11,217,554,991.80 | 10,288,453,339.62 |
| Net increase of customer deposit and deposit from other banks | | |
| Net increase of borrowings from central bank | | |
| Net increase of borrowing funds from other financial institutions | | |
| Cash from obtaining original insurance contract premium | | |
| Cash received from insurance premium of original insurance contract | | |
| Net increase of deposit and investment of insured | | |
| Cash from interest, handling charges and commissions | | |
| Net increase of borrowing funds | | |
| Net increase of repurchase of business funds | | |
| Net cash from acting trading securities | | |
| Refund of tax and levies | 52,622,361.53 | 10,979,888.36 |
| Other cash received related to operating activities | 302,574,783.30 | 271,671,026.74 |
| Subtotal cash inflows from operating activities | 11,572,752,136.63 | 10,571,104,254.72 |
| Cash paid for selling commodities or offering labor | 5,130,311,485.16 | 5,176,102,168.67 |
| Net increase of customer loans and advances | | |
| Net increase of amount due from central bank and interbank | | |
| Cash paid for original insurance contract claims payment | | |
| Net increase of lending funds | | |
| Cash paid for interest, handling charges and commissions | | |
| Cash paid for policy dividend | | |
| Cash paid to and for employees | 1,014,928,118.78 | 916,057,162.36 |
| Taxes and fees paid | 924,067,905.31 | 931,911,190.31 |
| Other cash paid related to operating activities | 2,558,658,323.36 | 2,181,656,514.05 |
| Subtotal cash outflows from operating activities | 9,627,965,832.61 | 9,205,727,035.39 |
| Net cash flow from operating activities | 1,944,786,304.02 | 1,365,377,219.33 |

| | | |
|---|------------------|------------------|
| II. Cash flow from investment activities: | | |
| Cash from investment withdrawal | 2,935,774,392.00 | 2,680,500,000.00 |
| Cash from investment income | 101,112,262.32 | 91,763,782.62 |
| Net cash from disposal of fixed assets, intangible assets and other long-term assets | 1,144,292.90 | 2,730,070.90 |
| Net cash received from the disposal of subsidiaries and other business entities | | |
| Other cash received related to investment activities | | |
| Subtotal cash inflows from investment activities | 3,038,030,947.22 | 2,774,993,853.52 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets | 502,585,886.40 | 432,870,305.12 |
| Cash paid for investment | 2,579,500,000.00 | 3,202,812,500.00 |
| Net cash received from reinsurance business | | |
| Net cash paid for obtaining subsidiaries and other business units | | |
| Other cash paid related to investment activities | | |
| Subtotal cash outflows from investment activities | 3,082,085,886.40 | 3,635,682,805.12 |
| Net cash flow from investment activities | -44,054,939.18 | -860,688,951.60 |
| III. Cash flow from financing activities: | | |
| Receipts from equity securities | 11,000,000.00 | 850,000.00 |
| Including: Cash received from subsidiaries' absorption of minority shareholders' investment | 11,000,000.00 | 850,000.00 |
| Cash received from borrowings | 54,650,000.00 | |
| Other cash received related to financing activities | 1,012,732.06 | 30,694,588.74 |
| Subtotal cash inflows from financing activities | 66,662,732.06 | 31,544,588.74 |
| Cash repayments of amounts borrowed | 3,500,000.00 | |
| Cash paid for distribution of dividends or profits and for interest expenses | 482,408,349.01 | 495,485,158.00 |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | 9,800,000.00 | 22,050,000.00 |
| Other cash paid related to financing activities | 10,759,837.34 | 206,042,180.97 |
| Subtotal cash outflows from financing activities | 496,668,186.35 | 701,527,338.97 |
| Net cash flow from financing activities | -430,005,454.29 | -669,982,750.23 |
| IV. Impact of exchange rate movements on cash and cash equivalents | 5,699,610.84 | -813,210.71 |
| V. Net increase of cash and cash equivalents | 1,476,425,521.39 | -166,107,693.21 |
| Plus: Balance of cash and cash equivalents at the beginning of the period | 3,719,988,820.35 | 3,886,096,513.56 |
| VI. Balance of cash and cash equivalents at the beginning of the period | 5,196,414,341.74 | 3,719,988,820.35 |

6. Cash flow statement of parent company

Unit: yuan

| Item | Year 2022 | Year 2021 |
|---|-------------------|------------------|
| I. Cash flow from financing activities: | | |
| Cash from selling commodities or offering labor | 10,511,492,286.98 | 9,400,393,477.64 |
| Refund of tax and levies | 45,959,892.74 | 10,979,888.36 |

| | | |
|---|-------------------|------------------|
| Other cash received related to operating activities | 244,654,467.09 | 230,569,238.02 |
| Subtotal cash inflows from operating activities | 10,802,106,646.81 | 9,641,942,604.02 |
| Cash paid for selling commodities or offering labor | 4,928,332,766.89 | 4,977,299,230.52 |
| Cash paid to and for employees | 741,560,434.55 | 674,644,809.06 |
| Taxes and fees paid | 851,796,665.44 | 863,049,900.49 |
| Other cash paid related to operating activities | 2,277,803,150.69 | 1,854,214,173.41 |
| Subtotal cash outflows from operating activities | 8,799,493,017.57 | 8,369,208,113.48 |
| Net cash flow from operating activities | 2,002,613,629.24 | 1,272,734,490.54 |
| II. Cash flow from investment activities: | | |
| Cash from investment withdrawal | 2,800,000,000.00 | 2,260,000,000.00 |
| Cash from investment income | 99,306,676.81 | 110,584,544.21 |
| Net cash from disposal of fixed assets, intangible assets and other long-term assets | 620,992.90 | 2,295,850.90 |
| Net cash received from the disposal of subsidiaries and other business entities | | |
| Other cash received related to investment activities | | |
| Subtotal cash inflows from investment activities | 2,899,927,669.71 | 2,372,880,395.11 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets | 448,805,021.56 | 312,910,594.46 |
| Cash paid for investment | 2,510,000,000.00 | 2,812,000,000.00 |
| Net cash paid for obtaining subsidiaries and other business units | | |
| Other cash paid related to investment activities | | |
| Subtotal cash outflows from investment activities | 2,958,805,021.56 | 3,124,910,594.46 |
| Net cash flow from investment activities | -58,877,351.85 | -752,030,199.35 |
| III. Cash flow from financing activities: | | |
| Receipts from equity securities | | |
| Cash received from borrowings | | |
| Other cash received related to financing activities | 1,012,732.06 | 30,694,588.74 |
| Subtotal cash inflows from financing activities | 1,012,732.06 | 30,694,588.74 |
| Cash repayments of amounts borrowed | | |
| Cash paid for distribution of dividends or profits and for interest expenses | 472,047,458.00 | 473,435,158.00 |
| Other cash paid related to financing activities | 4,030,091.57 | 199,995,742.59 |
| Subtotal cash outflows from financing activities | 476,077,549.57 | 673,430,900.59 |
| Net cash flow from financing activities | -475,064,817.51 | -642,736,311.85 |
| IV. Impact of exchange rate movements on cash and cash equivalents | 5,699,610.84 | -812,928.86 |
| V. Net increase of cash and cash equivalents | 1,474,371,070.72 | -122,844,949.52 |
| Plus: Balance of cash and cash equivalents at the beginning of the period | 3,504,333,910.43 | 3,627,178,859.95 |
| VI. Balance of cash and cash equivalents at the beginning of the period | 4,978,704,981.15 | 3,504,333,910.43 |

7. Consolidated statement of change in equity

Current amount

Unit: yuan

| Item | Year 2022 | | | | | | | | | | | | | | |
|--|---|--------------------------|--|--|-----------------|-----------------------|----------------------------|-----------------|------------------|--------------------------|----------------------|-------|------------------|-----------------|------------------------|
| | Owners' equities attributable to the owners of parent company | | | | | | | | | | | | | Minority equity | Total owners' equities |
| | Capital stock | Other equity instruments | | | Capital reserve | Minus: Treasury stock | Other comprehensive income | Special reserve | Surplus reserves | General risk preparation | Undistributed profit | Other | Subtotal | | |
| I. Ending balance in previous year | 949,024,050.00 | | | | 404,918,098.15 | 199,995,742.59 | 100,157,634.16 | | 474,516,412.50 | | 7,098,721,555.37 | | 8,627,026,739.27 | 139,031,776.96 | 8,766,058,516.23 |
| Plus: Changes in accounting policies | | | | | | | | | | | | | | | |
| Prior period error correction | | | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Beginning balance in current year | 949,024,050.00 | | | | 404,918,098.15 | 199,995,742.59 | 100,157,634.16 | | 474,516,412.50 | | 7,098,721,555.37 | | 8,627,026,739.27 | 139,031,776.96 | 8,766,058,516.23 |
| III. Increase/decrease in the current period (less to be filled out with the minus sign "-") | | | | | 5,079,567.43 | | | | | | 1,100,357,460.21 | | 1,105,437,027.64 | -13,242,574.86 | 1,092,194,452.78 |
| (I) Total comprehensive income | | | | | | | | | | | 1,572,404,918.21 | | 1,572,404,918.21 | -14,098,467.91 | 1,558,306,450.30 |
| (II) Owner's invested and decreased capital | | | | | 5,079,567.43 | | | | | | | | 5,079,567.43 | 10,655,893.05 | 15,735,460.48 |
| 1. Common stock invested by the owner | | | | | 344,106.95 | | | | | | | | 344,106.95 | 10,655,893.05 | 11,000,000.00 |
| 2. Capital invested by other equity instrument holders | | | | | | | | | | | | | | | |
| 3. Amount of share-based payment included in the owner's equity | | | | | 4,735,460.48 | | | | | | | | 4,735,460.48 | | 4,735,460.48 |
| 4. Other | | | | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | -472,047,458.00 | | -472,047,458.00 | -9,800,000.00 | -481,847,458.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk preparation | | | | | | | | | | | | | | | |
| 3. Distribution of owners (or shareholders) | | | | | | | | | | | -472,047,458.00 | | -472,047,458.00 | -9,800,000.00 | -481,847,458.00 |
| 4. Other | | | | | | | | | | | | | | | |
| (IV) Internal transfer of owner's equity | | | | | | | | | | | | | | | |
| 1. Capital surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | | | | | | |
| 2. Earned surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | | | | | | |
| 3. Earned surplus covering the deficit | | | | | | | | | | | | | | | |
| 4. Carryforward retained earnings in variation of defined benefit plan | | | | | | | | | | | | | | | |
| 5. Carryforward retained earnings of other comprehensive income | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|----------------|--|--|--|----------------|----------------|-----------------|--|----------------|------------------|--|------------------|
| 3. Amount of share-based payment included in the owner's equity | | | | | 4,735,460.48 | | | | | | | 4,735,460.48 |
| 4. Other | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution of owners (or shareholders) | | | | | | | | | | | | |
| 3. Other | | | | | | | | | | | | |
| (IV) Internal transfer of owner's equity | | | | | | | | | | | | |
| 1. Capital surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | | | |
| 2. Earned surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | | | |
| 3. Earned surplus covering the deficit | | | | | | | | | | | | |
| 4. Carryforward retained earnings in variation of defined benefit plan | | | | | | | | | | | | |
| 5. Carryforward retained earnings of other comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | | | |
| 1. Draw in this current | | | | | | | | | | | | |
| 2. Use in this current | | | | | | | | | | | | |
| (VI) Other | | | | | | | | | | | | |
| IV. Balance at the end of current period | 949,024,050.00 | | | | 409,608,575.62 | 199,995,742.59 | -100,157,634.16 | | 474,516,412.50 | 8,156,489,150.49 | | 9,689,484,811.86 |

Last term amount

Unit: yuan

| Item | Year 2021 | | | | | | | | | | | |
|--------------------------------------|----------------|--------------------------|-----------------|--------|-----------------|-----------------------|----------------------------|-----------------|------------------|----------------------|-------|------------------------|
| | Capital stock | Other equity instruments | | | Capital reserve | Minus: treasury stock | Other comprehensive income | Special reserve | Surplus reserves | Undistributed profit | Other | Total owners' equities |
| | | Preferr ed stock | Perpet ual bond | Oth er | | | | | | | | |
| I. Ending balance in previous year | 949,024,050.00 | | | | 401,754,349.66 | | -15,157,634.16 | | 474,516,412.50 | 6,120,603,639.69 | | 7,930,740,817.69 |
| Plus: Changes in accounting policies | | | | | | | | | | | | |
| Prior period error correction | | | | | | | | | | | | |

| | | | | | | | | | | |
|--|----------------|--|--|----------------|----------------|-----------------|--|----------------|------------------|------------------|
| Other | | | | | | | | | | |
| II. Beginning balance in current year | 949,024,050.00 | | | 401,754,349.66 | | -15,157,634.16 | | 474,516,412.50 | 6,120,603,639.69 | 7,930,740,817.69 |
| III. Increase/decrease in the current period (less to be filled out with the minus sign “-”) | | | | 3,118,765.48 | 199,995,742.59 | -85,000,000.00 | | | 850,706,196.33 | 568,829,219.22 |
| (I) Total comprehensive income | | | | | | -85,000,000.00 | | | 1,324,141,354.33 | 1,239,141,354.33 |
| (II) Owner’s invested and decreased capital | | | | 3,118,765.48 | 199,995,742.59 | | | | | -196,876,977.11 |
| 1. Common stock invested by the owner | | | | | | | | | | |
| 2. Capital invested by other equity instrument holders | | | | | | | | | | |
| 3. Amount of share-based payment included in the owner’s equity | | | | 3,118,765.48 | 199,995,742.59 | | | | | -196,876,977.11 |
| 4. Other | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | -473,435,158.00 | -473,435,158.00 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | |
| 2. Distribution of owners (or shareholders) | | | | | | | | | -473,435,158.00 | -473,435,158.00 |
| 3. Other | | | | | | | | | | |
| (IV) Internal transfer of owner’s equity | | | | | | | | | | |
| 1. Capital surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | |
| 2. Earned surplus transfer to paid-in capital (or capital stock) | | | | | | | | | | |
| 3. Earned surplus covering the deficit | | | | | | | | | | |
| 4. Carryforward retained earnings in variation of defined benefit plan | | | | | | | | | | |
| 5. Carryforward retained earnings of other comprehensive income | | | | | | | | | | |
| 6. Other | | | | | | | | | | |
| (V) Special reserve | | | | | | | | | | |
| 1. Draw in this current | | | | | | | | | | |
| 2. Use in this current | | | | | | | | | | |
| (VI) Other | | | | | | | | | | |
| IV. Balance at the end of current period | 949,024,050.00 | | | 404,873,115.14 | 199,995,742.59 | -100,157,634.16 | | 474,516,412.50 | 6,971,309,836.02 | 8,499,570,036.91 |

III. Basic status of company

Hangzhou ROBAM Appliances Co., Ltd. (ROBAM or the Company) is a limited liability company established by Hangzhou ROBAM Home Appliances & Kitchen Sanitary Co., Ltd. by means of overall change on November 7, 2000. Approved by China Securities Regulatory Commission (ZJXX [2010] No.1512) in 2010, the Company issued 40 million ordinary shares to the public for the first time on November 23, 2010, with a par value of RMB 1 per share and an issue price of RMB 24.00 and the stock code of 002508.

As of December 31, 2022, the total capital stock of the Company was 949,024,050 shares, and the registered capital was RMB 949,024,050. Unified social credit code: 91330000725252053F, legal representative: Ren Jianhua; registered address: No.592, Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City; headquarters office address: No.592, Linping Av., Yuhang Economic Development Zone, Yuhang District, Hangzhou City.

On April 26, 2022, the Company's business scope was changed into: general items: Home appliance manufacturing; Research and development of kitchenware, sanitary ware and daily necessities; Wholesale of kitchenware, sanitary ware and daily necessities; Sales of daily glass products; Sales of home appliances; Home appliance installation services; Research and development of home appliances; Sales of household supplies; Sales of daily necessities; Manufacturing of daily wooden products; Retail of household appliances; Repair of home appliances; Sales of electric heating food processing equipment; Wholesale of daily necessities; Technical services, development, consultation, exchange, transfer, and promotion; Sales of non-electric home appliances; Manufacturing of non-electric home appliances; Production of gas appliances; Sales of refrigeration and air conditioning equipment; Manufacturing of refrigeration and air conditioning equipment; Development of basic artificial intelligence software; Manufacturing of smart home consumer equipment; Sales of artificial intelligence hardware; Manufacturing of special equipment for business, catering and services; Sales of special equipment for business, catering and services; Import and export of goods; Manufacturing of special equipment for environmental protection; Sales of special equipment for environmental protection (except for items subject to approval according to law, subject to activities shall be carried out independently with the business license according to law). License items: production of disinfection equipment; production of electric heating food processing equipment (Items subject to approval according to the law can only be carried out after getting the approval of relevant departments. Specific operating projects are subject to the approval results of relevant departments).

The Company is mainly engaged in the development, production, sales and comprehensive services of kitchen appliances in the manufacturing industry. Its main products include range hood, gas hob, sterilizer, steamer, oven, dishwasher, water purifier, microwave, integrated stove and purification tank.

The scope of the Company's consolidated financial statements includes eight subsidiaries: Beijing ROBAM Electric Appliance Sales Co., Ltd., Shanghai ROBAM Electric Appliance Sales Co., Ltd., Hangzhou Mingqi Electric Co., Ltd., Dize Home Appliances Trading (Shanghai) Co., Ltd., Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd., Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. and Zhejiang Cooking Future Technology Co., Ltd. and Hangzhou Jinhe Electric Appliances Co., Ltd. Compared with the previous year, the consolidation scope of the Company was expanded due to the establishment of Hangzhou Jinhe Electric Appliances Co., Ltd.

IV. Preparation basis of financial statements

1. Preparation basis

The financial statements of the Company are prepared on the basis of the going-concern and the accounting policy and accounting estimate in "IV. Significant accounting policy and accounting estimate" according to the actual transactions and items, the *Accounting Standards for Business Enterprises* promulgated by the Ministry of Finance and relevant provisions.

2. Going concern

After comprehensive consideration to the macro policy risks, market operation risks, Company's current and long-term profitability, solvency, financial flexibility, intention of the management to change its business policy and other factors, the Company's management believes that the Company has no issue affecting the Company's going-concern ability within 12 months from the end of the report.

V. Significant accounting policy and accounting estimate

Specific accounting policy and accounting estimate:

The specific accounting policies and accounting estimates formulated by the Company according to the actual production and operation characteristics include the operating cycle, the recognition and measurement of bad debt provision of receivables, the measurement of issued inventory, the classification and depreciation of fixed assets, the amortization of intangible assets, the capitalization conditions of R&D expenses, the income recognition and measurement, etc.

1. Statement on complying with corporate accounting standards

The Company's financial statements comply with the requirements of the ASBE and truly and completely reflect the Company's financial position, business performance, cash flows and other relevant information.

2. Accounting period

The fiscal year of the Company runs from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company's normal operating cycle is one year (12 months).

4. Accounting standard money

The bookkeeping currency of the Company is RMB.

5. Accounting process method of business combination involving enterprises under and not under common control

The assets and liabilities acquired by the Company as the combining party through business combination under common control are measured on the combination date according to the book value of the combined party in the consolidated statements of the final controlling party. The difference between the book value of the net assets obtained and the consideration paid for the combination is adjusted against capital reserve; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be adjusted.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired through business combination not under common control are measured at fair value on the acquisition date. The combined cost is the fair value of the cash or non-cash assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the acquiring date for acquisition of the control right of the acquiree, as well as the sum of direct costs for the business combination (for the business combination realized by steps through several times, the combined cost is the sum of the costs of each transaction). Where the combined cost exceeds the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is recognized as goodwill; where the combined cost is less than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the acquirer first reassesses the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities in combination and the fair values of non-cash assets or equity securities issued for consolidation consideration. If after reassessment, the combined cost is still less than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is included in the current non-operating income.

6. Methods for preparing consolidated financial statements

The Company includes all subsidiaries under its control in the consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company.

All significant internal transactions, current balances and unrealized profits in the consolidation scope shall be set off when the consolidated statements are prepared. The share of the owner's equity of the subsidiaries not attributable to the parent company and current net profits and losses, other comprehensive income, and the share of other comprehensive income attributable to the minority interests shall be presented in the consolidated financial statements under "minority equity, minority interest income, other comprehensive income attributed to minority shareholders and total comprehensive income attributed to minority shareholders".

For a subsidiary in the business combination under common control, its business performance and cash flows have been consolidated since the beginning of the consolidation year into the consolidated financial statements. When preparing and comparing the consolidated financial statements, the Company shall adjust the relevant items of the previous year's financial statements, which shall be regarded as the subject of the consolidated report that has been in existence since the beginning of the control by the final controlling party.

For a subsidiary in the business combination not under common control, its business performance and cash flows shall be incorporated into the consolidated financial statements from the date of the Company's acquisition of control. In preparing the consolidated financial statements, the financial statements of the subsidiary shall be adjusted on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities as determined on the acquiring date.

If the Company acquires the equity of the acquiree by steps through several deals and finally forms business combination not under common control, in the compilation of the consolidated statements, as for the equity interests held in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the difference between their fair values and book value shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests held in the acquiree under the equity accounting before the

acquiring date, and the changes in owners' equity other than net profit and loss, other comprehensive income and profit distribution shall be carried forward into profit and loss on investments in the period of the acquiring date, except for other comprehensive income from the change caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the investee.

In consolidated financial statements, when the Company disposes of part of long-term equity investment in the subsidiary before losing control rights, the difference between the disposal price and the long-term equity investment disposed of relative to the share of the net assets to be enjoyed and continuously calculated from the acquiring date or combination date is adjusted against capital premium or capital stock premium; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be adjusted.

When the Company loses the control right over the investee due to disposal of part of the equity investment or other reasons, the residual equity shall be re-measured at its fair value on the date of losing the control right in preparing the consolidated financial statements. The difference between the sum of the consideration acquired by disposal of the equity and the fair value of the residual equity, and the share of the net assets of the original subsidiary continuously calculated from the acquiring day or combination date according to the original shareholding ratio, shall be included in the profit and loss on investments in the period of loss of the control right and written down against the goodwill. Other comprehensive income related to the equity investment of the original subsidiary is transferred into the current profit and loss on investments in the period of loss of control right.

7. Joint venture arrangements classification and Co-operation accounting treatment

The Company's joint venture arrangements include cooperative enterprise.

The investment in the cooperative enterprise is subject to the accounting treatment by the Company as the joint venture party according to the *Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments*.

8. Determining standards of cash and cash equivalents

The cash in the cash flow statement of the Company refers to the cash on hand and deposits readily available for payment. The cash equivalents represent the short-term (no more than three months) and highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

9. Foreign currency transaction and foreign currency statement translation

1. Foreign currency transaction

The foreign currency transaction of the Company is converted to Renminbi at the spot rate on the transaction date. The foreign currency project, on the balance sheet date, is converted to Renminbi at the spot rate. The resulting converted difference is included in current profit and loss except the balance of exchange of special foreign currency loan related to acquisition or construction of assets meeting the capitalization conditions. Non-monetary items in foreign currency measured at fair value are converted by the spot rate on the recognition date of the fair value. The difference between the bookkeeping currency amount after conversion and the original bookkeeping currency amount is recorded into the capital reserve if belonging to non-monetary items in foreign currency of available-for-sale financial assets, or recorded into current profit and loss if belonging to non-monetary items in foreign currency measured at fair value and with the changes included in current profit and loss. Non-monetary items in foreign currency measured by the historical cost are still converted by the spot rate on the transaction date without changing the RMB amount.

2. Conversion of financial statements denominated in foreign currencies

The assets and liabilities in the balance sheet of a foreign operation are converted at the spot rate on the balance sheet date; all items of owner's equity, except the "undistributed profit", are converted at the spot rate at the time of occurrence. The income and expense items in the income statement of a foreign operation are converted at the approximate exchange rate of the spot rate on the date of transaction. The converted difference of the foreign currency financial statements generated according to the above translation shall be presented in other comprehensive income. For a foreign currency monetary item which constitutes a net investment in overseas operations, the exchange difference resulting from the change of exchange rate shall be presented as other comprehensive income in the compilation of the consolidated financial statements. Upon disposal of an overseas operation, other comprehensive income related to the overseas operation shall be transferred to the current profit and loss according to the proportion.

The approximate exchange rate of the spot exchange rate on the date of the cash flows shall be based on for the translation of cash flows in a foreign currency and in an overseas subsidiary. The effect of a change in exchange rate on cash shall be separately presented in the cash flow statement.

10. Financial instruments

The Company recognizes a financial asset or financial liability when becoming a party of the financial instrument contract.

1. Financial assets

1) Classification, recognition basis and measurement method for financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the financial assets of the Company are classified into: financial assets measured at the amortized cost; financial assets measured at fair value of which changes are recorded into other comprehensive income; financial assets at fair value through profit or loss (“FVTPL”).

The financial asset of the Company that meets the following conditions simultaneously is classified as financial asset measured at the amortized cost: ① The business model for managing the financial asset is to collect contractual cash flows. ② According to the contract terms of the financial asset, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount. Such financial asset is initially measured at the fair value and the relevant transaction costs are charged to initially recognized amount; further measurement is made at the amortized cost. With the exception of the hedged item designated as such, the difference between the initial amount and the amount due shall be amortized in accordance with the effective interest method, and the gains and losses arising from the amortization, impairment, exchange gains and losses and the derecognition shall be recorded into the current profit and loss.

The financial asset of the Company that meets the following conditions simultaneously is classified as the financial asset measured at fair value of which changes are recorded into other comprehensive income: ① The business model for managing such financial assets is to collect contractual cash flows and to sell the financial asset. ② According to the contract terms of the financial asset, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount. Such financial asset is initially measured at the fair value and the relevant transaction costs are charged to initially recognized amount. With the exception of the hedged item designated as such, the other gains or losses incurred from such financial asset, except for credit impairment losses or gains, exchange gains and losses and interest on the financial asset calculated by effective interest method, shall be included in other comprehensive income; when the financial asset is derecognized, the accumulated gains or losses previously recorded in other comprehensive income should be transferred from other comprehensive income in current profit and loss.

The Company recognizes interest income by effective interest method. The interest income is determined by multiplying the book balance of a financial asset by the effective interest rate, except as follows: ① For an acquired or originated financial asset with credit impairment, the interest income shall be determined according to the amortized cost of the financial asset and the effective interest rate adjusted by credit from the initial recognition. ② For an acquired or originated financial asset with credit impairment, but which has credit impairment in the subsequent period, the interest income of the financial asset shall be determined according to the amortized cost and the effective interest rate of the financial asset in the subsequent period.

The Company designates the non-transactional equity instruments as the financial assets measured at fair value of which changes are recorded into other comprehensive income. Such designation, once made, shall not be revoked. The non-transactional equity instruments measured at fair value of which changes are recorded into other comprehensive income are initially measured at the fair value and the relevant transaction costs are charged to initially recognized amount; except for the dividends (excluding the part of investment cost recovery) recorded into the current profit and loss, other related gains and losses (including exchange gains and losses) are recorded into other comprehensive income and shall not be transferred into the current profit and loss subsequently. Upon derecognition, the accumulated gains or losses previously recorded in other comprehensive income should be transferred from other comprehensive income to the retained earnings.

The above financial assets measured at the amortized cost and the financial assets measured at fair value of which changes are recorded into other comprehensive income are classified as financial assets at fair value through profit or loss (“FVTPL”). Such financial asset is initially measured at the fair value and the relevant transaction costs are directly charged to the current profit and loss. Gains or losses on such financial assets are charged to the current profit and loss.

The financial assets recognized by the Company through business combination not under common control or constituted by contingent consideration are classified as financial assets at fair value through profit or loss (“FVTPL”).

2) Recognition basis and measurement method for transfer of financial assets

The financial asset is derecognized when meeting any of the following conditions: ① The contract right to charge the cash flow of the financial asset is terminated; ② The financial asset has been transferred and almost all risks and remuneration of the financial asset ownership are transferred; ③ The financial asset has been transferred and the Company does neither transfer nor retain almost all risks and remuneration of the financial asset ownership but gives up the control over the financial asset.

If the overall transfer of the financial asset meets the derecognition conditions, the difference of the book value of the transferred financial asset from the sum of the consideration received and the derecognized amount in the cumulative amount of the fair value changes originally included in other comprehensive income (according to the contract terms of the financial asset transferred, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount) is charged to the current profit and loss.

If the partial transfer of the financial asset meets the derecognition conditions, the overall book value of the transferred financial asset, between the derecognized part and non-derecognized part, is allocated according to the respective relative fair value. The difference of the sum of the consideration received from transfer and the derecognized amount in the cumulative

amount of the fair value changes in the derecognized part originally included in other comprehensive income (according to the contract terms of the financial asset transferred, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount) from the overall book value of the above-mentioned financial asset allocated is charged to current profit and loss.

2. Financial liabilities

1) Classification, recognition basis and measurement method for financial liabilities

Financial liabilities, upon initial recognition, are divided into those measured with fair value and with the changes included in current profit and loss and other financial liabilities.

Financial liabilities measured with fair value and with the changes included in current profit and loss, including the trading financial liabilities and the financial liabilities measured with fair value and with the changes included in current profit and loss upon initial recognition. The financial liability is subsequently measured with the fair value. The gain or loss formed from the changes in the fair value as well as the dividends and interest expenditure related to the financial liability is charged to current profit and loss.

The other financial liabilities are subsequently measured with the amortized cost by means of effective interest method. Except for the following items, the financial assets are classified as the financial liabilities measured at amortized cost: ① Financial liabilities measured with fair value and with the changes included in current profit and loss, including the trading financial liabilities (including derivative instruments belonging to financial liabilities) and the financial liabilities measured with fair value and with the changes included in current profit and loss. ② Financial liabilities formed by the transfer of financial assets not conforming to the derecognition conditions or by continuing to involve in the transferred financial assets. ③ Financial guarantee contracts that do not fall under the above ① or ② circumstances, and loan commitments to lend at a below-market rate that do not fall under the above ① circumstance.

The financial liabilities recognized by the Company as the acquirer through business combination not under common control or formed by contingent consideration are classified as financial liabilities at fair value through profit or loss for accounting.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Company and a creditor to replace the existing financial liability with a new one with substantially different terms is accounted for as the derecognition of the existing financial liability and the recognition of a new financial liability. When the Company makes material alteration to the contract terms of the existing financial liability (or part of it), it derecognizes the existing financial liability (or part of it) and recognizes a new one according to the altered terms. The difference between the book value of the derecognized part and the consideration paid is charged to current profit and loss.

3) Fair value determination method of financial assets and financial liabilities

The fair value of the financial assets and financial liabilities is measured by the Company at the prices in the principal market. If no principal market exists, the fair value is measured at the most favorable market price by valuation techniques that are applicable at the time and are supported by sufficient data and other information available. The input value used in the fair value measurement is divided into three levels. That is, the input value of the first level is the unadjusted quotation of the same assets or liabilities on the active market that can be obtained on the measurement day. The input value of the second level is the direct or indirect observable input value of related assets or liabilities other than the input value of the first level. The input value of the third level is the non-observable input value of the relevant assets or liabilities. The Company prefers the input value of the first level and finally the input value of the third level. The level of the measurement results of the fair value is determined by the lowest level of the input value that is of great significance to the measurement of fair value as a whole.

The Company measures the equity instrument investment at fair value. However, in limited cases, if the recent information used to determine the fair value is insufficient, or the possible estimated amount of the fair value is widely distributed, and the cost represents the best estimate of the fair value within the range, the cost may represent the appropriate estimate of the fair value within the range.

3. Offset of financial assets and financial liabilities

The financial assets and financial liabilities of the Company are listed respectively in the balance sheet and no mutually offset. However, when the following conditions are met at the same time, they are listed as net amount after offset in the balance sheet: (1) the Company has the legal right to offset the recognized amount and may execute the legal right currently; (2) the Company plans to settle with net amount or realize the financial asset and pay off the financial liability simultaneously.

4. Distinction between financial liabilities and equity instruments and relevant treatment method

The Company distinguishes between a financial liability and an equity instrument in accordance with the following principles: (1) If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other

financial assets, the contractual obligation is defined as a financial liability. Although some financial instruments do not explicitly contain terms and conditions for the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. (2) If a financial instrument is to be settled by or with the Company's equity instrument, it is necessary to consider whether the Company's equity instrument used to settle the financial instrument is to be used as a substitute for cash or other financial assets or to give the holder of the instrument a residual equity in the assets of the issuer after deducting all liabilities. In the former case, the financial instrument is a financial liability of the issuer; in the latter case, the instrument is the issuer's equity instrument. If it is stipulated in a financial instrument contract that the Company shall or may settle the financial instrument by its own equity instruments in some cases, in which, the amount of the contractual rights or contractual obligations is equal to the number of its equity instruments available or to be delivered multiplied by its fair value at the time of settlement, the contract is classified as a financial liability, whether the amount of the contractual rights or obligations is fixed or whether it is based in whole or in part on changes in variables (such as the interest rate, the price of a commodity or the price of a financial instrument) other than the market price of the Company's equity instruments.

In classifying a financial instrument (or its components) in the consolidated statements, the Company takes into account all terms and conditions agreed between the members of the Company and the financial instrument holder. The instrument shall be classified as a financial liability if the Company as a whole is obligated to deliver cash, other financial assets, or settle accounts in other ways that cause the instrument to become a financial liability as a result of the instrument.

The interest, dividends, profits or losses related to a financial instrument or its components classified as a financial liability, as well as gains or losses from redemption or refinancing, shall be recorded into the Company's current profit and loss.

The issuance (including refinancing), repurchase, sales or cancellation of financial instrument or its components classified as equity instruments is handled as the equity changes, and the fair value change of the equity instruments is not recognized.

5. Impairment of financial instruments

The Company withdraws the provision for impairment for the financial assets measured at the amortized cost, financial assets measured at fair value of which changes are recorded into other comprehensive income, and financial guarantee contracts based on the expected credit loss, and recognizes the credit impairment loss.

The expected credit loss refers to the weighted average credit loss of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows discounted by the Company at the original effective interest rate and receivable according to the contract and all expected cash flows received, that is, the present value of all cash shortage. The financial assets purchased or originated that have suffered from credit impairment shall be discounted at the effective interest rate of the financial assets through credit adjustment.

The provision for loss on the accounts receivable from standard transactions in the income guidelines and not containing material financing elements shall be measured by the Company by simplified measurement according to the amount equivalent to the expected credit loss in the whole duration.

For the financial assets purchased or originated that have suffered from credit impairment, only the cumulative changes of the expected credit loss in the whole duration upon initial recognition are recognized as provision for loss on the balance sheet date. On each balance sheet date, the amount of change in the expected credit loss over the entire duration is recorded as an impairment loss or gain in the current period. Favorable changes in the expected credit loss are recognized as impairment gains even if the expected credit loss for the entire duration recognized on the balance sheet date is less than the amount of overdue credit loss reflected in the estimated cash flow upon initial recognition.

For the financial assets other than those purchased or originated that have suffered from credit impairment by simplified measurement, the Company shall evaluate whether the credit risk of relevant financial instrument has increased significantly upon initial recognition on each balance sheet date and measure its provision for loss and recognize the expected credit losses and changes respectively in the following cases:

- 1) If the credit risk of the financial instrument has not increased significantly upon initial recognition and is in the first stage, its provision for loss is measured according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the interest income is calculated according to the book balance and the effective interest rate.
- 2) If the credit risk of the financial instrument has significantly increased without credit impairment upon initial recognition and is in the second stage, its provision for loss is measured according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration, and the interest income is calculated according to the book balance and the effective interest rate.
- 3) If the financial instrument has suffered from credit impairment upon initial recognition and is in the third stage, its provision for loss is measured according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration, and the interest income is calculated according to the amortized cost and the effective interest rate.

The amount increased or written back of the provision for credit loss of the financial instrument is recorded as an impairment loss or gain in the current period. Except for financial assets measured at fair value of which changes are recorded into other comprehensive income, the book balance of financial assets is offset by the provision for credit losses. For financial assets

measured at fair value of which changes are recorded into other comprehensive income, the Company recognizes its provision for credit losses in other comprehensive income and does not reduce the book value of the financial assets on the balance sheet.

If the Company has measured the provision for loss in the previous accounting period according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration but the credit risk of the financial instrument has no longer been increased significantly upon initial recognition on the current balance sheet date, the Company shall measure the provision for loss on the financial instrument on the current balance sheet date according to the amount equivalent to the expected credit loss in the next 12 months and the resulting amount written back from the provision for loss is recorded as an impairment gain in the current period.

① Significant increase in credit risk

By means of the reasonable and valid forward-looking information available, the Company determines whether the credit risks of financial instruments have increased significantly upon initial recognition by comparing the default risk of the financial instruments on the balance sheet date with the default risk on the initial recognition date. For financial guarantee contracts, when the Company applies the impairment provisions on financial instruments, the date on which the Company becomes a party to make an irrevocable commitment shall be the initial recognition date. The Company will consider the following factors when assessing whether the credit risk has increased significantly: whether there are significant changes in the actual or overdue operating results of the debtor; whether there has been a significant adverse change in the regulatory, economic or technical environment in which the debtor resides; whether there are significant changes in the value of collateral as collateral for debt or in the quality of guarantees or credit enhancements provided by third parties, as well as the probability that these changes are expected to reduce the financial incentive for the debtor to repay on the terms specified in the contract or affect the breach of contract; whether there has been a significant change in the expected performance and repayment behavior of the debtor; whether the Company's credit management methods for financial instruments have changed.

For a financial instrument with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly upon the initial recognition. The financial instrument is considered to have a low credit risk if the financial instrument has relatively low default risk, and the borrower has a strong ability to fulfill its contractual cash flow obligations in a short term, which will not necessarily be reduced even if there are adverse changes in the economic situation and operating environment in a long term.

② Financial assets that have suffered from credit impairment

When one or more events occur that adversely affect the expected future cash flow of a financial asset, the financial asset becomes a financial asset with credit impairment. The evidence for credit impairment of financial assets includes: the debtor has incurred major financial difficulties; the debtor breaches a contract, such as by default or exceeding payment of default or late payment of interest or principal; the creditor gives the debtor concessions that he would not make under any circumstances for economic or contractual reasons related to the debtor's financial difficulties; the debtor is likely to go bankrupt or undergo other financial restructuring; the financial difficulties of the issuer or debtor cause the active market for the financial asset to disappear; a substantial discount at which a financial asset is purchased or originated reflects the fact of credit loss.

The credit impairment of the financial asset may be caused by the joint action of the above events, and may not necessarily be caused by the events that can be identified separately.

③ Determination of expected credit loss

The Company evaluates the expected credit losses of financial instruments on the basis of individual and combined instruments, and in assessing the expected credit losses, takes into account reasonable and valid information about past events, current conditions and projections of future economic conditions.

Based on the characteristics of common credit risks, the Company divides financial instruments into different combinations. The individual assessment standards and the characteristics of the combination credit risks of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The Company shall determine the expected credit losses of the relevant financial instruments in the following ways:

In the case of a financial asset, the credit loss is the present value of the difference between the contract cash flow receivable by the Company and the expected cash flow receivable;

In the case of a financial guarantee contract, the credit loss is the present value of the difference between the estimated amount of payment to be made by the Company in respect of any credit loss incurred under the contract, and the amount that the Company expects to receive from the contract holder, debtor or anywhere else;

In the case of a financial asset with credit impairment on the balance sheet date but not purchased or originated with credit impairment, the credit loss is the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original effective interest rate.

11. Notes receivable

Based on the acceptor credit risk of notes receivable as a common risk feature, the Company divides the notes receivable into different combinations and determines the expected credit loss accounting estimation policy:

| Combination classification | Basis for recognition of combination | Accrual method |
|--|--|--|
| Banker's acceptance bill combination | The acceptor is a banking financial institution | The Company believes that the banker's acceptance bill held does not have significant credit risk and will not cause major losses due to bank default. |
| Commercial acceptance bill combination | The acceptor is a financial company or other non-bank financial institution or enterprise unit | The Company measures the provision for bad debt of commercial acceptance bills receivable according to the expected credit loss of the entire duration |

12. Accounts receivable

The provision for loss on the accounts receivable (whether or containing material financing elements) from standard transactions in the *Accounting Standards for Enterprises No.14 - Revenues* and on the lease receivables regulated in the *Accounting Standards for Enterprises No. 21 - Lease* shall be measured by the Company by simplified measurement according to the amount equivalent to the expected credit loss in the whole duration.

The Company shall evaluate whether the credit risks of accounts receivable have increased significantly on the basis of a single financial instrument or a financial instrument combination. The Company makes single assessment of the credit risks for the accounts receivable with significantly different credit risks and the following features: accounts receivable in dispute with the other party or involving litigation or arbitration; accounts receivable with obvious signs that the debtor is likely to be unable to perform the repayment obligations. It is feasible for the Company to evaluate whether the credit risks increase significantly on the basis of financial instrument combination if it is unable to obtain sufficient evidence for significant increase in credit risks at reasonable cost at the level of single financial instrument. The Company can classify financial instruments based on the characteristics of common credit risk in assessment based on the financial instrument combination.

The Company divides the accounts receivable into the following combinations based on their credit risk characteristics:

| Combination classification | Basis for recognition of combination | Accrual method |
|---|--|-----------------------------------|
| Credit loss withdrawn on accounts receivable by aging analysis method | The receivables with the same aging have similar credit risk characteristics | Expected credit loss rate |
| Related parties in the consolidation scope | Funds of subsidiaries in the consolidation scope of controlling shareholders | Generally no expected credit loss |

If there is objective evidence that a credit impairment has occurred in an account receivable, the Company shall withdraw the provision for bad debts for that account receivable and recognize the expected credit loss.

For the accounts receivable with the credit loss drawn by aging analysis method, based on the actual credit losses of the previous year and taking into account the forward-looking information of the current year, the Company's accounting estimation policy for measuring expected credit losses is as follows:

| Aging | Expected credit loss rate |
|-------------------|---------------------------|
| Within 1 year | 5.00% |
| 1~2 years | 10.00% |
| 2~3 years | 20.00% |
| 3~4 years | 50.00% |
| 4~5 years | 80.00% |
| More than 5 years | 100.00% |

The Company shall calculate the expected credit loss of the accounts receivable on the balance sheet date. If the expected credit loss is greater than the book amount of the provision for impairment of current accounts receivable, the Company recognizes the difference as the provision for impairment of accounts receivable, debits the "credit impairment loss" and credits the "provision for bad debt". On the contrary, the Company recognizes the difference as an impairment gain and records the opposite.

Where the Company has actually incurred a credit loss and the relevant accounts receivable are determined to be irrecoverable, and the write-off is approved, the "provision for bad debt" shall be debited and the "accounts receivable" shall be credited according to the approved write-off amount. If the write-off amount is greater than the provision for loss which has been calculated, the "credit impairment loss" shall be debited according to the difference.

13. Receivables financing

The financial asset of the Company that meets the following conditions simultaneously is classified as the financial asset measured at fair value of which changes are recorded into other comprehensive income: the business model for managing such financial assets is to collect contractual cash flows and to sell the financial asset; according to the contract terms of the financial asset, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount.

The Company transfers the accounts receivable held in the form of discount or endorsement. Such accounts receivable with frequent business and large amount involved are measured at fair value and their changes are recorded into other comprehensive income according to relevant regulations in the financial instrument standards if the management business model is to collect and sell contractual cash flows.

14. Other receivables

Recognition and accounting method for expected credit loss of other receivables

The Company divides the process of credit impairment of other receivables into three stages, and has different accounting treatment methods for other receivables impairment in different stages:

- the credit risks has not increased significantly upon initial recognition (first stage).

For the financial instruments in this stage, the Company should measure the provision for loss according to the expected credit loss over the next 12 months.

The Company takes aging as the credit risk characteristic to group other receivables and measures them on the basis of combination, which is equivalent to the expected credit loss in the next 12 months.

- The credit risk has significantly increased without credit impairment upon initial recognition (second stage).

For the financial instruments in this stage, the Company should measure the provision for loss according to the expected credit loss in the whole duration.

- Credit impairment upon initial recognition (third stage)

For the financial instruments in this stage, the Company should measure the provision for loss according to the expected credit loss in the whole duration.

15. Inventory

The Company's inventory mainly includes low priced and easily worn articles, raw materials, work in process, merchandise inventory and goods shipped in transit, etc.

The perpetual inventory system is adopted for the inventories and the inventories are price according to the actual cost when obtained; the cost of the inventories is recognized by the weighted average method when received or issued. The low priced and easily worn articles and packages are amortized by one-time writing-off method.

The year-end inventory is priced according to the cost of inventories or net realizable value, whichever is lower. In case of inventory damage, full or partial obsolescence or selling price below the cost, the non-recoverable part of its cost is expected and the inventory falling price reserves are withdrawn. The inventory falling price reserves of the merchandise inventory and raw materials are withdrawn according to the difference between the cost of a single inventory item and its net realizable value; for the inventories with large quantity and low unit price, the inventory falling price reserves are withdrawn according to the inventory category.

For the merchandise inventory, work in process, materials for sale and other merchandise inventories directly used for sale, the net realizable value is recognized by the amount of the estimated sale price of the inventories subtracted by the estimated selling expenses and related taxes; for the material inventory possessed for production, the net realizable value is recognized by the amount of the estimated sale price of the finished products subtracted by the estimated cost about to occur in completion, estimated selling expenses and related taxes.

16. Contract assets

1. Methods and standards for the recognition of contract assets

Contract assets refer to the Company's rights to receive consideration for the transfer of goods to the customer, and such rights are subject to factors other than the passage of time. If the Company sells two clearly distinguishable commodities to customers, and it has the right to receive payment due to the delivery of one of the commodities, but the receipt of such payment also depends on the delivery of another commodity, the Company regards the right to receive payment as a contract asset.

2. Recognition method and accounting treatment method of the expected credit loss of contract assets

For the recognition method of expected credit loss of contract assets, refer to the above 1. Financial assets and financial liabilities, 11. Notes receivable and 12. Accounts receivable.

The Company shall calculate the expected credit loss of the contract assets on the balance sheet date. If the expected credit loss is greater than the book amount of the provision for impairment of current contract assets, the Company recognizes the difference as the provision for impairment, debits the “assets impairment loss” and credits the “provision for impairment of contract assets”. On the contrary, the Company recognizes the difference as an impairment gain and records the opposite.

Where the Company has actually incurred a credit loss and the relevant contract assets are determined to be irrecoverable, and the write-off is approved, the “provision for impairment of contract assets” shall be debited and the “contract assets” shall be credited according to the approved write-off amount. If the write-off amount is greater than the provision for loss which has been calculated, the “assets impairment loss” shall be debited according to the difference.

17. Contract cost

1. Recognition method of asset amount related to contract cost

The Company's assets related to contract cost include the contract performance cost and the contract acquisition cost.

The contract performance cost, that is, the cost incurred by the Company for the performance of the contract, which is not within the scope of other accounting standards for business enterprises and meets the following conditions at the same time, is recognized as an asset as the contract performance cost: such cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer and other costs incurred solely as a result of the contract; Such cost increases the resources used by the Company to fulfill its performance obligations in the future; And such cost is expected to be recovered.

The contract acquisition cost, that is, the incremental cost incurred by the Company to acquire the contract, which is expected to be recovered, is recognized as an asset as the contract acquisition cost; If the amortization period of such asset does not exceed one year, it shall be recorded into the current profit and loss when it occurs. Incremental cost refers to the cost that will not occur if the Company does not acquire the contract (such as sales commission, etc.). Other expenses incurred by the Company to acquire the contract other than the expected recoverable incremental costs (such as travel expenses incurred regardless of whether the contract is acquired or not) shall be recorded into the current profit and loss when it occurs, except those clearly borne by the customer.

2. Amortization of assets related to contract cost

Assets related to contract costs are amortized on the same basis as income recognition of goods related to the asset, and are recorded into the current profit and loss when it occurs.

3. Impairment of assets related to contract cost

When determining the impairment loss of assets related to the contract cost, the Company first determines the impairment loss of other assets related to the contract recognized in accordance with other relevant accounting standards for business enterprises; Then, if the book value is higher than the difference between the residual consideration expected to be obtained by the Company due to the transfer of goods related to the asset and the estimated cost to be incurred for the transfer of relevant goods, the excess part shall be accrued for impairment provision and recognized as asset impairment loss.

If the factors of impairment in the previous period change so that the difference above is higher than the book value of the asset, the Company shall reverse the withdrawn asset impairment provision and include it into the current profit and loss, but the book value of the reversed asset shall not exceed the book value of such asset on the reversal date if the impairment provision is not withdrawn.

18. Long-term equity investment

The Company's long-term equity investment mainly consists of investment in subsidiaries, joint ventures and cooperative enterprises.

The Company's judgment on common control is based on the collective control of the arrangement by all participants or a combination of participants, and the policy on the activities related to the arrangement must be agreed upon by all participants in the collective control of the arrangement.

When the Company directly or indirectly owns more than 20% (including) but less than 50% voting rights of the investee through its subsidiaries, it is generally considered to have a significant impact on the investee. When the Company owns less than 20% voting rights of the investee, it shall be judged to have a significant impact on the investee with comprehensive consideration to dispatching representatives in the board of directors of the investee or similar authority, participating in the formulation process of the financial and business policy of the investee, conducting important transactions with the investee, dispatching management to the investee or providing key technical data for the investee.

The company that forms control over the investee shall be a subsidiary of the Company. For the long-term equity investment acquired through business combination under common control, the share of the book value of the net assets of the combined

party in the consolidated statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. If the book value of the net assets of the combined party on the combination date is negative, the long-term equity investment cost shall be determined as zero.

If the Company acquires the equity of the investee under common control by steps through several deals, finally forms business combination and such deals belong to package deal, the deals shall be subject to accounting treatment as a deal to obtain the control right. If the deals do not belong to the package deal, the share of the book value of the net assets of the combined party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination plus the book value of the new consideration for shares on the combination date is adjusted against capital reserve; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be written down.

For the long-term equity investment acquired through business combination not under common control, the combined cost is the initial investment cost.

If the Company acquires the equity of the investee not under common control by steps through several deals, finally forms business combination and such deals belong to package deal, the deals shall be subject to accounting treatment as a deal to obtain the control right. If the deals do not belong to the package deal, the sum of the book value of the equity investment originally held and newly increased investment cost shall be considered as initial cost of the investment that calculates according to cost method. If the equity held before the acquiring date is calculated by the equity method, other comprehensive income calculated by the equity method is not adjusted and shall be subject to accounting treatment when disposing of the investment through adopting the basis for the direct disposal of relevant assets or liabilities of the investee. If the original equity held before the acquiring date is calculated at fair value in the available-for-sale financial assets, the change in the cumulative fair value originally included in other comprehensive income is transferred to the current investment profit and loss on the combination date.

Except for the long-term equity investment acquired through business combination, for the long-term equity investment made by paying cash, the investment cost shall be the purchase price actually paid; for the long-term equity investment acquired by issuing equity securities, the investment cost shall be the fair value of the equity securities issued; for the long-term equity investment acquired through the exchange of non-monetary assets, the initial investment cost shall be recognized in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No.7 - Exchange of Non-monetary Assets*; for the long-term equity investment acquired by debt restructuring, the initial investment cost shall be recognized in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No.12 - Debt Restructuring*.

The investment in subsidiaries is measured by the cost method and the investment in joint ventures and cooperative enterprises is measured by equity method.

For the long-term equity investment calculated by cost method subsequently, the long-term equity investment cost is adjusted when the investment is added or recovered. The cash dividends or profits declared to be distributed by the investee should be recognized as current investment income.

The book value of the long-term equity investment measured subsequently by equity method shall be increased or decreased with the change in the owner's equity of the investee. The share of the net profits and losses of the investee to be enjoyed shall be recognized after offsetting of the part of the internal deal profits and losses attributable to the Company between the joint venture and cooperative enterprise according to the shareholding ratio and after adjustment of the new profits of the investee on the basis of the fair value of the identifiable assets of the investee when the investment is obtained and according to the Company's accounting policy and accounting period.

In disposal of the long-term equity investment, the balance between the book value and the actual price obtained is charged to current investment income. If a long-term equity investment calculated by the equity method is included in the owner's equity due to changes in the owner's equity other than the net profit and loss of the investee, the part originally included in the owner's equity in the disposal of the investment shall be transferred to the current investment profit and loss by the corresponding proportion.

If the deals for disposal of the equity by steps until the loss of the control right do not belong to the package deal, each deal shall be subject to accounting treatment respectively. If they belong to a package deal, the deals shall be subject to accounting treatment as a deal for disposal of subsidiary and loss of the control right; however, the difference between each disposal price and the book value of the long-term equity investment corresponding to the equity disposed of before the loss of control right is recognized as other comprehensive income and then transferred into the current profit and loss in the period of loss of control right.

19. Investment properties

Measurement mode of investment properties: measured by cost method.

Depreciation or amortization method: The Company's investment properties include the leased buildings which are measured by cost model.

The Company's investment properties are depreciated or amortized by the straight-line depreciation method. The estimated service life, net residual rate and yearly depreciation (amortization) ratio of all types of investment properties are as follows:

| Category | Depreciation life (year) | Expected residual rate (%) | Yearly depreciation (%) |
|----------------------|--------------------------|----------------------------|-------------------------|
| Houses and buildings | 20 years | 5.00 | 4.75 |

20. Fixed assets

(1) Recognition conditions

The Company's fixed assets refer to the tangible assets with the following features which are held for production of goods, provision of labor, lease (excluding lease of buildings) or operating management and whose service life exceeds year.

The fixed assets can be recognized when the economic benefits related to the fixed assets are likely to flow to the Company and when the cost of the fixed assets can be reliably measured. The fixed assets, including buildings, machinery equipment, transportation equipment and other equipment, are entered into the account by actual cost when obtained, in which, the cost of purchased fixed assets includes buying price, import tariff and other relevant taxes, as well as other expenses incurred before the fixed assets reach the extended usable status and directly attributable to the assets; cost of self-constructed fixed assets, consisting of necessary expenses incurred from construction of the asset to the intended serviceable conditions; the cost invested by the investors in the fixed assets is determined according to the value stipulated in the investment contracts or agreements, except the value stipulated in the contracts or agreements is not fair; the fixed assets under financing lease shall be recorded in the accounts according to the lower present value between the fair value of the leased asset on the lease commencement date and the minimum lease payment.

Accounting treatment of subsequent expenditure of fixed assets: subsequent expenditure of fixed assets mainly includes the transformation and renovation expenses and repair expenses. If the economic benefits related may flow in and the cost can be reliably measured, the subsequent expenditure is included in the fixed asset cost and the book value of the replaced part is derecognized. The other subsequent expenditure is charged to current profit and loss upon occurrence.

The Company shall review the service life, estimated residual value and depreciation method of the fixed assets on each balance sheet date and handle any change as the accounting estimate change.

When the fixed assets are disposed of or cannot generate economic benefits through expected use or disposal, the fixed assets are derecognized. The income from sale, transfer, scrap or damage disposal of fixed assets is included in current profits and losses after deducting the book value and related taxes.

(2) Depreciation method

| Category | Depreciation method | Depreciation life | Residual rate | Yearly depreciation |
|--------------------------|----------------------|-------------------|---------------|---------------------|
| Houses and buildings | Straight-line method | 20 years | 5.00% | 4.75% |
| Machinery equipment | Straight-line method | 10 years | 5.00% | 9.50% |
| Transportation equipment | Straight-line method | 5 years | 5.00% | 19.00% |
| Other equipment | Straight-line method | 5 years | 5.00% | 19.00% |

21. Construction in progress

The construction in progress is measured according to the actual cost. The self-run construction shall be measured by direct materials, direct wages and direct construction costs; the outsourced construction shall be measured according to the paid project cost; the equipment installation project cost shall be determined according to the value, installation cost and test run expenses of the equipment installed. The cost of the construction in progress should also include the capitalized borrowing costs.

The fixed assets of the construction shall be carried forward to the fixed assets by the estimated value according to the construction budget, cost or actual construction cost from the date when they reach the intended usable state, and the depreciation shall be calculated and withdrawn from the following month. The original value difference of the fixed assets is adjusted after the completion settlement procedures.

22. Borrowing costs

Recognition principle of capitalization of borrowing costs: the construction or production borrowing costs incurred and directly attributable to the assets meeting the capitalization conditions are capitalized and charged to relevant asset costs; other borrowing costs shall be recognized as costs according to the amount incurred when they occur and shall be included in the current profit and loss. Assets meeting the capitalization conditions refer to the fixed assets, intangible assets, inventories and other assets which can reach the intended usable or marketable status only after quite a long time (generally more than 1 year) of construction or production activities.

Capitalization period of borrowing costs: the borrowing costs related to the assets that meet the capitalization conditions start to be capitalized when the expenditure to acquire and the borrowing costs have occurred and the construction or production activities required to make the assets reach the usable or marketable status have started. In case of abnormal interrupt of the assets meeting the capitalization conditions for more than 3 consecutive months in the construction or production process, the capitalization of the borrowing costs is suspended; the borrowing costs stop capitalization when the construction or production assets meeting the capitalization conditions reach the usable or marketable status.

Calculation method for capitalized amount of borrowing costs: when special borrowings are borrowed for construction or production of the assets meeting the capitalization conditions, the difference between the interest incurred in the period of special borrowings and the interest income from the unused borrowing fund in the bank or the investment income of temporary investment is deemed as the capitalized amount of the interest on the special borrowings. When general borrowings are occupied for construction or production of assets meeting the capitalized conditions, the weighted average of the expenditure to acquire exceeding the special borrowings in the cumulative expenditure to acquire is multiplied by the weighted average interest rate of the general borrowings occupied to calculate and determine the amount of interest to be capitalized on the general borrowings.

23. Right-of-use assets

The right-of-use assets refers to the right of the Company, as the lessee, to use the leased assets during the lease term.

(1) Initial measurement

On the beginning date of the lease term, the Company make the initial measurement of the right-of-use assets according to the cost. The cost includes the following four items: ① the initial measurement amount of lease liabilities; ② the amount of lease payment paid on or before the beginning of the lease term. In case of a lease incentive, the amount of the granted lease incentive shall be deducted; ③ The initial direct expenses incurred, i.e., the incremental costs incurred to complete the lease; ④ The expected costs for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed upon under the lease terms, except those costs for the production inventory.

(2) Subsequent measurement

After the beginning date of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets, that is, the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses. If the Company re-measures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right-of-use assets shall be adjusted accordingly.

Depreciation of right-of-use assets

From the beginning date of the lease term, the Company makes the depreciation of the right-of-use assets. The right-of-use assets are usually depreciated from the month when the lease term begins. The amount of depreciation accrued shall be included in the cost of relevant assets or current profit and loss according to the purpose of the right-of-use assets.

When determining the depreciation method of the right-of-use assets, the Company makes a decision according to the expected consumption mode of the economic benefits related to the right-of-use assets, and depreciates the right-of-use assets by using the straight-line method.

The Company follows the following principles when determining the depreciation life of the right-of-use assets: Where it can be reasonably determined that the ownership of the leased assets can be acquired upon the expiration of the lease term, depreciation shall be calculated and withdrawn during the remaining service life of the leased assets; where it is impossible to reasonably determine that the ownership of the leased assets can be acquired upon the expiration of the lease term, the depreciation shall be calculated and withdrawn within a shorter period of the lease term and the remaining service life of the leased assets.

Impairment of right-of-use assets

In case of impairment of the right-of-use assets, the Company will conduct subsequent depreciation according to the book value of the right-of-use assets after deducting the impairment loss.

24. Intangible assets

(1) Valuation method, service life and impairment test

The Company's intangible assets mainly include land use rights, software, trademarks, patents, etc. The actual cost of the purchased intangible assets shall be the actual cost and other relevant expenses. The actual cost of the intangible assets invested by the investors is determined according to the value stipulated in the investment contracts or agreements. If the value stipulated in the contracts or agreements is not fair, the actual cost is determined according to the fair value. The intangible assets are amortized by the straight-line method. The classification and amortization period of the Company's intangible assets are as follows:

| Category | Amortization period |
|---------------------------|---------------------|
| Land use right | 50 years |
| Patent | 10 years |
| Software | 3~5 years |
| Trademark and domain name | 10 years |

The Company's land use right is amortized averagely according to the transfer life from the date of transfer; the Company's patent right, non-patented technology, the right to use the special software and other intangible assets are amortized averagely by the shortest of the estimated service life, the beneficial life stipulated in the contract and the effective life stipulated by law. The amortization amount shall be recorded into the current profit and loss or the cost of related assets according to its beneficiary object.

The expected useful life and amortization methods of the intangible assets with limited useful life are reviewed at the end of each year and adjusted accordingly in case of change; the expected useful life of the intangible assets with uncertain useful life are reviewed in each accounting period. If there is evidence that the service life of intangible assets is limited, the service life shall be estimated and amortized within the expected useful life.

(2) Accounting policy of expenditure for internal research and development

The expenditure of the Company's internal R&D projects is classified into the expenditure at the research stage and the expenditure at the development stage according to its nature and great uncertainty of the intangible assets eventually formed by R&D activities.

For intangible assets developed independently, the expenditure in the research stage shall be included in the current profit and loss when it occurs; The expenditures in the development stage shall be recognized as assets if they meet the following conditions at the same time:

- Technically feasible to complete the intangible assets, so that they can be used or sold;
- It is intended to finish and use or sell the intangible assets;
- The products generated by the intangible assets can be sold or the intangible assets themselves can be sold;
- It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- The development expenditures of the intangible assets can be reliably measured.

The expenses at the development stage not meeting above conditions are included in current profits and losses when obtained. The development expenses included in profits and losses in previous periods are not recognized as assets in subsequent periods. The capitalized expenses at the development stage are listed as development expenses in the balance sheet and transferred to intangible assets when the project reaches the intended usable state.

If the expenditure at the research stage and the expenditure at the development stage cannot be distinguished, the R&D expenditure incurred is fully charged to the current profit and loss. The cost of intangible assets formed by internal development activities consists only of the total expenditure incurred between the point at which the conditions for capitalization are met and the time at which the intangible assets reach their intended use. The expenditure that has been expensed and included in the profit and loss for the same intangible asset before reaching the capitalization conditions in the development process is no longer adjusted.

25. Long-term assets impairment

The Company checks the intangible assets determined for the long-term equity investment, fixed assets, construction in progress and service life of the subsidiaries, joint ventures and cooperative enterprises on each balance sheet date. When there are the following signs, indicating that the assets may be impaired, the Company will conduct impairment test; for intangible assets with uncertain goodwill and beneficial life, impairment test shall be conducted at the end of each year whether there is any sign of impairment or not. Where it is difficult to test the recoverable amount of a single asset, the test shall be based on the asset group or the combination of asset groups to which the asset belongs.

After the impairment test, if the book value of the asset exceeds the recoverable amount, the difference is recognized as an impairment loss. Once the impairment loss of the said asset is recognized, it will not be carried back in the subsequent accounting period. The recoverable amount of an asset is the higher of the net amount of the assets fair value subtracted by the disposal costs and the present value of the expected future cash flow of the assets.

Signs of impairment are as follows:

- The market price of assets has fallen sharply in the current period, and its decline is significantly higher than the expected decline due to the passage of time or normal use;

- The economic, technical or legal environment in which the enterprise operates and the market in which its assets are located are undergoing or will undergo significant changes in the current period or in the near future, thus adversely affecting the enterprise;
- The market interest rate or other market return on investment has increased in the current period, which affects the discount rate of the enterprise in calculating the present value of the expected future cash flow of assets, resulting in a significant reduction in the recoverable amount of asset;
- There is evidence that the assets have become obsolete or its entity has been damaged;
- The assets have been or will be idle, terminated or disposed of in advance;
- The evidence in the internal report of the enterprise indicates that the economic performance of the assets has been or will be lower than the expectation, such as the net cash flow created by the assets or the realized operating profit (or loss) is far lower (or higher) than the expected amount;
- Other signs indicating that the assets may have been impaired.

26. Goodwill

Goodwill refers to the difference between the cost of equity investment or the cost of business combination not under the same control and the fair value share of the investee or the acquiree's identifiable net assets that should be enjoyed or acquired in the business combination on the acquisition date or the acquisition purchase date.

Goodwill related to subsidiaries is presented separately in the consolidated financial statements, and goodwill related to joint ventures and cooperative enterprises is included in the book value of long-term equity investment.

27. Long-term unamortized expenses

The long-term unamortized expenses of the Company refer to the expenses that have been paid, but should be borne in the current period and subsequent periods with the amortization period of more than one year (excluding one year). Such expenses are amortized on average in the benefit period. If a long-term unamortized expense item cannot benefit a later accounting period, the amortized value of the item that has not been amortized is transferred to the current profit and loss.

28. Contract liabilities

Contract liabilities reflect the obligations of the Company to transfer goods to customers for consideration has been received or receivable from customers. If the customer has paid the contract consideration or the Company has obtained the right to receive the contract consideration unconditionally before the Company transfers the goods to the customer, the contract liabilities shall be recognized according to the amount received or receivable at the earlier of the actual payment made by the customer and the due payment.

29. Employee compensation

(1) Short-term compensation accounting method

The short-term compensation mainly includes salary, bonus, allowances and subsidies, employee services and benefits, housing fund, labor union expenditure and personnel education fund, medical insurance premiums, industrial injury insurance premium, birth insurance premium and other social insurance premiums. The short-term compensation actually happened during the accounting period when the staff offering the service for the Company shall be recognized as liabilities and included in the current gains and losses or relevant assets cost by the beneficiary object.

(2) Post-employment benefits accounting method

Post-employment benefits mainly include basic endowment insurance, unemployment insurance and enterprise annuity payment and are classified as defined contribution plans according to the risks and obligations undertaken by the Company. The sinking funds made to a separate entity on the balance sheet date in exchange for services rendered by the employee during the accounting period shall be recognized as liabilities and included in the current gains and losses or relevant assets cost by the beneficiary object.

(3) Termination benefits accounting method

The Company puts forward compensation for an employee to terminate the labor relationship with the employee before expiry of the employee labor contract. When failing to unilaterally withdraw the dismissal welfare due to termination of labor relation plan or downsizing suggestions, or when recognizing the costs related to restructuring involving payment of dismissal welfare (whichever comes first), the Company recognizes the employee compensation liabilities from the dismissal welfare and includes in current profit and loss. The compensation that is paid beyond a year is included in current profit and loss after discount.

(4) Other long-term employee benefits accounting method

Other long-term employee benefits mainly include the long-term incentive plan and long-term benefits and shall be subject to the accounting treatment according to relevant provisions in the defined contribution plans.

30. Lease liabilities

(1) Initial measurement

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning date of the lease term.

1) Lease payments

Lease payments refer to the amounts paid by the Company to the lessor related to the right to use the leased assets during the lease term, including: ① Fixed payment and substantial fixed payment. In case of a lease incentive, the amount related to lease incentive shall be deducted; ② Variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio on the beginning date of the lease term; ③ The exercise price of the call option when the Company reasonably determines to exercise the call option; ④ The amount to be paid for exercising the option to terminate the lease when the lease term reflects that the Company will exercise the option to terminate the lease; ⑤ The amount expected to be paid according to the guarantee residual value provided by the Company.

2) Discount rate

When calculating the present value of lease payments, the Company adopts the interest rate implicit in lease as the discount rate, which refers to the interest rate that makes the sum of the present value of the lessor's lease receipts and the present value of the unguaranteed residual value equal to the sum of the fair value of the leased asset and the lessor's initial direct expenses. If the Company is unable to determine the interest rate implicit in lease, the incremental loan interest rate shall be used as the discount rate. The incremental loan interest rate refers to the interest rate that the Company must pay to borrow funds with similar mortgage conditions during similar periods in order to obtain assets of similar value to the right-of-use assets under similar economic environment. The interest rate is related to the following matters: ① The Company's own situation, that is, the group's solvency and credit status; ② The term of the "loan", i.e. the lease term; ③ The amount of "borrowed" funds, i.e. the amount of lease liabilities; ④ "Mortgage conditions", that is, the nature and quality of the underlying assets; ⑤ Economic environment, including jurisdiction of the lessee, pricing currency, contract signing time, etc. Based on the bank loan interest rate, the Company obtains the incremental loan interest rate by adjusting the above factors.

(2) Subsequent measurement

After the beginning date of the lease term, the Company makes subsequent measurement of the lease liabilities according to the following principles: ① When confirming the interest of the lease liabilities, increase the carrying amount of the lease liabilities; ② When paying the lease payment, reduce the carrying amount of the lease liabilities; ③ When the lease payment changes due to revaluation or lease change, remeasure the carrying value of the lease liabilities.

The Company calculates the interest expense of the lease liabilities in each period of the lease term according to the fixed periodic interest rate and records it into the current profit and loss, except those that should be capitalized. Periodic interest rate refers to the discount rate adopted by the Company for the initial measurement of lease liabilities, or the revised discount rate adopted by the Company when the lease liabilities need to be remeasured according to the revised discount rate due to the change of lease payment or lease change.

(3) Remeasurement

After the beginning date of the lease term, in case of the following circumstances, the Company shall re-measure the lease liabilities according to the present value of the lease payment after the change, and adjust the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still needs to be further reduced, the Company will record the remaining amount into the current profit and loss. ① Substantial fixed payment amount changes (in this case, the original discount rate will be adopted for discount); ② The expected amount payable of the guarantee residual value changes (in this case, the original discount rate will be adopted for discount); ③ The index or rate used to determine the amount of lease payment changes (in this case, the revised discount rate will be adopted for discount); ④ The evaluation result of the call option changes (in this case, the revised discount rate will be adopted for discount); ⑤ The evaluation result or actual exercise of the renewal option or termination option changes (in this case, the revised discount rate will be adopted for discount).

31. Estimated liabilities

Any business related to contingencies such as external guarantee, pending litigation or arbitration, product quality assurance, staff reduction plan, loss contract, restructuring obligation, environmental pollution remediation, commitment and fixed asset disposal obligation, if meeting all of the following conditions, is recognized as a liability: the obligation is the current

obligation undertaken by the Company; performance of the obligation is likely to lead to the outflow of economic benefits; the amount of the obligation can be reliably measured.

The estimated liabilities are initially recognized according to the best estimate number of the expenditure required to perform relevant current obligations with consideration to the contingency related risks, uncertainty, time value of money and other factors. If the time value of money has significant impact, the best estimate number is determined after discount of the future cash flow. The book value of the estimated liabilities is reviewed on the balance sheet date and adjusted to reflect the current best estimate number if there is any change.

The existence of a potential obligation for past transactions or events shall be substantiated by the occurrence or non-occurrence of future uncertainties; the Company will disclose the potential or current obligation as a contingent liability if the performance of such obligation is not likely to result in the outflow of economic benefits from the Company or if the amount of such obligation cannot be reliably measured.

32. Share-based payment

The term share-based payment refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

The equity-settled share-based payment in return for employee services is measured at the fair value of the equity instruments granted to the employees. The amount of such fair value, under the situation that the rights can only be exercised after the service is finished and the set performance is achieved within the waiting period, and basing on the optimum estimation for the number of equity instrument which exercise rights within the waiting period, will be measured according to straight-line method and counted into relevant costs and expenses. The capital reserve will be increased correspondingly.

The share-based payment settled by cash will be measured according to the fair value of the liability confirmed basing on the shares borne by the Company and other equity instruments. If the rights can be exercised immediately after being granted, the payment will be counted into relevant costs or expenses at the fair value of the liabilities assumed and the liability will be increased correspondingly. If the rights can only be exercised after the situation that service within the waiting period is completed and set performance is achieved, the service obtained at the current period, according to the fair value amount of the liability borne by the Company, and basing on the optimum estimation for the condition of exercising rights, will be counted into costs or expenses on each and every balance sheet date during the waiting period, and the liability will be increased correspondingly.

Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current period.

33. Income

Accounting policies for income recognition and measurement

The Company's operating income mainly includes income from selling commodities, income from offering labor and transfer of asset use right.

1. Income recognition principle

The Company has fulfilled its contractual obligation to recognize income when the customer acquires control of the relevant goods or services. Obtaining control of the relevant goods or services is the ability to dominate the use of the goods or provision of services and gain almost all economic benefits from them.

The Company evaluates the contract on the contract commencement date, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time.

If one of the following conditions is satisfied, the Company shall be deemed to have performed its performance obligation within a certain period of time; otherwise, it shall be deemed to have performed its performance obligation at a certain time point:

- 1) The customer obtains and consumes the economic benefits arising from the Company's performance at the same time of the Company's performance.
- 2) The customer can control the goods under construction during the Company's performance.
- 3) The goods produced by the Company during the performance are of irreplaceable use, and the Company shall be entitled to receive payment for the accumulated part of the performance completed so far during the whole contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income in accordance with the performance progress during that period. If the performance schedule cannot be reasonably determined

and the cost already incurred by the Company is expected to be compensated, the Company shall recognize the income according to the cost already incurred until the performance schedule can be reasonably determined.

For performance obligations performed at a certain time point, the Company recognizes income at the time point when the customer acquires control of the relevant goods or services. In determining whether the customer has acquired control of goods or services, the Company considers the following indications:

- 1) The Company has the current collection right for the goods or services.
- 2) The Company has transferred legal ownership to the goods to the customer.
- 3) The Company has transferred the goods in kind to the customer.
- 4) The Company has transferred the main risks and rewards on the property in the goods to the customer;
- 5) The customer has accepted the goods or services, etc.

The Company's right to receive consideration for the transfer of goods or services to the customer is listed as the contract assets, and the contract assets are depreciated on the basis of expected credit losses. The rights that the Company owns and unconditionally to collect consideration from the customer are listed as receivables. The obligations of the Company to transfer goods or services to customers for which consideration has been received or receivable are listed as contractual liabilities.

2. Income measurement principle

1) If the contract contains two or more performance obligations, the Company shall, at the beginning of the contract, apportion the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods or services committed by each individual performance obligation, and measure the income according to the transaction price apportioned to each single performance obligation.

2) The transaction price means the amount of consideration that the Company is expected to be entitled to collect for the transfer of goods or services to the customer, excluding payments collected on behalf of third parties. The transaction price recognized by the Company does not exceed the amount of accumulated recognized income which is highly unlikely to be materially reversed when the relevant uncertainty is eliminated. The amount expected to be returned to the customer is not included in the transaction price as a liability.

3) If there is a material financing component in the contract, the Company shall determine the transaction price based on the amount payable in cash when the customer acquires control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the commencement date of the contract, if the Company expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment of the price will not exceed one year, the material financing elements in the contract will not be considered.

3. Specific methods of revenue recognition

1) Revenue recognized on time

The Company's sales of electrical products, accessories and materials belong to the performance obligation to be performed at a certain point in time.

Recognition conditions of income from domestic goods: the Company has delivered the products to the customers according to the contract, the customers have received the goods, the payment for goods has been recovered or the receipt voucher has been obtained, and the relevant economic benefits are likely to flow into the Company, the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership and control of the goods have been transferred.

Recognition conditions of income from export goods: the Company has declared the products to leave the port according to the contract, obtained the bill of lading, recovered the payment for goods or obtained the receipt voucher, and the relevant economic benefits are likely to flow into the Company, the main risks and rewards of the ownership of the goods have been transferred, and the legal ownership and control of the goods have been transferred.

2) Revenue recognized according to performance progress

The Company's technical service income and business contracts between operating leases and customers belong to the performance obligations performed within a certain period of time, and the income shall be recognized according to the performance progress.

34. Government subsidies

The Company's government subsidies include financial allocations. The asset related government subsidies refer to the government subsidies obtained by the Company and used for acquisition or construction or for formation of long-term assets in other ways; the income related government subsidies refer to the government subsidies other than the asset related

government subsidies. The government subsidies without subsidy objects specified in government documents shall be judged by the Company according to the above principle, or classified into income related government subsidies as a whole if it is difficult to judge.

The government subsidies as the monetary assets are measured according to the amount received. For subsidies allocated in accordance with fixed quota standards, or if there is evidence at the end of year that the Company can meet relevant conditions stipulated in the financial support policy and can be expected to receive the financial support fund, the government subsidies are measured according to receivables. The government subsidies not as the monetary assets are measured according to the fair value, or measured according to the nominal amount (RMB 1) if the fair value cannot be obtained reliably.

The government subsidies related to assets are recognized as deferred income and equally distributed and charged to the current profit and loss in the service life of relevant assets.

If the related asset is sold, transferred, scrapped or damaged before the end of the useful life, the deferred income balance not yet distributed is transferred in the profits and losses in the period of assets disposal.

The income related government subsidies, if used to compensate for related costs or losses in subsequent periods, are recognized as the deferred income and charged to the current profit and loss when related costs or losses are recognized. The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenditures.

Where the Company has obtained discount interest on preferential loans, it shall distinguish between the two situations in which the financial department allocates discount interest funds to the lending bank and the financial department directly allocates discount interest funds to the Company, and conduct accounting treatment according to the following principles:

- Where the financial department allocates the discount interest funds to the lending bank, and the lending bank provides the loan to the Company at the preferential policy interest rate, the Company shall take the actual amount of the loan received as the entry value of the loan, and calculate the relevant borrowing costs according to the loan principal and the preferential policy interest rate.
- Where the financial department directly allocates discount interest funds to the Company, the Company will write down the corresponding discount interest against the relevant borrowing costs.

If the government subsidy confirmed by the Company needs to be returned, the accounting treatment shall be carried out in accordance with the following provisions in the current situation of the return:

- 1) The book value of related assets is adjusted if it is offset upon initial recognition.
- 2) For those with related deferred income, the book balance of related deferred income is written down and the excess is accounted into the current profits and losses.
- 3) In the other cases, they are directly accounted into the current profits and losses.

35. Deferred income tax assets and deferred income tax liabilities

The Company's deferred income tax assets and deferred income tax liabilities are calculated and recognized according to the difference (temporary difference) between the tax base and book value of the assets and liabilities. For the deductible loss that can be carried forward to the subsequent year according to the tax law, the corresponding deferred income tax assets are recognized. For the deductible temporary differences related to the initial recognition of the goodwill, the corresponding deferred income tax liabilities are not recognized. For the temporary differences related to the initial recognition of the assets or liabilities incurred in the transaction not for business combination that will not affect the accounting profits and income tax payable (or deductible loss), the corresponding deferred income tax assets and liabilities are not recognized. The deferred income tax assets and deferred income tax liabilities are measured on the balance sheet date according to the applicable tax rate in the period of expected recovery of relevant assets or liquidation of relevant liabilities.

The Company recognizes the deferred income tax assets by deductible temporary differences, within the limit of the income tax payable that may be obtained in the future and used to offset the deductible temporary differences, the deductible loss and tax deduction.

36. Lease

(1) Accounting treatment method of operating lease

(1) Identification of lease

Lease refers to a contract in which the lessor transfers the right to use assets to the lessee for consideration within a certain period of time. On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If a party to the contract assigns the right to control the use of one or more identified assets within a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract

assigns the right to control the use of the identified assets within a certain period of time, the Company evaluates whether the customers in the contract is entitled to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases at the same time, the Company will split the contract and conduct accounting treatment for each separate lease. If the contract contains both leased and non-leased parts, the Company will split the leased and non-leased parts for accounting treatment.

(2) The Company as the lessee

1) Lease recognition

On the beginning date of the lease term, the Company recognizes the right-of-use assets and lease liabilities. See Note IV “23. Right-of-use assets” and “30. Lease liabilities” for the recognition and measurement of right-of-use assets and lease liabilities.

2) Lease change

Lease change refers to the change of lease scope, lease consideration and lease term beyond the terms of the original contract, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term specified in the contract, etc. The effective date of the lease change refers to the date when both parties reach an agreement on the lease change.

If the lease changes and meets the following conditions, the Company will treat the lease change as a separate lease for accounting: ① the lease change expands the lease scope or extends the lease term by adding the right to use one or more leased assets; ② The increased consideration is equivalent to the amount of the separate price of the extended part of the lease scope or the extended part of the lease term as adjusted according to the conditions of the contract.

If the lease change is not treated as a separate lease, on the effective date of the lease change, the Company will apportion the consideration of the changed contract in accordance with the relevant provisions of the lease standards and re-determine the lease term after the change; The revised discount rate is adopted to discount the changed lease payment to re-measure the lease liabilities. When calculating the present value of the lease payment after the change, the Company adopts the interest rate implicit in lease during the remaining lease period as the discount rate; If the interest rate implicit in lease cannot be determined for the remaining lease period, the Company will adopt the lessee's incremental loan interest rate on the effective date of the lease change as the discount rate. With regard to the impact of the above adjustment of lease liabilities, the Company shall distinguish the following circumstances for accounting treatment: ① if the lease scope is reduced or the lease term is shortened due to the lease change, the lessee shall reduce the book value of the right-of-use assets, and include the relevant gain or loss of lease under partial or complete termination into the current profit and loss. ② If the lease liabilities are re-measured due to other lease changes, the lessee shall adjust the book value of the right-of-use assets accordingly.

3) Short-term lease and low-value asset lease

The Company chooses not to recognize the right-of-use assets and lease liabilities for short-term lease with a lease term of no more than 12 months and low-value asset lease with a lower value when the single leased asset is a brand-new asset. The Company will record the lease payment of short-term lease and low-value asset lease into the relevant asset cost or current profit and loss according to the straight-line method or other systematic and reasonable methods during each period of the lease term.

(3) The Company as the lessor

On the basis that (1) the evaluated contract is related to lease or includes a lease, the Company, as the lessor, divides the lease into finance lease and operating lease on the commencement date of the lease.

If a lease substantially transfers almost all the risks and rewards related to the ownership of the leased assets, the lessor classifies such lease as a finance lease, and other leases other than finance leases as operating leases.

(2) Accounting treatment method of finance lease

For a lease under one or more of the following circumstances, the Company usually classifies it as a finance lease: ① when the lease term expires, the ownership of the leased asset is transferred to the lessee; ② The lessee has the option to purchase the leased asset, and the purchase price is low enough compared with fair value of the leased asset when the option is expected to be exercised, so it can be reasonably determined that the lessee will exercise the option on the commencement date of the lease; ③ Although the ownership of the asset is not transferred, the lease term accounts for most of the service life of the leased asset (no less than 75% of the service life of the leased asset); ④ On the commencement date of the lease, the present value of the lease receipts is almost equal to fair value of the leased asset (no less than 90% of the fair value of the leased asset); ⑤ The property of the leased asset is special. If no major transformation is made, only the lessee can use it. In case of one or more of the following signs in a lease, the Company may also classify it as a finance lease: ① if the lessee cancels the lease, and the loss to the lessor caused by the thereby is borne by the lessee; ② The gains or losses arising from

the fluctuation of the fair value of the residual value of assets belong to the lessee; ③ The lessee has the ability to continue the lease for the next period at a rent far below the market level.

1) Finance lease accounting treatment

Initial measurement

On the beginning date of the lease term, the Company recognizes the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets. When the Company initially measures the finance lease receivables, the net amount of the lease investment is taken as the entry value of the finance lease receivables.

The net amount of the lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted at the interest rate implicit in lease. Lease receipts refer to the amount that the lessor should collect from the lessee due to the assignment of the right to use the leased assets during the lease term, including: ① The fixed payment and substantial fixed payment to be paid by the lessee. In case of a lease incentive, the amount related to lease incentive shall be deducted; ② The amount of variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio on the beginning date of the lease term; ③ The exercise price of the call option, provided that it is reasonably determined that the lessee will exercise the option; ④ The amount to be paid by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the termination option; ⑤ The guarantee residual value provided by the lessee, the party related to the lessee and an independent third party with the financial ability to perform the guarantee obligation to the lessor.

Subsequent measurement

The Company calculates and recognizes the interest income of each period within the lease term according to the fixed periodic interest rate. The periodic interest rate refers to the implicit discount rate used to determine the net investment of the lease (in the case of sublease, if the interest rate implicit in lease of the sublease cannot be determined, the discount rate of the original lease shall be adopted (adjusted according to the initial direct expenses related to the sublease)), or the change of the finance lease is not accounted for as a separate lease, and if the change takes effect on the commencement date of the lease, the revised discount rate as determined according to relevant regulations is adopted when the lease will be classified as finance lease conditions.

Accounting treatment of lease change

If the financial lease changes and meets the following conditions, the Company will treat the change as a separate lease for accounting: ① the change expands the lease scope by adding the right to use one or more leased assets; ② The increased consideration is equivalent to the amount of the separate price of the extended part of the lease scope as adjusted according to the conditions of the contract.

If the change of a finance lease is not accounted for as a separate lease and meets the conditions that if the change takes effect on the commencement date of the lease and the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease change, and take the net investment of the lease before the effective date of the lease change as the book value of the leased asset.

2) Accounting treatment of operating lease

Treatment of rent

During each period of the lease term, the Company adopts the straight-line method / other systematic and reasonable methods to recognize the lease receipts of operating lease as rental income.

Incentives provided

If the rent-free period is provided, the Company will apportioned the total rent according to the straight-line method / other reasonable methods in the whole lease period without deducting the rent-free period, and the rent income shall be recognized during the rent-free period. If the Company bears some expenses of the lessee, the expenses shall be deducted from the total rental income and apportioned within the lease term according to the balance of rental income after deduction.

Initial direct costs

The initial direct expenses incurred by the Company in connection with the operating lease shall be capitalized to the cost of the underlying assets of the lease and included in the current profit and loss by stages on the same recognition basis as the rental income during the lease term.

Depreciation

For the fixed assets in the operating leased assets, the Company adopts the depreciation policy of similar assets for depreciation; Other operating leased assets are amortized in systematic and reasonable methods.

Variable lease payments

The variable lease payments obtained by the Company related to operating lease that are not included in the lease receipts are included in the current profit and loss when actually incurred.

Change of operating lease

If the operating lease is changed, the Company will treat it as a new lease for accounting since the effective date of the change. The amount of advance receipts or lease receivables related to the lease before the change is regarded as the amount of new lease receipts.

37. Other significant accounting policy and accounting estimate

When preparing the financial statements, the management of the Company is required to use estimates and assumptions, which will have an impact on the application of accounting policies and the amount of assets, liabilities, income and expenses. The actual situation may differ from these estimates. The management of the Company continuously evaluates the judgment of key assumptions and uncertainties involved in the estimates. The impact of changes in accounting estimates shall be recognized in the current and future periods of the changes.

The following accounting estimates and key assumptions have significant risks that will lead to major adjustments to the book value of assets and liabilities in the future periods:

(1) Financial assets impairment

The expected credit loss model is adopted to evaluate the impairment of financial instruments in the financial assets impairment, which requires major judgment and estimates and requires considering all reasonable and substantiated information, including forward-looking information. In making such judgments and estimates, the Company deduces the expected changes of the debtor's credit risks based on historical data combined with economic policies, macroeconomic indicators, industrial risks, external market environment, technical environment, changes in customer conditions and other factors.

(2) Provision for inventory impairment

Basis for determining the net realizable value of inventories: the net realizable value of merchandise inventory, materials for sale and other merchandise inventories directly used for sale is recognized by the amount of the estimated sale price of the inventories subtracted by the estimated selling expenses and related taxes; For the inventories held to perform the sales contract or labor contract, the net realizable value is calculated on the basis of contract price; If the number of the inventories held by the enterprise is greater than the quantity ordered in the sales contract, the net realizable value of the excessive inventories is calculated on the basis of general sale price.

The method for inventory falling price reserves: it is priced according to the lower of the year-end inventory and the net realizable value. At the end of the period, on the basis of a comprehensive inventory of the inventories, the inventory falling price reserves are withdrawn for the part of its cost is expected to be non-recoverable due to the inventory damage, full or partial obsolescence or selling price below the cost.

If the influence factors writing down the inventory value before have disappeared, resulting in the net realizable value of the inventories higher than the book value, the amount written down shall be restored and reversed within the originally withdrawn amount of inventory falling price reserves and the amount reversed is included in current profit and loss.

(3) Accounting estimates of provision for impairment of goodwill

The Company conducts impairment test on goodwill every year. The recoverable amount of asset group or the combination of asset groups containing goodwill is the present value of its estimated future cash flows, which need to be calculated using accounting estimates.

If the management revises the gross margin ratio used in the calculation of future cash flows of asset group and the combination of asset groups, and the revised gross margin ratio is lower than the current gross margin ratio, the Company needs to withdraw impairment provision for the increase of goodwill.

If the management revises the pre-tax discount rate used for cash flow discount, and the revised gross margin ratio is higher than the current gross margin ratio, the Company needs to withdraw impairment provision for the increase of goodwill.

If the actual gross margin ratio or pre-tax discount rate is higher or lower than the management's estimates, the Company cannot reverse the originally accrued goodwill impairment loss.

(4) Accounting estimates of impairment provisions for fixed assets

The Company conducts impairment test on fixed assets such as houses, buildings, machinery and equipment with signs of impairment on the balance sheet date. The recoverable amount of fixed assets is the higher of the present value of its estimated future cash flows and the net value of the fair value of the assets minus the disposal expense, which need to be calculated using accounting estimates.

If the management revises the gross margin ratio used in the calculation of future cash flows of asset group and the combination of asset groups, and the revised gross margin ratio is lower than the current gross margin ratio, the Company needs to withdraw impairment provision for the increase of fixed assets.

If the management revises the pre-tax discount rate used for cash flow discount, and the revised gross margin ratio is higher than the current gross margin ratio, the Company needs to withdraw impairment provision for the increase of fixed assets.

If the actual gross margin ratio or pre-tax discount rate is higher or lower than the management's estimates, the Company cannot reverse the originally accrued impairment provisions for fixed assets.

(5) Accounting estimates for deferred income tax asset recognition

The estimation of deferred income tax assets requires an estimate of the taxable income and applicable tax rate of each year in the future. The realization of deferred income tax assets depends on whether the Group is likely to obtain sufficient taxable income in the future. Changes in future tax rates and the reversal time of temporary differences may also affect income tax expenses (income) and the balance of deferred income tax. Changes in the above estimates may result in significant adjustments to deferred income tax.

(6) Useful life of fixed assets and intangible assets

The Company shall review the expected service life of fixed assets and intangible assets at least at the end of each year. The estimated service life is determined by the management based on the historical experience of similar assets, with reference to the estimates commonly used in the same industry and in combination with the expected technical updates. When there are significant changes in previous estimates, the depreciation expenses and amortization expenses for the future period shall be adjusted accordingly.

38. Significant accounting policy and accounting estimate change

(1) Changes in significant accounting policies

Applicable Not applicable

| Content and reasons of changes in accounting policies | Approval procedures | Remark |
|---|--|--------|
| On December 30, 2021, the Ministry of Finance issued the <i>Circular on Issuing the Interpretation of Accounting Standards for Business Enterprises No.15</i> (C.K. [2021] No. 35) (hereinafter referred to as the "Standard Interpretation No.15"). The Company has implemented the Standard Interpretation No.15 since January 1, 2022. | The 13th Meeting of the Fifth Board of Directors | |

(2) Significant accounting estimate change

Applicable Not applicable

VI. Tax

1. Main tax categories and tax rates

| Tax category | Taxation basis | Tax rate |
|--|---------------------------------------|--------------------------|
| Added value tax | Income from selling commodities | 13% |
| Added value tax | Technical service income | 6% |
| Added value tax | Income from house lease | 5% |
| Urban maintenance and construction tax | Turnover tax payable | 7% |
| Education surcharge | Turnover tax payable | 3% |
| Surcharge for local education | Turnover tax payable | 2% |
| Housing property tax | 70% of original value of the property | 1.2% |
| Housing property tax | Rental income | 12% |
| Land use tax | Total land area | 5-10 yuan/m ² |
| Corporate income tax | Income tax payable | 15%, 25%, 20% |

If there are taxpayers with different enterprise income tax rates, the disclosure statement shall present

| Name of taxpayer | Income tax rate |
|--|-----------------|
| Hangzhou ROBAM Appliances Co., Ltd. | 15% |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 15% |

| | |
|---|-----|
| Zhejiang Cooking Future Technology Co., Ltd. | 25% |
| Beijing ROBAM Electric Appliance Sales Co., Ltd. | 25% |
| Shanghai ROBAM Electric Appliance Sales Co., Ltd. | 25% |
| Hangzhou Mingqi Electric Co., Ltd. | 25% |
| Dize Home Appliances Trading (Shanghai) Co., Ltd. | 25% |
| Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. | 20% |
| Hangzhou Jinhe Electric Appliances Co., Ltd | 25% |

2. Tax preference

Preferential policies for income tax

On December 1, 2020, the Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service of State Taxation Administration and Zhejiang Local Taxation Bureau jointly issued a high-tech enterprise certificate (No. GR202033007142) and the Company passed the high-tech enterprise identification for 3 years. According to relevant regulations, after passing the high-tech enterprise identification, the Company can enjoy the relevant preferential policies of the state on high-tech enterprises for three consecutive years (i.e., the income tax preference period from January 1, 2020 to December 31, 2022), and the enterprise income tax shall be levied at the rate of 15%.

Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. (hereinafter referred to as Shengzhou Kinde), a subsidiary of the Company, obtained the high-tech enterprise certificate (No. GR202233010421) jointly issued by the Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service of State Taxation Administration on December 24, 2022 and passed the high-tech enterprise identification. The Company can enjoy the relevant preferential policies of the state on high-tech enterprises for three consecutive years (i.e., the income tax preference period from January 1, 2022 to December 31, 2024), and the enterprise income tax shall be levied at the rate of 15%.

According to the Announcement [2021] No. 8 of the State Taxation Administration, Hangzhou ROBAM Fuchuang Investment Management Co., Ltd., a subsidiary of the Company, includes the part of the annual taxable income tax of small meager-profit enterprises that does not exceed 1 million yuan into the taxable income at a reduced rate of 12.5%, and the enterprise income tax shall be paid at the rate of 20%.

On September 22, 2022, according to the *Announcement of the Ministry of Finance, the State Administration of Taxation, and the Ministry of Science and Technology on Increasing Support for the Pre-tax Deduction for Technological Innovation* (Announcement No. 28 of the Ministry of Finance, the State Administration of Taxation, and the Ministry of Science and Technology in 2022), for the equipment and appliances newly purchased by high-tech enterprises from October 1, 2022 to December 31, 2022, the full amount of taxable income is allowed to be deducted in a lump sum, and a 100% additional deduction before tax is allowed. The Company and its subsidiary Shengzhou Kinde are subject to the preferential tax policies of corporate income tax.

- Preferential policies for added-value tax

According to the Notice of the State Taxation Administration of the Ministry of Finance on the Value-added Tax Policy for Software Products (C.S. [2011] No. 100), the Company's embedded software sales products enjoy the value-added tax refunded as soon as they are collected.

- Preferential tax policies for land use tax

According to Article 7 of the “Decision of the State Council on Amending the *Interim Regulations of the People's Republic of China Governing Land Use Tax on Cities and Towns*” (Order No. 483 of the State Council of the People's Republic of China), the Company enjoys preferential policies for reducing or exempting land use tax.

VII. Notes to items in consolidated financial statements

1. Monetary capital

Unit: yuan

| Item | Ending balance | Beginning balance |
|------------------------|------------------|-------------------|
| Cash on hand | 85,806.05 | 80,944.99 |
| Bank deposit | 5,194,887,841.18 | 3,718,304,060.33 |
| Other monetary capital | 97,789,023.71 | 83,816,341.23 |
| Total | 5,292,762,670.94 | 3,802,201,346.55 |

Note: ETC cash deposit of RMB 13,000.00 in bank deposits at the end of the year is restricted funds; Other monetary capital at the year end is RMB 97,789,023.71, of which the L/C deposit of RMB 76,092,305.89, bill acceptance deposit of RMB 20,243,023.31 are limited funds, Alipay balance and Wechat balance of RMB 1,453,694.51 are non-limited funds that can be withdrawn at any time.

Use of restricted monetary funds

| Item | Year-end balance | Year-beginning balance |
|--|----------------------|------------------------|
| Letter of guarantee and bill acceptance security deposit | 96,335,329.20 | 82,212,526.20 |
| ETC deposit | 13,000.00 | |
| Total | 96,348,329.20 | 82,212,526.20 |

2. Trading financial assets

Unit: yuan

| Item | Ending balance | Beginning balance |
|--|-------------------------|-------------------------|
| Financial assets measured with fair value and with the changes included in current profit and loss | 2,511,844,508.00 | 2,872,312,500.00 |
| Where: | | |
| Bank financial products | 2,511,844,508.00 | 2,872,312,500.00 |
| Total | 2,511,844,508.00 | 2,872,312,500.00 |

3. Notes receivable

(1) Classified presentation of notes receivable

Unit: yuan

| Item | Ending balance | Beginning balance |
|----------------------|-----------------------|-------------------------|
| Bank acceptance bill | 609,791,571.72 | 862,581,158.56 |
| Trade acceptance | 271,981,769.99 | 467,612,736.26 |
| Total | 881,773,341.71 | 1,330,193,894.82 |

Unit: yuan

| Category | Ending balance | | | | | Beginning balance | | | | |
|---|-----------------------|----------------|------------------------|---------------------|-----------------------|-------------------------|----------------|------------------------|---------------------|-------------------------|
| | Book balance | | Provision for bad debt | | Book value | Book balance | | Provision for bad debt | | Book value |
| | Amount | Proportion | Amount | Accruing proportion | | Amount | Proportion | Amount | Accruing proportion | |
| Notes receivable of provision for bad debt by single item | 12,553,205.80 | 1.39% | 6,659,943.22 | 53.05% | 5,893,262.58 | 269,463.729.35 | 17.09% | 224,066.803.50 | 83.15% | 45,396,925.85 |
| Where: | | | | | | | | | | |
| Notes receivable of provision for bad debt by combination | 889,884,737.69 | 98.61% | 14,004,658.56 | 1.57% | 875,880,079.13 | 1,307,018,853.73 | 82.91% | 22,221,884.76 | 1.70% | 1,284,796,968.97 |
| Where: | | | | | | | | | | |
| Banker's acceptance bill | 609,791,571.72 | 67.57% | | | 609,791,571.72 | 862,581,158.56 | 54.72% | | | 862,581,158.56 |
| Commercial acceptance bill | 280,093,165.97 | 31.04% | 14,004,658.56 | 5.00% | 266,088,507.41 | 444,437,695.17 | 28.19% | 22,221,884.76 | 5.00% | 422,215,810.41 |
| Total | 902,437,943.49 | 100.00% | 20,664,601.78 | 2.29% | 881,773,341.71 | 1,576,482,583.08 | 100.00% | 246,288,688.26 | 15.62% | 1,330,193,894.82 |

Provision for bad debt by single item:

Unit: yuan

| Name | Ending balance | | | |
|--------|----------------|------------------------|---------------------|-----------------------|
| | Book balance | Provision for bad debt | Accruing proportion | Reasons for provision |
| Unit 1 | 9,336,504.18 | 4,668,252.09 | 50.00% | |
| Unit 2 | 1,300,000.00 | 650,000.00 | 50.00% | |
| Unit 3 | 1,042,901.00 | 730,030.70 | 70.00% | |
| Unit 4 | 750,731.20 | 525,511.84 | 70.00% | |
| Unit 5 | 123,069.42 | 86,148.59 | 70.00% | |
| Total | 12,553,205.80 | 6,659,943.22 | | |

Provision for bad debt by combination:

Unit: yuan

| Name | Ending balance | | |
|--|----------------|------------------------|---------------------|
| | Book balance | Provision for bad debt | Accruing proportion |
| Banker's acceptance bill combination | 609,791,571.72 | | |
| Commercial acceptance bill combination | 280,093,165.97 | 14,004,658.56 | 5.00% |
| Total | 889,884,737.69 | 14,004,658.56 | |

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

| Category | Beginning balance | Changes in amount in current period | | | | Ending balance |
|----------------------------|-------------------|-------------------------------------|-----------------------|-----------------------------|-------|----------------|
| | | Provision | Recovered or reversed | Canceled after verification | Other | |
| Commercial acceptance bill | 246,288,688.26 | -225,624,086.48 | | | | 20,664,601.78 |
| Total | 246,288,688.26 | -225,624,086.48 | | | | 20,664,601.78 |

(3) Notes transferred to accounts receivable by the Company at the end of the period due to failure of the drawer to perform

Unit: yuan

| Item | Amount transferred to accounts receivable at the end of the period |
|------------------|--|
| Trade acceptance | 329,189,770.19 |
| Total | 329,189,770.19 |

4. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

| Category | Ending balance | | | | | Beginning balance | | | | |
|--|------------------|------------|------------------------|---------------------|----------------|-------------------|------------|------------------------|---------------------|---------------|
| | Book balance | | Provision for bad debt | | Book value | Book balance | | Provision for bad debt | | Book value |
| | Amount | Proportion | Amount | Accruing proportion | | Amount | Proportion | Amount | Accruing proportion | |
| Accounts receivable of provision for bad debt by single item | 1,639,679,315.79 | 58.71% | 1,030,780,696.17 | 62.86% | 608,898,619.62 | 630,075,052.06 | 28.04% | 553,584,090.07 | 87.86% | 76,490,961.99 |
| Where: | | | | | | | | | | |

| | | | | | | | | | | |
|---|------------------|---------|------------------|--------|------------------|------------------|---------|----------------|--------|------------------|
| Provision for bad debt by single item | 1,639,679,315.79 | 58.71% | 1,030,780,696.17 | 62.86% | 608,898,619.62 | 630,075,052.06 | 28.04% | 553,584,090.07 | 87.86% | 76,490,961.99 |
| Accounts receivable of provision for bad debt by combination | 1,153,269,565.99 | 41.29% | 72,561,356.67 | 6.29% | 1,080,708,209.32 | 1,617,347,143.15 | 71.96% | 96,145,244.24 | 5.94% | 1,521,201,898.91 |
| Where: | | | | | | | | | | |
| Accounts receivable of provision for bad debt by expected credit loss combination based on aging features | 1,153,269,565.99 | 41.29% | 72,561,356.67 | 6.29% | 1,080,708,209.32 | 1,617,347,143.15 | 71.96% | 96,145,244.24 | 5.94% | 1,521,201,898.91 |
| Total | 2,792,948,881.78 | 100.00% | 1,103,342,052.84 | 39.50% | 1,689,606,828.94 | 2,247,422,195.21 | 100.00% | 649,729,334.31 | 28.91% | 1,597,692,860.90 |

Provision for bad debt by single item:

Unit: yuan

| Name | Ending balance | | | |
|---------|------------------|------------------------|---------------------|--|
| | Book balance | Provision for bad debt | Accruing proportion | Reasons for provision |
| Unit 1 | 657,344,204.78 | 657,344,204.78 | 100.00% | Difficult to recover |
| Unit 2 | 607,891,265.65 | 182,367,379.70 | 30.00% | Debt overdue |
| Unit 3 | 112,811,043.19 | 42,342,003.78 | 37.53% | Debt overdue |
| Unit 4 | 80,690,330.78 | 56,483,231.54 | 70.00% | Debt default |
| Unit 5 | 27,754,259.57 | 18,956,340.20 | 68.30% | Debt default |
| Unit 6 | 24,817,347.78 | 4,963,469.56 | 20.00% | Debt overdue |
| Unit 7 | 21,370,090.54 | 14,959,063.38 | 70.00% | Debt default |
| Unit 8 | 20,263,294.09 | 5,751,727.45 | 28.38% | Debt overdue |
| Unit 9 | 16,210,905.78 | 11,325,134.05 | 69.86% | Debt default |
| Unit 10 | 14,139,851.56 | 8,965,986.59 | 63.41% | Debt default |
| Unit 11 | 10,185,685.90 | 2,157,682.25 | 21.18% | Debt overdue |
| Unit 12 | 9,475,265.17 | 6,632,685.62 | 70.00% | Debt default |
| Unit 13 | 8,440,716.52 | 4,288,717.32 | 50.81% | Debt default |
| Unit 14 | 8,009,318.82 | 2,345,903.11 | 29.29% | Debt overdue |
| Unit 15 | 4,025,730.93 | 2,818,011.65 | 70.00% | Debt default |
| Unit 16 | 16,250,004.73 | 9,079,155.19 | 55.87% | It is expected that there is recovery risk |
| Total | 1,639,679,315.79 | 1,030,780,696.17 | | |

Note: Affected by national policies in the real estate industry, many real estate developers have financial deterioration and debt defaults. The Company actively collects claims receivable or requires them to repay the debts with other assets. This year, the Company has carried out debt restructuring of claims receivable with real estate customers, and made the bad debt provision at the expected credit loss rate of 20% for the part of the year-end balance of accounts receivable for which a debt repayment agreement has been signed. See "Other important issues 2. Corporate debt restructuring matters" for details.

Provision for bad debt by combination: accounts receivable of provision for bad debt by expected credit loss combination based on aging features

Unit: yuan

| Name | Ending balance | | |
|-------------------|------------------|------------------------|---------------------|
| | Book balance | Provision for bad debt | Accruing proportion |
| Within 1 year | 1,009,720,783.90 | 50,485,305.60 | 5.00% |
| 1~2 years | 112,392,592.96 | 11,239,259.29 | 10.00% |
| 2~3 years | 20,956,595.32 | 4,191,319.06 | 20.00% |
| 3~4 years | 6,123,348.00 | 3,061,674.01 | 50.00% |
| 4~5 years | 2,462,235.47 | 1,969,788.37 | 80.00% |
| More than 5 years | 1,614,010.34 | 1,614,010.34 | 100.00% |

| | | | |
|-------|------------------|---------------|--|
| Total | 1,153,269,565.99 | 72,561,356.67 | |
|-------|------------------|---------------|--|

Disclosure by aging

Unit: yuan

| Aging | Book balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 1,414,611,796.19 |
| Within 1 year (including 1 year) | 1,414,611,796.19 |
| 1~2 years | 1,310,592,988.91 |
| 2~3 years | 52,140,042.25 |
| More than 3 years | 15,604,054.43 |
| 3~4 years | 8,167,899.77 |
| 4~5 years | 5,260,654.01 |
| More than 5 years | 2,175,500.65 |
| Total | 2,792,948,881.78 |

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

| Category | Beginning balance | Changes in amount in current period | | | | Ending balance |
|---|-------------------|-------------------------------------|-----------------------|-----------------------------|-------|------------------|
| | | Provision | Recovered or reversed | Canceled after verification | Other | |
| Provision for bad debt of accounts receivable | 649,729,334.31 | 478,552,796.11 | 24,667,546.54 | 272,531.04 | | 1,103,342,052.84 |
| Total | 649,729,334.31 | 478,552,796.11 | 24,667,546.54 | 272,531.04 | | 1,103,342,052.84 |

(3) Receivables with top 5 ending balances by debtor

Unit: yuan

| Unit name | Ending balance of accounts receivable | Proportion in total ending balance of accounts receivable | Ending balance of bad debt provision |
|-----------|---------------------------------------|---|--------------------------------------|
| Unit 1 | 607,712,069.65 | 21.76% | 182,313,620.90 |
| Unit 2 | 452,376,997.98 | 16.13% | 452,376,997.98 |
| Unit 3 | 201,930,395.59 | 7.20% | 10,096,519.78 |
| Unit 4 | 95,125,955.20 | 3.39% | 95,125,955.20 |
| Unit 5 | 62,543,420.42 | 2.23% | 62,543,420.42 |
| Total | 1,419,688,838.84 | 50.84% | |

(4) Amount of assets and liabilities formed by transferring accounts receivable and continuing involvement

Unit: yuan

| Asset item | Year-end balance | Liability item | Year-end balance |
|---|------------------|----------------------|------------------|
| Accounts receivable with recourse factoring | 573,429.99 | Short-term borrowing | 573,429.99 |

5. Advances to suppliers

(1) Presentation of advances to suppliers by aging

Unit: yuan

| Aging | Ending balance | | Beginning balance | |
|-------------------|----------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 176,828,710.59 | 99.62% | 129,823,235.88 | 98.98% |
| 1~2 years | 331,685.80 | 0.19% | 1,308,725.59 | 1.00% |
| 2~3 years | 309,887.50 | 0.17% | 30,069.48 | 0.02% |
| More than 3 years | 30,069.48 | 0.02% | | |
| Total | 177,500,353.37 | | 131,162,030.95 | |

(2) Advances to suppliers with top 5 ending balances by prepayment object

The total amount of advances to suppliers with top 5 ending balances by prepayment object in the current year was RMB 94,603,621.04, accounting for 53.30% of total number of ending balance of advances to suppliers.

6. Other receivables

Unit: yuan

| Item | Ending balance | Beginning balance |
|-------------------|----------------|-------------------|
| Other receivables | 80,429,057.84 | 73,487,381.46 |
| Total | 80,429,057.84 | 73,487,381.46 |

(1) Other receivables

1) Other receivables classified by nature

Unit: yuan

| Nature of payment | Ending book balance | Beginning book balance |
|---------------------------|---------------------|------------------------|
| Deposit and margin | 38,184,552.92 | 48,646,642.67 |
| Collection by third party | 50,695,825.81 | 39,389,486.99 |
| Imprest | 2,601,040.33 | 2,785,329.49 |
| Withheld amount | 4,898,268.76 | 3,224,265.49 |
| Other | 519,033.02 | 57,881.26 |
| Total | 96,898,720.84 | 94,103,605.90 |

2) Provision for bad debt

Unit: yuan

| Provision for bad debt | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--|---|---|---------------|
| | Expected credit losses over the next 12 months | Expected credit loss for the entire duration (no credit impairment) | Expected credit loss for the entire duration (credit impairment has occurred) | |
| Balance on January 1, 2022 | 20,616,224.44 | | | 20,616,224.44 |
| Balance on January 1, 2022 in current period | | | | |
| Withdrawn in current period | -4,146,561.44 | | | -4,146,561.44 |
| Balance on December 31, 2022 | 16,469,663.00 | | | 16,469,663.00 |

Large book balance change in the current period of provision for loss

Applicable Not applicable

Disclosure by aging

Unit: yuan

| Aging | Book balance |
|-------|--------------|
|-------|--------------|

| | |
|----------------------------------|---------------|
| Within 1 year (including 1 year) | 70,253,063.08 |
| Within 1 year (including 1 year) | 70,253,063.08 |
| 1~2 years | 9,080,735.82 |
| 2~3 years | 4,279,573.74 |
| More than 3 years | 13,285,348.20 |
| 3~4 years | 2,965,976.80 |
| 4~5 years | 3,046,691.50 |
| More than 5 years | 7,272,679.90 |
| Total | 96,898,720.84 |

3) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

| Category | Beginning balance | Changes in amount in current period | | | | Ending balance |
|---|-------------------|-------------------------------------|-----------------------|-----------------------------|-------|----------------|
| | | Provision | Recovered or reversed | Canceled after verification | Other | |
| Provision for bad debt of other receivables | 20,616,224.44 | -4,146,561.44 | | | | 16,469,663.00 |
| Total | 20,616,224.44 | -4,146,561.44 | | | | 16,469,663.00 |

4) Other receivables with top 5 ending balances by debtor

Unit: yuan

| Unit name | Nature of payment | Ending balance | Aging | Proportion in total other ending balance receivable | Ending balance of bad debt provision |
|-----------|--|----------------|---------------------|---|--------------------------------------|
| Unit 1 | Collection by third party, unit security deposit | 33,940,660.20 | 0~5 years and above | 35.03% | 1,807,033.01 |
| Unit 2 | Collection by third party | 9,589,038.27 | Within 1 year | 9.90% | 479,451.91 |
| Unit 3 | Unit security deposit | 4,928,000.00 | More than 5 years | 5.09% | 4,928,000.00 |
| Unit 4 | Collection by third party, unit security deposit | 4,648,009.63 | 0~5 years | 4.80% | 287,400.48 |
| Unit 5 | Withheld amount | 3,004,085.55 | Within 1 year | 3.10% | 150,204.28 |
| Total | | 56,109,793.65 | | 57.92% | 7,652,089.68 |

7. Inventory

(1) Inventory classification

Unit: yuan

| Item | Ending balance | | | Beginning balance | | |
|-----------------------------------|----------------|--|----------------|-------------------|--|----------------|
| | Book balance | Inventory falling price reserves or provision for impairment of contract performance costs | Book value | Book balance | Inventory falling price reserves or provision for impairment of contract performance costs | Book value |
| Semi-finished products shipped in | 946,934,786.68 | 34,166,612.43 | 912,768,174.25 | 971,605,585.98 | 51,220,027.98 | 920,385,558.00 |

| | | | | | | |
|--|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| transit | | | | | | |
| Merchandise inventory | 433,960,199.87 | 38,422,564.56 | 395,537,635.31 | 529,957,331.64 | 28,819,579.60 | 501,137,752.04 |
| Raw materials | 124,228,344.80 | | 124,228,344.80 | 161,795,174.65 | | 161,795,174.65 |
| Low priced and easily worn articles and wrappage | 22,715,660.50 | | 22,715,660.50 | 23,495,275.67 | | 23,495,275.67 |
| Work in process | 110,725,274.36 | | 110,725,274.36 | 116,573,107.77 | | 116,573,107.77 |
| Contract performance cost | 44,135,708.88 | | 44,135,708.88 | 48,844,764.12 | | 48,844,764.12 |
| Total | 1,682,699,975.09 | 72,589,176.99 | 1,610,110,798.10 | 1,852,271,239.83 | 80,039,607.58 | 1,772,231,632.25 |

(2) Inventory falling price reserves and provision for impairment of contract performance costs

Unit: yuan

| Item | Beginning balance | Amount increased in current period | | Amount decreased in current period | | Ending balance |
|---|----------------------|------------------------------------|-------|------------------------------------|-------|----------------------|
| | | Provision | Other | Reversed or written off | Other | |
| Semi-finished products shipped in transit | 51,220,027.98 | -12,081,017.47 | | 4,972,398.08 | | 34,166,612.43 |
| Merchandise inventory | 28,819,579.60 | 13,747,842.79 | | 4,144,857.83 | | 38,422,564.56 |
| Total | 80,039,607.58 | 1,666,825.32 | | 9,117,255.91 | | 72,589,176.99 |

8. Other current assets

Unit: yuan

| Item | Ending balance | Beginning balance |
|--------------------------------|-------------------|---------------------|
| Pending deduct VAT on purchase | 333,014.51 | 3,442,185.74 |
| Prepaid tax | 1,334.25 | 668,243.42 |
| Total | 334,348.76 | 4,110,429.16 |

9. Long-term equity investment

Unit: yuan

| Invested unit | Beginning balance (book value) | Increase or decrease in current period | | | | | | | | Ending balance (book value) | Balance of impairment provision at the end of period |
|--|--------------------------------|--|-------------------|---|--|-------------------------|---|--------------------------|-------|-----------------------------|--|
| | | Further investment | Capital reduction | Investment gains and losses recognized by the equity method | Adjustment of other comprehensive income | Changes in other equity | Declared payment of cash dividends or profits | Provision for impairment | Other | | |
| I. Joint enterprise | | | | | | | | | | | |
| De Dietrich Trade (Shanghai) Co., Ltd. | 3,661,700.03 | | | 162,760.00 | | | | | | | 3,824,460.03 |
| Subtotal | 3,661,700.03 | | | 162,760.00 | | | | | | | 3,824,460.03 |
| II. Joint venture | | | | | | | | | | | |
| Zhejiang | 1,743,4 | | | - | | | | | | | 1,065,99 |

| | | | | | | | | | | | |
|--|--------------|--------------|--|------------|--|--|--|--|--|--|--------------|
| Tingshuo Brand Operation Management Co., Ltd. | 29.88 | | | 677,436.57 | | | | | | | 3.31 |
| Shaoxing Shuaige Kitchen and Bathroom Technology Co., Ltd.*1 | | 4,140,000.00 | | 311,947.72 | | | | | | | 3,828,052.28 |
| Subtotal | 1,743,429.88 | 4,140,000.00 | | 989,384.29 | | | | | | | 4,894,045.59 |
| Total | 5,405,129.91 | 4,140,000.00 | | 826,624.29 | | | | | | | 8,718,505.62 |

Other description:

*1. The Company's subsidiary, Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. contributed to establish Shaoxing Shuaige Kitchen and Bathroom Technology Co., Ltd. on March 9, 2022, holding 40% of the shares. Such company is now in the preparatory period.

10. Other equity instrument investments

Unit: yuan

| Item | Ending balance | Beginning balance |
|---|---------------------|---------------------|
| Suzhou Industrial Park Ruican Investment Enterprise (limited partnership) | | |
| Shanghai MXCHIP Information Technology Co., Ltd. | 2,116,023.22 | 2,116,023.22 |
| Total | 2,116,023.22 | 2,116,023.22 |

Separate disclosure of the current period of non-transactional equity instruments

Unit: yuan

| Item name | Recognized dividend income | Aggregate gains | Aggregate losses | Amount of other comprehensive income transferred to retained earnings | Cause for designation to measure at fair value of which changes are recorded into other comprehensive income | Causes for carryforward retained earnings of other comprehensive income |
|---|----------------------------|-----------------|-----------------------|---|--|---|
| Suzhou Industrial Park Ruican Investment Enterprise (limited partnership) | | | 100,000,000.00 | | Held for non-trading purposes | — |
| Shanghai MXCHIP Information Technology Co., Ltd. | | | 17,832,510.78 | | Held for non-trading purposes | — |
| Total | | | 117,832,510.78 | | — | — |

11. Investment properties

(1) Investment properties using cost measurement mode

Applicable Not applicable

Unit: yuan

| Item | Houses and buildings | Land use right | Total |
|---|----------------------|----------------|---------------|
| I. Original book value | | | |
| 1. Beginning balance | 11,676,710.68 | | 11,676,710.68 |
| 2. Amount increased in current period*1 | 56,957,445.43 | 1,062,744.00 | 58,020,189.43 |
| (1) Purchased | | | |
| (2) Transfer from inventory/fixed assets/construction in progress | 56,957,445.43 | 1,062,744.00 | 58,020,189.43 |
| (3) Increase by business combination | | | |
| 3. Amount decreased in current period | 6,992,399.10 | | 6,992,399.10 |
| (1) Disposal | | | |
| (2) Other transfer-out | 6,992,399.10 | | 6,992,399.10 |
| 4. Ending balance | 61,641,757.01 | 1,062,744.00 | 62,704,501.01 |
| II. Accumulated depreciation and amortization | | | |

| | | | |
|---------------------------------------|---------------|------------|---------------|
| 1. Beginning balance | 590,814.61 | | 590,814.61 |
| 2. Amount increased in current period | 6,277,447.75 | 336,535.60 | 6,613,983.35 |
| (1) Accrual or amortization | 1,813,454.87 | 15,941.16 | 1,829,396.03 |
| (2) Other transfer-in | 4,463,992.88 | 320,594.44 | 4,784,587.32 |
| 3. Amount decreased in current period | 387,495.49 | | 387,495.49 |
| (1) Disposal | | | |
| (2) Other transfer-out | 387,495.49 | | 387,495.49 |
| 4. Ending balance | 6,480,766.87 | 336,535.60 | 6,817,302.47 |
| III. Provision for impairment | | | |
| 1. Beginning balance | | | |
| 2. Amount increased in current period | | | |
| (1) Provision | | | |
| 3. Amount decreased in current period | | | |
| (1) Disposal | | | |
| (2) Other transfer-out | 387,495.49 | | 387,495.49 |
| 4. Ending balance | | | |
| IV. Book value | | | |
| 1. Ending book value | 55,160,990.14 | 726,208.40 | 55,887,198.54 |
| 2. Beginning book value | 11,085,896.07 | | 11,085,896.07 |

*1. The other increase in investment properties this year comes from the completion of construction of the new plant of Shengzhou Kinde, a subsidiary of the Company. The company has relocated all of its facilities to the new plant and rented out the original plant and part of the new plant.

12. Fixed assets

Unit: yuan

| Item | Ending balance | Beginning balance |
|--------------|------------------|-------------------|
| Fixed assets | 1,622,235,227.74 | 1,179,306,020.01 |
| Total | 1,622,235,227.74 | 1,179,306,020.01 |

(1) Fixed assets

Unit: yuan

| Item | 房屋及建筑物 | 机器设备 | 运输设备 | 其他设备 | 合计 |
|--|------------------|----------------|---------------|----------------|------------------|
| I. Original book value: | | | | | |
| 1. Beginning balance | 1,072,125,559.90 | 679,169,886.72 | 21,794,424.31 | 84,018,707.47 | 1,857,108,578.40 |
| 2. Amount increased in current period | 508,052,163.80 | 100,443,322.89 | 873,081.44 | 17,573,982.75 | 626,942,550.88 |
| (1) Purchase | 11,023,673.21 | 21,848,597.52 | 846,886.75 | 7,966,904.05 | 41,686,061.53 |
| (2) Transfer from construction in progress | 490,036,091.49 | 78,594,725.37 | 26,194.69 | 9,607,078.70 | 578,264,090.25 |
| (3) Increase by business combination | 6,992,399.10 | | | | 6,992,399.10 |
| 3. Amount decreased in current period | 56,957,445.43 | 7,067,579.99 | 293,110.03 | 1,301,118.64 | 65,619,254.09 |
| (1) Disposal or scrap | | 7,067,579.99 | 293,110.03 | 1,301,118.64 | 8,661,808.66 |
| (2) Other decreases*1 | 56,957,445.43 | | | | 56,957,445.43 |
| 4. Ending balance | 1,523,220,278.27 | 772,545,629.62 | 22,374,395.72 | 100,291,571.58 | 2,418,431,875.19 |
| II. Accumulated depreciation | | | | | |
| 1. Beginning balance | 267,528,198.84 | 341,157,676.17 | 12,747,836.37 | 56,368,847.01 | 677,802,558.39 |
| 2. Amount increased in | 58,074,219.47 | 57,454,469.11 | 2,246,996.41 | 9,894,545.61 | 127,670,230.60 |

| | | | | | |
|---------------------------------------|------------------|----------------|---------------|---------------|------------------|
| current period | | | | | |
| (1) Provision | 57,686,723.98 | 57,454,469.11 | 2,246,996.41 | 9,894,545.61 | 127,282,735.11 |
| (2) Other increase | 387,495.49 | | | | 387,495.49 |
| 3. Amount decreased in current period | 4,463,992.88 | 3,427,703.44 | 278,454.50 | 1,105,990.72 | 9,276,141.54 |
| (1) Disposal or scrap | | 3,427,703.44 | 278,454.50 | 1,105,990.72 | 4,812,148.66 |
| (2) Other decreases | 4,463,992.88 | | | | 4,463,992.88 |
| 4. Ending balance | 321,138,425.43 | 395,184,441.84 | 14,716,378.28 | 65,157,401.90 | 796,196,647.45 |
| III. Provision for impairment | | | | | |
| 1. Beginning balance | | | | | |
| 2. Amount increased in current period | | | | | |
| 3. Amount decreased in current period | | | | | |
| 4. Ending balance | | | | | |
| IV. Book value | | | | | |
| 1. Ending book value | 1,202,081,852.84 | 377,361,187.78 | 7,658,017.44 | 35,134,169.68 | 1,622,235,227.74 |
| 2. Beginning book value | 804,597,361.06 | 338,012,210.55 | 9,046,587.94 | 27,649,860.46 | 1,179,306,020.01 |

*1. See “Investment properties” herein for details.

(2) Fixed assets without certificate of title

Unit: yuan

| Item | Book value | Reasons for not obtaining the certificate of title |
|----------------------|----------------|--|
| Houses and buildings | 616,079,655.22 | The newly built buildings are being handled |

13. Construction in progress

Unit: yuan

| Item | Ending balance | Beginning balance |
|--------------------------|----------------|-------------------|
| Construction in progress | 406,258,146.69 | 454,643,364.82 |
| Total | 406,258,146.69 | 454,643,364.82 |

(1) Construction in progress

Unit: yuan

| Item | Ending balance | | | Beginning balance | | |
|---|----------------|--------------------------|----------------|-------------------|--------------------------|----------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Maoshan intelligent manufacturing base infrastructure project | 192,769,369.56 | | 192,769,369.56 | 194,423,004.31 | | 194,423,004.31 |
| ROBAM Building project | 192,286,508.04 | | 192,286,508.04 | 59,931,795.23 | | 59,931,795.23 |
| Project of production department 1 | 5,941,592.92 | | 5,941,592.92 | 10,336,283.17 | | 10,336,283.17 |
| Customized management software | 5,505,845.75 | | 5,505,845.75 | 3,223,516.47 | | 3,223,516.47 |
| Project of | 3,855,078.16 | | 3,855,078.16 | 2,779,911.26 | | 2,779,911.26 |

| | | | | | | |
|------------------------------------|-----------------------|--|-----------------------|-----------------------|--|-----------------------|
| production department 3 | | | | | | |
| Project of production department 2 | 1,387,610.64 | | 1,387,610.64 | 1,185,840.80 | | 1,185,840.80 |
| Other sporadic projects | 4,512,141.62 | | 4,512,141.62 | 5,406,555.22 | | 5,406,555.22 |
| Shengzhou Chengnan project | | | | 174,099,821.16 | | 174,099,821.16 |
| Integrated range hood project | | | | 3,256,637.20 | | 3,256,637.20 |
| Total | 406,258,146.69 | | 406,258,146.69 | 454,643,364.82 | | 454,643,364.82 |

(2) Current changes in major projects under construction

Unit: yuan

| Item name | Budget number | Beginning balance | Amount increased in current period | Amount carried forward to fixed assets in current period | Other decreases in current period | Ending balance | Proportion of total project input to the budget | Progress of works | Source of funds |
|---|-------------------------|-----------------------|------------------------------------|--|-----------------------------------|-----------------------|---|-------------------|-----------------|
| Maoshan intelligent manufacturing base infrastructure project | 954,238,416.50 | 194,423,004.31 | 317,074,946.38 | 318,728,581.13 | | 192,769,369.56 | 83.94% | 83.94% | Other |
| Shengzhou Chengnan project | 240,960,000.00 | 174,099,821.16 | 53,001,646.38 | 227,101,467.54 | | | 100.00% | 100.00% | Other |
| ROBAM Building project | 724,750,000.00 | 59,931,795.23 | 132,354,712.81 | | | 192,286,508.04 | 26.53% | 26.53% | Other |
| Total | 1,919,948,416.50 | 428,454,620.70 | 502,431,305.57 | 545,830,048.67 | | 385,055,877.60 | | | |

14. Right-of-use assets

Unit: yuan

| Item | Houses and buildings | Total |
|---------------------------------------|----------------------|---------------|
| I. Original book value | | |
| 1. Beginning balance | 35,620,757.32 | 35,620,757.32 |
| 2. Amount increased in current period | 3,146,563.11 | 3,146,563.11 |
| (1) Rent in | 3,146,563.11 | 3,146,563.11 |
| 3. Amount decreased in current period | 5,689,271.41 | 5,689,271.41 |
| (1) Disposal | 5,689,271.41 | 5,689,271.41 |
| 4. Ending balance | 33,078,049.02 | 33,078,049.02 |
| II. Accumulated depreciation | | |
| 1. Beginning balance | 5,717,803.10 | 5,717,803.10 |
| 2. Amount increased in current period | 5,561,093.48 | 5,561,093.48 |
| (1) Provision | 5,561,093.48 | 5,561,093.48 |
| 3. Amount decreased in current period | 420,991.69 | 420,991.69 |
| (1) Disposal | 420,991.69 | 420,991.69 |

| | | |
|---------------------------------------|---------------|---------------|
| 4. Ending balance | 10,857,904.89 | 10,857,904.89 |
| III. Provision for impairment | | |
| 1. Beginning balance | | |
| 2. Amount increased in current period | | |
| 3. Amount decreased in current period | | |
| 4. Ending balance | | |
| IV. Book value | | |
| 1. Ending book value | 22,220,144.13 | 22,220,144.13 |
| 2. Beginning book value | 29,902,954.22 | 29,902,954.22 |

15. Intangible assets

(1) Intangible assets

Unit: yuan

| Item | Land use right | Software | Trademark | Patent | Total |
|--|----------------|---------------|---------------|--------------|----------------|
| I. Original book value | | | | | |
| 1. Year-beginning balance | 225,656,679.95 | 59,863,685.75 | 24,624,622.64 | 7,300,000.00 | 317,444,988.34 |
| 2. Amount increased in this year | | 6,191,277.67 | | | 6,191,277.67 |
| (1) Purchase | | 1,201,769.92 | | | 1,201,769.92 |
| (2) Transfer from construction in progress | | 4,989,507.75 | | | 4,989,507.75 |
| 3. Amount decreased in this year | 1,062,744.00 | | | | 1,062,744.00 |
| (1) Other decreases | 1,062,744.00 | | | | 1,062,744.00 |
| 4. Year-end balance | 224,593,935.95 | 66,054,963.42 | 24,624,622.64 | 7,300,000.00 | 322,573,522.01 |
| II. Accumulated amortization | | | | | |
| 1. Year-beginning balance | 30,136,519.99 | 45,382,855.83 | 8,603,040.04 | 3,930,769.22 | 88,053,185.08 |
| 2. Amount increased in this year | 4,539,860.51 | 5,358,973.31 | 2,462,462.24 | 1,123,076.93 | 13,484,372.99 |
| (1) Provision | 4,539,860.51 | 5,358,973.31 | 2,462,462.24 | 1,123,076.93 | 13,484,372.99 |
| 3. Amount decreased in this year | 320,594.44 | | | | 320,594.44 |
| (1) Other decreases | 320,594.44 | | | | 320,594.44 |
| 4. Year-end balance | 34,355,786.06 | 50,741,829.14 | 11,065,502.28 | 5,053,846.15 | 101,216,963.63 |
| III. Provision for impairment | | | | | |
| 1. Year-beginning balance | | | | | |
| 2. Amount increased in this year | | | | | |
| 3. Amount decreased in this year | | | | | |
| 4. Year-end balance | | | | | |
| IV. Book value | | | | | |
| 1. Book value at the end of the year | 190,238,149.89 | 15,313,134.28 | 13,559,120.36 | 2,246,153.85 | 221,356,558.38 |
| 2. Book value at the beginning of the year | 195,520,159.96 | 14,480,829.92 | 16,021,582.60 | 3,369,230.78 | 229,391,803.26 |

16. Goodwill

(1) Original book value of goodwill

Unit: yuan

| Investee name or goodwill forming matter | Beginning balance | Increase in current period | | Decrease in current period | | Ending balance |
|--|----------------------|----------------------------|--|----------------------------|--|----------------------|
| | | By business combination | | Disposal | | |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 80,589,565.84 | | | | | 80,589,565.84 |
| Total | 80,589,565.84 | | | | | 80,589,565.84 |

(2) Provision for impairment of goodwill

Unit: yuan

| Investee name or goodwill forming matter | Beginning balance | Increase in current period | | Decrease in current period | | Ending balance |
|--|-------------------|----------------------------|--|----------------------------|--|----------------------|
| | | Provision | | Disposal | | |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | | 20,015,733.28 | | | | 20,015,733.28 |
| Total | | 20,015,733.28 | | | | 20,015,733.28 |

Information about the asset group or combination of asset groups in which the goodwill is located

The Company recognizes Shengzhou Kinde as an asset group, and the asset group of goodwill at the end of the year is consistent with the asset group recognized in the goodwill impairment test on the purchase date and previous years.

Goodwill impairment test process and recognition method of key parameters (forecast period growth rate when estimating the present value of future cash flow, stable period growth rate, profit rate, discount rate and forecast period) and goodwill impairment loss:

The Company entrusts Zhonghe Asset Appraisal Co., Ltd. (hereinafter referred to as Zhonghe Asset) to evaluate Shengzhou Kinde asset group to determine whether the goodwill is impaired. According to the Z.H.Z.B.Zi (2023) No.BJU3005 Valuation Report for the Purpose of Goodwill Impairment Test issued by Zhonghe Asset, Zhonghe Asset makes a decision according to the five-year financial budget for 2023-2027 approved by the management, and estimate the cash flow and stable period growth rate of 4.84% for the next five years with the growth rate of 31.38%, 14.33%, 14.42%, 9.66% and 4.84%, calculate the present value model of future cash flow with a after-tax discount rate of 11.92%, and based on the assumption of going concern, conduct impairment tests on goodwill with the higher of the net of the fair value of the asset less disposal charges and the present value of the expected future cash flow of the asset. According to the test, the recoverable amount of Shengzhou Kinde asset group on December 31, 2022 was RMB 366,560,000, which is lower than the book value of the asset group including goodwill, and there was impairment of goodwill, and the provision for impairment was RMB 2,0015,700 this year.

17. Long-term unamortized expenses

Unit: yuan

| Item | Beginning balance | Amount increased in current period | Amortization amount in current period | Other decreases | Ending balance |
|------------------------------|---------------------|------------------------------------|---------------------------------------|-----------------|---------------------|
| Office decoration fee | 2,693,191.62 | 4,119,782.04 | 1,837,438.47 | | 4,975,535.19 |
| Service charge | 937,763.96 | 3,390,382.69 | 3,759,815.38 | | 568,331.27 |
| Brand endorsement fee | 1,572,876.21 | 13,479,514.93 | 14,868,186.66 | | 184,204.48 |
| Consulting fee | 151,465.27 | 470,841.87 | 543,390.47 | | 78,916.67 |
| Environmental protection fee | 30,139.14 | 385,479.63 | 369,706.48 | | 45,912.29 |
| Total | 5,385,436.20 | 21,846,001.16 | 21,378,537.46 | | 5,852,899.90 |

18. Deferred income tax assets and deferred income tax liabilities

(1) Unoffset deferred income tax assets

Unit: yuan

| Item | Ending balance | | Beginning balance | |
|--|----------------------------------|----------------------------|----------------------------------|----------------------------|
| | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets |
| Provision for credit impairment | 1,140,080,421.22 | 177,937,345.82 | 917,479,025.92 | 138,811,114.82 |
| Recognition for provisional estimate cost | 775,373,813.20 | 116,306,071.98 | 656,596,891.65 | 98,489,533.76 |
| Fair value change of other equity instrument investments | 117,832,510.80 | 17,674,876.62 | 117,832,510.78 | 17,674,876.62 |
| Recognition for deferred income | 86,923,728.33 | 13,038,559.25 | 102,890,393.42 | 15,433,559.00 |
| Provision for impairment of assets | 75,904,924.33 | 11,385,738.65 | 80,039,607.58 | 12,005,941.14 |
| Unrealized profit of internal transaction | 9,265,235.74 | 2,316,308.94 | 6,550,213.16 | 1,637,825.81 |
| Recognition for equity incentive | 7,950,207.60 | 1,239,475.54 | 3,118,765.48 | 480,458.47 |
| Unrecognized financing expenses | 3,651,876.63 | 912,969.16 | 1,349,960.44 | 337,490.11 |
| Payroll payable withdrawn but not issued | | | 9,848,248.72 | 1,477,237.31 |
| Total | 2,216,982,717.85 | 340,811,345.96 | 1,895,705,617.15 | 286,348,037.04 |

(2) Unoffset deferred income tax liabilities

Unit: yuan

| Item | Ending balance | | Beginning balance | |
|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Appreciation of assets appraisal for business combination not under common control | 21,533,616.61 | 3,230,042.49 | 25,908,559.83 | 3,886,283.97 |
| Taxable temporary differences due to the pretax deduction of fixed assets | 125,852,613.90 | 18,877,892.09 | 15,789,858.60 | 2,368,478.79 |
| Total | 147,386,230.51 | 22,107,934.58 | 41,698,418.43 | 6,254,762.76 |

(3) Deferred income tax assets or liabilities presented as net amount after offset

Unit: yuan

| Item | Ending offset amount of deferred income tax assets and liabilities | Ending balance of deferred income tax assets and liabilities after offset | Beginning offset amount of deferred income tax assets and liabilities | Beginning balance of deferred income tax assets and liabilities after offset |
|---------------------------------|--|---|---|--|
| Deferred income tax assets | | 340,811,345.96 | | 286,348,037.04 |
| Deferred income tax liabilities | | 22,107,934.58 | | 6,254,762.76 |

(4) Details of unrecognized deferred income tax assets

Unit: yuan

| Item | Ending balance | Beginning balance |
|-----------------|----------------------|----------------------|
| Deductible loss | 44,298,409.84 | 18,037,908.58 |
| Total | 44,298,409.84 | 18,037,908.58 |

(5) Deductible losses on unrecognized deferred income tax assets will expire in the following year

Unit: yuan

| Year | Ending amount | Beginning amount | Remark |
|--------------|----------------------|----------------------|--------|
| 2022 | | 39,552.31 | |
| 2023 | 6,714.34 | 6,714.34 | |
| 2024 | 5,602.28 | 5,602.28 | |
| 2025 | 9,556,499.12 | 9,556,499.12 | |
| 2026 | 10,380,561.57 | 8,429,540.53 | |
| 2027 | 24,349,032.53 | | |
| Total | 44,298,409.84 | 18,037,908.58 | |

19. Other non-current assets

Unit: yuan

| Item | Ending balance | | | Beginning balance | | |
|------------------------------------|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Advance payment for equipment | 4,082,671.76 | | 4,082,671.76 | 33,649,858.27 | | 33,649,858.27 |
| Project mortgage property * Note 1 | 48,666,572.69 | 3,315,747.32 | 45,350,825.37 | 3,129,005.00 | | 3,129,005.00 |
| Advance payment for engineering | | | | 1,690,011.17 | | 1,690,011.17 |
| Total | 52,749,244.45 | 3,315,747.32 | 49,433,497.13 | 38,468,874.44 | | 38,468,874.44 |

*1. At the end of the year, the Company signed the debt restructuring agreement and completed the online signing procedures for the purchase of the project mortgage property and parking space with a total price of RMB 48,666,600, and the impairment provision of RMB 3,315,700. See "Other important issues 2. Corporate debt restructuring matters" in this report for details.

20. Short-term borrowing

(1) Classification of short-term borrowing

Unit: yuan

| Item | Ending balance | Beginning balance |
|-------------------------------|----------------------|----------------------|
| Credit loan | 51,150,000.00 | |
| Accounts receivable factoring | 573,429.99 | 29,616,655.41 |
| Total | 51,723,429.99 | 29,616,655.41 |

Note 1: It is the working capital loan of the Company's subsidiary, Shengzhou Kinde, from Shaoxing Shengzhou Sub-branch of Bank of Communications Co., Ltd. and Shaoxing Shengzhou Sub-branch of China Construction Bank Co., Ltd. The loan term is 1 year, and the interest rate range is 3.40% -3.70%.

21. Notes payable

Unit: yuan

| Type | Ending balance | Beginning balance |
|--------------------------|-----------------------|-----------------------|
| Banker's acceptance bill | 872,550,306.86 | 962,665,463.99 |
| Total | 872,550,306.86 | 962,665,463.99 |

22. Accounts payable

(1) Presentation of accounts payable

Unit: yuan

| Item | Ending balance | Beginning balance |
|-----------------------|-------------------------|-------------------------|
| Payment for materials | 1,179,804,339.04 | 1,087,160,715.37 |
| Costs | 1,004,448,565.06 | 923,334,216.09 |
| Project payment | 202,679,315.68 | 152,898,742.07 |
| Payment for equipment | 31,822,947.53 | 18,506,587.47 |
| Total | 2,418,755,167.31 | 2,181,900,261.00 |

Note: As of December 31, 2022, the Company's balance of important accounts payable with an age of more than one year were RMB 59,730,514.43, mainly for project funds and fees not yet settled.

23. Contract liabilities

Unit: yuan

| Item | Ending balance | Beginning balance |
|-------------------------|-----------------------|-------------------------|
| Advances from customers | 959,915,567.03 | 1,026,782,402.35 |
| Total | 959,915,567.03 | 1,026,782,402.35 |

24. Payroll payable

(1) Presentation of payroll payable

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|---|-----------------------|----------------------------|----------------------------|-----------------------|
| I. Short-term compensation | 159,707,932.44 | 931,850,463.36 | 941,488,124.43 | 150,070,271.37 |
| II. Welfare after dismissal - defined contribution plan | 5,469,492.64 | 70,264,585.09 | 72,037,620.93 | 3,696,456.80 |
| III. Dismissal welfare | | 1,464,567.42 | 1,288,965.71 | 175,601.71 |
| Total | 165,177,425.08 | 1,003,579,615.87 | 1,014,814,711.07 | 153,942,329.88 |

(2) Presentation of short-term compensation

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|---|-------------------|----------------------------|----------------------------|----------------|
| 1. Wages, bonuses, allowances and subsidies | 155,146,075.83 | 780,933,004.92 | 791,397,299.14 | 144,681,781.61 |
| 2. Employee welfare expenses | 80.00 | 44,848,900.05 | 44,848,980.05 | |
| 3. Social insurance premium | 3,769,101.65 | 48,060,674.57 | 47,510,607.78 | 4,319,168.44 |
| Including: medical insurance premium | 3,619,348.25 | 46,435,292.73 | 45,841,652.78 | 4,212,988.20 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Industrial injury insurance premium | 149,753.40 | 1,625,381.84 | 1,668,955.00 | 106,180.24 |
| 4. Housing fund | 374,934.40 | 41,383,393.85 | 41,093,423.25 | 664,905.00 |
| 5. Labor union expenditure and personnel education fund | 417,740.56 | 16,624,489.97 | 16,637,814.21 | 404,416.32 |
| Total | 159,707,932.44 | 931,850,463.36 | 941,488,124.43 | 150,070,271.37 |

(3) Presentation of defined contribution plans

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|-----------------------------------|-------------------|----------------------------|----------------------------|----------------|
| 1. Basic endowment insurance | 5,282,063.72 | 67,919,214.75 | 69,630,019.28 | 3,571,259.19 |
| 2. Unemployment insurance premium | 187,428.92 | 2,345,370.34 | 2,407,601.65 | 125,197.61 |
| Total | 5,469,492.64 | 70,264,585.09 | 72,037,620.93 | 3,696,456.80 |

25. Tax payable

Unit: yuan

| Item | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Corporate income tax | 70,376,526.39 | 137,979,203.70 |
| Added value tax | 56,957,133.24 | 53,911,099.54 |
| Housing property tax | 10,345,173.49 | 6,555,342.60 |
| Land use tax | 4,382,947.50 | 4,382,947.50 |
| Urban maintenance and construction tax | 3,805,759.15 | 3,868,615.91 |
| Individual income tax | 2,226,988.94 | 2,141,479.84 |
| Education surcharge | 1,631,039.59 | 1,657,978.22 |
| Stamp duty | 1,538,692.42 | 600,407.34 |
| Surcharge for local education | 1,087,359.86 | 1,105,318.89 |
| Total | 152,351,620.58 | 212,202,393.54 |

26. Other payables

Unit: yuan

| Item | Ending balance | Beginning balance |
|----------------|----------------|-------------------|
| Other payables | 281,878,208.25 | 267,781,215.06 |
| Total | 281,878,208.25 | 267,781,215.06 |

1) Other payables listed by nature

Unit: yuan

| Item | Ending balance | Beginning balance |
|----------------------------|----------------|-------------------|
| Margin payable | 265,582,978.77 | 252,335,944.60 |
| Collections for others | 7,285,543.45 | 6,179,088.18 |
| Deposit payable | 6,122,832.30 | 5,104,062.30 |
| Related party transactions | | 2,700,000.00 |
| Other | 2,886,853.73 | 1,462,119.98 |
| Total | 281,878,208.25 | 267,781,215.06 |

Note: As of December 31, 2022, the Company's important other payables with an age of more than one year were RMB 230,270,137.95, mainly for sales deposit.

27. Non-current liabilities due within a year

Unit: yuan

| Item | Ending balance | Beginning balance |
|---------------------------------------|----------------|-------------------|
| Lease liabilities due within one year | 5,720,175.21 | 5,387,591.43 |
| Total | 5,720,175.21 | 5,387,591.43 |

28. Other current liabilities

Unit: yuan

| Item | Ending balance | Beginning balance |
|----------------------------------|----------------|-------------------|
| Output tax to be carried forward | 120,126,501.73 | 124,284,081.56 |
| Total | 120,126,501.73 | 124,284,081.56 |

Unit: yuan

29. Lease liabilities

Unit: yuan

| Item | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Lease payments | 28,173,738.18 | 37,325,149.01 |
| Unrecognized financing expenses | -3,864,596.28 | -5,760,523.29 |
| Non-current liabilities reclassified to due within a year | -5,720,175.23 | -5,387,591.43 |
| Total | 18,588,966.67 | 26,177,034.29 |

30. Deferred income

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance | Causes |
|----------------------|-------------------|----------------------------|----------------------------|----------------|--------|
| Government subsidies | 131,747,378.42 | 10,868,940.00 | 18,704,207.99 | 123,912,110.43 | |
| Total | 131,747,378.42 | 10,868,940.00 | 18,704,207.99 | 123,912,110.43 | -- |

Other description:

| Government subsidy project | Year-beginning balance | Amount of additional subsidy in current year | Amount included in current non-operating income | Amount included in other income in current period | Amount offsetting the cost in the current period | Other alterations | Year-end balance | Asset/income related |
|--|------------------------|--|---|---|--|-------------------|------------------|----------------------|
| Subsidies for factories, infrastructure, equipment, etc. in Chengnan New District | 28,856,985.00 | 9,618,940.00 | | 1,487,542.89 | | | 36,988,382.11 | Asset related |
| Project fund of for intelligent manufacturing, integrated standardization and new mode application | 38,244,848.14 | | | 8,539,505.64 | | | 29,705,342.50 | Asset related |
| Production and construction project of annual production of 2.25 million kitchen appliances | 22,331,070.60 | | | 2,573,781.24 | | | 19,757,289.36 | Asset related |
| Unmanned intelligent factory based on 5G and Cloud technology | 17,747,914.45 | | | 2,078,848.20 | | | 15,669,066.25 | Asset related |

| | | | | | | | | |
|--|----------------|---------------|--|---------------|--|--|----------------|---------------|
| Technological upgrading project of manufacturing enterprises | 8,300,000.00 | | | | | | 8,300,000.00 | Asset related |
| Construction project of kitchen appliance R&D, design and test center | 7,044,601.01 | | | 1,275,175.85 | | | 5,769,425.16 | Asset related |
| Project of annual 108 embedded kitchen electric appliance products | 4,251,843.75 | | | 682,491.00 | | | 3,569,352.75 | Asset related |
| Technical transformation project with an annual output of 500,000 units | 2,216,987.91 | | | 374,411.16 | | | 1,842,576.75 | Asset related |
| Future factory project | | 1,250,000.00 | | 131,744.34 | | | 1,118,255.66 | Asset related |
| Digital intelligent manufacturing workshop of intelligent household appliances | 422,222.28 | | | 46,286.78 | | | 375,935.50 | Asset related |
| New-generation environmentally friendly and energy-saving kitchen appliances and production line | 531,025.31 | | | 190,650.84 | | | 340,374.47 | Asset related |
| Recycling transformation project | 360,466.65 | | | 91,610.16 | | | 268,856.49 | Asset related |
| Academician expert workstation | 210,622.64 | | | 44,371.40 | | | 166,251.24 | Asset related |
| Kitchen appliance R&D, design and test center | 34,946.80 | | | 7,624.80 | | | 27,322.00 | Asset related |
| Project of annual production of 2.25 million digital workshops | 24,680.65 | | | 11,000.46 | | | 13,680.19 | Asset related |
| Subsidy for the production and construction project of annual production of 1 million kitchen appliances | 1,139,057.12 | | | 1,139,057.12 | | | | Asset related |
| Subsidies for investment project of annual production of 150,000 range hoods | 30,106.11 | | | 30,106.11 | | | | Asset related |
| Total | 131,747,378.42 | 10,868,940.00 | | 18,704,207.99 | | | 123,912,110.43 | — |

31. Capital stock

Unit: yuan

| | Beginning balance | Increase/decrease (+, -) | | | | | Ending balance |
|------------------------|-------------------|--------------------------|----------------|--|-------|----------|----------------|
| | | New issue of shares | Share donation | Share capital increase from reserved funds | Other | Subtotal | |
| Total amount of shares | 949,024,050.00 | | | | | | 949,024,050.00 |

32. Capital reserve

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|---|-------------------|----------------------------|----------------------------|----------------|
| Capital premium (capital stock premium) | 401,799,332.67 | | | 401,799,332.67 |

| | | | | |
|-----------------------|-----------------------|---------------------|--|-----------------------|
| Other capital surplus | 3,118,765.48 | 5,079,567.43 | | 8,198,332.91 |
| Total | 404,918,098.15 | 5,079,567.43 | | 409,997,665.58 |

Note: The increase in other capital surplus, includes the amount of RMB 4,735,460.48 coming from the provision of equity incentives in the current period. Please refer to XV. Other important issues, equity incentives in this report; The remaining increase of RMB 344,106.95 came from the change in equity held by minority shareholders of the Company's controlling subsidiary Zhejiang Cooking Future Technology Co., Ltd. this year.

33. Treasury stock

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|------------------|-----------------------|----------------------------|----------------------------|-----------------------|
| Share repurchase | 199,995,742.59 | | | 199,995,742.59 |
| Total | 199,995,742.59 | | | 199,995,742.59 |

34. Other comprehensive income

Unit: yuan

| Item | Beginning balance | Amount incurred in current period | | | | | | Ending balance |
|---|-----------------------|-----------------------------------|--|--|----------------------------|--|---|-----------------------|
| | | Amount before current income tax | Minus: amount included in other comprehensive income in previous period and carried forward to profit and loss in current period | Minus: amount included in other comprehensive income in previous period and included in carried forward to retained earnings in current period | Minus: Income tax expenses | Attributable to the parent company after tax | Attributable to minority shareholders after tax | |
| I. Other comprehensive income that can't be reclassified into profit and loss | 100,157,634.16 | | | | | | | 100,157,634.16 |
| Fair value change of other equity instrument investments | 100,157,634.16 | | | | | | | 100,157,634.16 |
| Total other comprehensive income | 100,157,634.16 | | | | | | | 100,157,634.16 |

35. Surplus reserves

Unit: yuan

| Item | Beginning balance | Increase in current period | Decrease in current period | Ending balance |
|----------------------------|-----------------------|----------------------------|----------------------------|-----------------------|
| Statutory surplus reserves | 474,516,412.50 | | | 474,516,412.50 |
| Total | 474,516,412.50 | | | 474,516,412.50 |

36. Undistributed profit

Unit: yuan

| Item | Current period | Prior period |
|------------------------------------|------------------|------------------|
| Undistributed profit at the end of | 7,098,721,555.37 | 6,240,444,654.34 |

| | | |
|--|------------------|------------------|
| previous period before adjustment | | |
| Undistributed profits at the beginning of the period after adjustment | 7,098,721,555.37 | 6,240,444,654.34 |
| Plus: Net profits attributable to the owners of parent company in the current period | 1,572,404,918.21 | 1,331,712,059.03 |
| Common stock dividends payable | 472,047,458.00 | 473,435,158.00 |
| Undistributed profits at the end of the period | 8,199,079,015.58 | 7,098,721,555.37 |

37. Operating income and operating cost

Unit: yuan

| Item | Amount incurred in current period | | Amount incurred in previous period | |
|------------------|-----------------------------------|------------------|------------------------------------|------------------|
| | Income | Cost | Income | Cost |
| Main business | 9,981,652,062.48 | 5,021,006,447.26 | 9,878,609,034.58 | 4,780,326,936.38 |
| Other businesses | 289,848,508.56 | 116,362,310.89 | 269,097,000.77 | 54,726,467.99 |
| Total | 10,271,500,571.04 | 5,137,368,758.15 | 10,147,706,035.35 | 4,835,053,404.37 |

Unit: yuan

38. Taxes and surcharges

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| Urban maintenance and construction tax | 36,866,764.88 | 38,432,112.18 |
| Education surcharge | 26,333,403.43 | 27,451,508.66 |
| Housing property tax | 10,952,011.11 | 7,059,080.25 |
| Stamp duty | 4,372,007.14 | 3,168,252.51 |
| Vehicle and vessel use tax | 31,382.80 | 8,219.19 |
| Land use tax | | 4,444,471.50 |
| Other | 9,014.69 | 27,605.88 |
| Total | 78,564,584.05 | 80,591,250.17 |

39. Selling expenses

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|------------------------------------|-----------------------------------|------------------------------------|
| Sales and service fees | 1,025,589,168.39 | 888,105,322.12 |
| Advertising and promotion expenses | 742,763,089.08 | 688,276,034.18 |
| Employee compensation | 377,046,127.44 | 335,997,909.99 |
| Booth decoration fee | 193,012,956.27 | 234,356,309.98 |
| Promotion fees | 101,079,371.35 | 120,917,154.89 |
| Material consumption | 67,685,473.69 | 70,585,682.15 |
| Traveling expense | 27,632,789.17 | 36,526,754.00 |
| Intermediary service charge | 21,405,980.86 | 18,942,729.75 |
| Rental fees | 16,347,878.64 | 16,683,897.40 |
| Business entertainment expenses | 16,132,300.29 | 17,321,525.30 |
| Office allowance | 14,226,573.69 | 12,091,581.39 |
| Other | 10,704,365.02 | 14,613,138.77 |
| Total | 2,613,626,073.89 | 2,454,418,039.92 |

40. Management costs

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|---------------------------------|-----------------------------------|------------------------------------|
| Employee compensation | 232,915,393.30 | 196,152,990.40 |
| Depreciation and amortization | 57,769,379.05 | 49,553,437.40 |
| Consulting service charge | 30,328,558.67 | 27,970,501.93 |
| Maintenance expense | 20,325,200.99 | 18,523,798.07 |
| Office allowance | 19,173,287.07 | 15,140,294.06 |
| Rental and property fees | 16,857,502.46 | 10,256,242.02 |
| Business entertainment expenses | 9,589,758.62 | 7,427,987.83 |
| Traveling expense | 8,655,474.80 | 8,295,851.23 |
| Communication expense | 5,882,277.89 | 5,536,487.28 |
| Equity incentive fee | 4,735,460.49 | 3,118,765.48 |
| Car fare | 3,990,965.03 | 4,010,092.59 |
| Material consumption | 2,329,956.33 | 2,410,539.20 |
| Other | 18,415,189.04 | 15,365,385.14 |
| Total | 430,968,403.74 | 363,762,372.63 |

41. Research and development expenses

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|-------------------------------|-----------------------------------|------------------------------------|
| Employee compensation | 200,367,321.67 | 178,520,125.46 |
| Direct investment | 153,846,595.26 | 151,535,589.24 |
| Depreciation and amortization | 15,626,975.33 | 15,344,134.84 |
| Design fee | 6,949,423.09 | 7,421,984.65 |
| Other expenses | 14,824,490.03 | 13,204,832.15 |
| Total | 391,614,805.38 | 366,026,666.34 |

42. Financial expenses

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|-----------------------------|-----------------------------------|------------------------------------|
| Interest expenditure | 10,249,057.76 | 9,638,311.28 |
| Minus: Interest revenue | 162,232,029.99 | 152,136,833.79 |
| Plus: Exchange gain or loss | -7,158,057.38 | 1,087,864.00 |
| Plus: other expenses | 1,918,741.00 | 1,737,150.64 |
| Total | -157,222,288.61 | -139,673,507.87 |

43. Other income

Unit: yuan

| Other sources of income | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| Financial support funds for enterprise cultivation | 52,042,148.00 | 33,070,000.00 |
| Embedded software tax rebate | 45,959,892.74 | 10,979,888.36 |
| Amortization of deferred income | 18,704,207.99 | 18,416,145.48 |
| Special financial funds | 10,005,040.00 | 976,752.00 |
| Intelligent manufacturing, integrated standardization and new mode application project | 6,497,000.00 | |
| Special fund for industrial development | 3,626,125.00 | 7,967,840.13 |
| Job subsidies and social insurance subsidies | 3,508,713.85 | 1,038,232.33 |
| Performance award of Shanghai Hongkou District Finance Bureau | 3,010,000.00 | |

| | | |
|------------------------------|--------------|--------------|
| Subsidies for R&D investment | 2,788,200.00 | |
| Training allowance | 706,097.00 | |
| Service charge refund | 541,758.65 | 575,697.14 |
| Patent reward fund | 367,040.00 | 4,352,000.00 |
| VAT exemption or reduction | 10,643.41 | 18,000.00 |
| Other subsidies | 708,703.65 | 30,000.00 |

44. Investment income

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|---|-----------------------------------|------------------------------------|
| long-term equity investment gains measured by employing the equity method | -826,624.29 | -47,639.68 |
| Investment income from trading financial assets during the holding period | 99,787,693.44 | 90,550,171.74 |
| Total | 98,961,069.15 | 90,502,532.06 |

45. Credit impairment loss

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| Loss on bad debts of other receivables | 4,146,561.44 | -7,095,025.28 |
| Loss on bad debts of notes receivable | 225,624,086.48 | -179,981,579.03 |
| Loss on bad debts of accounts receivable | -453,885,249.57 | -578,422,832.76 |
| Total | -224,114,601.65 | -765,499,437.07 |

46. Assets impairment losses

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--|-----------------------------------|------------------------------------|
| Inventory falling price loss and impairment loss of contract performance costs | -1,666,825.32 | -52,632,725.80 |
| Loss on impairment of goodwill | -20,015,733.28 | |
| Other | -3,315,747.32 | |
| Total | -24,998,305.92 | -52,632,725.80 |

47. Income from disposal of assets

Unit: yuan

| Source of income from disposal of assets | Amount incurred in current period | Amount incurred in previous period |
|---|-----------------------------------|------------------------------------|
| Income from disposal of non-current assets | 143,437.75 | -2,122,173.87 |
| Including: income from disposal of fixed assets | -113,948.48 | -2,122,173.87 |
| Income from disposal of right-of-use assets | 257,386.23 | |

48. Non-operating income

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period | Amounts recorded in the non-recurring gains and losses of the current period |
|------------------------------|-----------------------------------|------------------------------------|--|
| Government subsidies | | 43,000.00 | |
| Liquidated damages and fines | 2,661,012.65 | 15,853.31 | 2,661,012.65 |

| | | | |
|--|---------------------|---------------------|---------------------|
| Gain on retirement of non-current assets | 33,060.29 | | 33,060.29 |
| Other | 574,406.11 | 1,720,972.55 | 574,406.11 |
| Total | 3,268,479.05 | 1,779,825.86 | 3,268,479.05 |

Other description:

| Item | Amount incurred in current year | Amount incurred in last year | Source and Basis | Asset/income related |
|---|---------------------------------|------------------------------|------------------|----------------------|
| Subsidies for early scrapping of diesel vehicles under China III vehicle emission standards | | 13,000.00 | | Income related |
| Corporate Culture Club awards and subsidies | | 30,000.00 | | Income related |
| Total | | 43,000.00 | — | — |

49. Non-operating expenditure

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period | Amounts recorded in the non-recurring gains and losses of the current period |
|--|-----------------------------------|------------------------------------|--|
| External donations | 3,734,913.97 | 2,000,000.00 | 3,734,913.97 |
| Abnormal loss | 506,839.36 | 350,752.22 | 506,839.36 |
| Penalty expenditure | 5,300.00 | 178,475.20 | 5,300.00 |
| Loss on damage and scrap of non-current assets | 63,041.78 | 168,013.37 | 63,041.78 |
| Other | 1,033,183.71 | 1,514,224.96 | 1,033,183.71 |
| Total | 5,343,278.82 | 4,211,465.75 | 5,343,278.82 |

50. Income tax expenses

(1) Income tax expenses

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|------------------------------|-----------------------------------|------------------------------------|
| Current income tax expenses | 253,156,740.77 | 341,789,501.27 |
| Deferred income tax expenses | -38,490,586.78 | -157,812,003.31 |
| Total | 214,666,153.99 | 183,977,497.96 |

(2) Accounting profit and income tax expense adjustment process

Unit: yuan

| Item | Amount incurred in current period |
|--|-----------------------------------|
| Total profit | 1,772,972,604.29 |
| Income tax expenses calculated at the appropriate/applicable tax rate | 265,945,890.64 |
| Impact of different tax rates applied on subsidiaries | -6,238,450.28 |
| Impact of income tax before adjustment | 1,271,781.52 |
| Impact of non-deductible costs, expenses and losses | 6,629,081.51 |
| Impact of temporary difference or deductible losses on unrecognized deferred income tax assets in the current period | 11,709,883.55 |
| Profits and losses of cooperative enterprise or joint venture accounted by equity method | 77,201.49 |
| Tax impact of additional deduction for research and development expenses (express with “-”) | -50,745,074.98 |
| Tax impact of additional deduction for fixed assets (express with “-”) | -13,811,187.63 |

| | |
|---------------------|----------------|
| Other | -172,971.83 |
| Income tax expenses | 214,666,153.99 |

51. Other comprehensive income

See the notes for details.

52. Cash flow statement items

(1) Other cash received related to operating activities

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|------------------------------|-----------------------------------|------------------------------------|
| Income from deposit interest | 162,232,029.99 | 152,136,833.79 |
| Government subsidies | 94,665,016.15 | 59,051,409.96 |
| Agent business | 1,173,444.43 | 17,645,868.20 |
| Imprest | 3,448,325.00 | 5,429,032.71 |
| Margin and deposit | 30,208,569.09 | 21,136,563.04 |
| Other payments | 10,847,398.64 | 16,271,319.04 |
| Total | 302,574,783.30 | 271,671,026.74 |

(2) Other cash paid related to operating activities

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|-------------------------------------|-----------------------------------|------------------------------------|
| Period charge | 2,472,346,407.79 | 2,043,557,267.21 |
| Agent business | 38,185,746.87 | 51,345,724.50 |
| Margin and deposit | 9,124,879.36 | 11,160,267.03 |
| Deposit for L/C and acceptance bill | 28,100,235.97 | 54,739,852.30 |
| Imprest | 3,431,848.41 | 1,154,242.51 |
| Other | 7,469,204.96 | 19,699,160.50 |
| Total | 2,558,658,323.36 | 2,181,656,514.05 |

(3) Other cash received related to financing activities

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--------------------------------------|-----------------------------------|------------------------------------|
| Accounts receivable factoring income | 1,012,732.06 | 30,694,588.74 |
| Total | 1,012,732.06 | 30,694,588.74 |

(4) Other cash paid related to financing activities

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--------------------------------|-----------------------------------|------------------------------------|
| Factoring refund with recourse | 4,030,091.57 | |
| Rent | 6,729,745.77 | 6,046,438.38 |
| Share repurchase | | 199,995,742.59 |
| Total | 10,759,837.34 | 206,042,180.97 |

53. Further information on cash flow statement

(1) Further information on cash flow statement

Unit: yuan

| Further information | Current amount | Last term amount |
|---|----------------|------------------|
| 1. Reconciliation from net profits to cash flows from operating | | |

| | | |
|---|------------------|------------------|
| activities | | |
| Net profit | 1,558,306,450.30 | 1,348,791,422.70 |
| Plus: Provision for impairment of assets | 24,998,305.92 | 52,632,725.80 |
| Credit impairment loss | 224,114,601.65 | 765,499,437.07 |
| Depreciation of fixed assets, oil and gas assets and productive biological assets | 129,112,131.14 | 106,025,150.37 |
| Depreciation of Right-of-use assets | 5,561,093.48 | 5,717,803.10 |
| Amortization of intangible assets | 13,484,372.99 | 13,348,356.24 |
| Amortization of long-term deferred expenses | 21,378,537.46 | 2,560,738.71 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with “-”) | -143,437.75 | 2,122,173.87 |
| Loss on retirement of fixed assets (gains expressed with “-”) | 29,981.49 | 168,013.37 |
| Loss from fair value changes (gains expressed with “-”) | | |
| Financial expenses (gains expressed with “-”) | 4,582,493.50 | 10,451,521.99 |
| Investment losses (gains expressed with “-”) | -98,961,069.15 | -90,502,532.06 |
| Decreased in deferred income tax assets (increase expressed with “-”) | -54,463,308.92 | -158,856,006.33 |
| Increase in deferred income tax liabilities (decrease expressed with “-”) | 15,853,171.82 | 1,044,003.02 |
| Decrease in inventories (increase expressed with “-”) | 160,454,008.83 | -434,882,037.88 |
| Decrease in operating receivables (increase expressed with “-”) | 59,527,120.84 | -859,544,649.72 |
| Increase in operating payables (decrease expressed with “-”) | -119,048,149.58 | 600,801,099.08 |
| Other | | |
| Net cash flow from operating activities | 1,944,786,304.02 | 1,365,377,219.33 |
| 2. Significant investment and financing activities not involving cash deposit and withdrawal | | |
| Conversion of debt into capital | | |
| Convertible bonds due within one year | | |
| Fixed assets under financing lease | | |
| 3. Net changes in cash and cash equivalents: | | |
| Ending balance of cash | 5,196,414,341.74 | 3,719,988,820.35 |
| Minus: Beginning balance of cash | 3,719,988,820.35 | 3,886,096,513.56 |
| Plus: Beginning balance of cash equivalents | | |
| Minus: Ending balance of cash equivalents | | |
| Net increase of cash and cash equivalents | 1,476,425,521.39 | -166,107,693.21 |

(2) Composition of cash and cash equivalents

Unit: yuan

| Item | Ending balance | Beginning balance |
|--|------------------|-------------------|
| I. Cash | 5,196,414,341.74 | 3,719,988,820.35 |
| Including: cash on hand | 85,806.05 | 80,944.99 |
| Bank deposit readily available for payment | 5,194,874,841.18 | 3,718,304,060.33 |
| Other monetary capital readily available for payment | 1,453,694.51 | 1,603,815.03 |
| III. Balance of cash and cash equivalents at end of period | 5,196,414,341.74 | 3,719,988,820.35 |

54. Notes to items in statement of owner's equity

State the name of “other” items and the amount of adjustment to the ending balance of previous year:

55. Assets with ownership or use rights restricted

Unit: yuan

| Item | Ending book value | Causes for restriction |
|------------------|-------------------|--|
| Monetary capital | 96,335,329.20 | Letter of guarantee and bill acceptance security deposit |
| Monetary capital | 13,000.00 | ETC deposit |
| Total | 96,348,329.20 | |

56. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: yuan

| Item | Ending balance in foreign currency | Conversion exchange rate | Ending balance converted to RMB |
|------------------------|------------------------------------|--------------------------|---------------------------------|
| Monetary capital | | | |
| Including: USD | 2,584,479.12 | 6.9646 | 17,999,863.28 |
| Euro | 11.92 | 7.4229 | 88.48 |
| AUD | 1,275.11 | 4.7138 | 6,010.61 |
| Accounts receivable | | | |
| Including: USD | 3,392,740.30 | 6.9646 | 23,629,079.09 |
| Advance from customers | | | |
| Including: AUD | 179,874.81 | 4.7138 | 847,893.88 |
| Euro | 11,213.96 | 7.4229 | 83,240.10 |

57. Government subsidies

(1) Basic information of government subsidies

Unit: yuan

| Type | Amount | Presented item | Amount recorded in current profit and loss |
|--|---------------|-----------------|--|
| Financial support funds for enterprise cultivation | 52,042,148.00 | Other income | 52,042,148.00 |
| Embedded software tax rebate | 45,959,892.74 | Other income | 45,959,892.74 |
| Special financial funds | 10,005,040.00 | Other income | 10,005,040.00 |
| Subsidies for factories, infrastructure, equipment, etc. in Chengnan New District | 9,247,055.87 | Deferred income | |
| Subsidies for factories, infrastructure, equipment, etc. in Chengnan New District | 371,884.13 | Other income | 371,884.13 |
| Intelligent manufacturing, integrated standardization and new mode application project | 6,497,000.00 | Other income | 6,497,000.00 |
| Special fund for industrial development | 3,626,125.00 | Other income | 3,626,125.00 |
| Job subsidies and social insurance subsidies | 3,508,713.85 | Other income | 3,508,713.85 |
| Performance award of Shanghai Hongkou District Finance Bureau | 3,010,000.00 | Other income | 3,010,000.00 |
| Subsidies for R&D investment | 2,788,200.00 | Other income | 2,788,200.00 |
| Future factory project | 1,118,255.66 | Deferred income | |
| Future factory project | 131,744.34 | Other income | 131,744.34 |
| Training allowance | 706,097.00 | Other income | 706,097.00 |
| Service charge refund | 541,758.65 | Other income | 541,758.65 |
| Patent reward fund | 367,040.00 | Other income | 367,040.00 |

| | | | |
|----------------------------|-----------------------|--------------|-----------------------|
| VAT exemption or reduction | 10,643.41 | Other income | 10,643.41 |
| Other subsidies | 708,703.65 | Other income | 708,703.65 |
| Total | 140,640,302.30 | — | 130,274,990.77 |

VIII. Consolidation scope changes

1. Change of merger scope for other reasons

In June 22, 2022, the Company invested and established Hangzhou Jinhe Electric Appliances Co., Ltd. with the registered capital of RMB 10 million and shareholding ratio of 100%. Such company belongs to the wholesale and retail industry and mainly engages in the sales of kitchen appliance products of the Company. Now, its registered capital has been paid in and the company has been put into operation.

IX. Interests in other entities

1. Interests in a subsidiary

(1) Composition of enterprise group

| Subsidiary name | Main operation site | Registration place | Business nature | Shareholding ratio | | Way of obtaining |
|---|---------------------|--------------------|---|--------------------|----------|---|
| | | | | Direct | Indirect | |
| Beijing ROBAM Electric Appliance Sales Co., Ltd. | Beijing | Beijing | Sales of kitchen electric appliance products | 100.00% | | Business combination under common control |
| Shanghai ROBAM Electric Appliance Sales Co., Ltd. | Shanghai | Shanghai | Sales of kitchen electric appliance products | 100.00% | | Business combination under common control |
| Hangzhou Mingqi Electric Co., Ltd. | Hangzhou | Hangzhou | Sales of kitchen electric appliance products | 100.00% | | Acquisition by establishment |
| Dize Home Appliances Trading (Shanghai) Co., Ltd. | Shanghai | Shanghai | Sales of kitchen electric appliance products | 51.00% | | Acquisition by investment |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | Shengzhou | Shengzhou | Production and sales of kitchen electric appliance products | 51.00% | | Business combination not under common control |
| Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. | Hangzhou | Hangzhou | Assets and investment management | 100.00% | | Acquisition by establishment |
| Zhejiang Cooking Future Technology Co., Ltd. | Shengzhou | Shengzhou | Intelligent kitchen design | | 32.13% | Acquisition by establishment |
| Hangzhou Jinhe Electric Appliances Co., Ltd. | Hangzhou | Hangzhou | Sales of kitchen electric appliance products | 100.00% | | Acquisition by establishment |

Note: The basis that the Company holds half or less of the voting rights of Zhejiang Cooking Future Technology Co., Ltd., but still controls Zhejiang Cooking Future Technology Co., Ltd. basis: since the Company forms a control relationship with Shengzhou Kinde, it also forms a control relationship with its holding subsidiary Zhejiang Cooking Future Technology Co., Ltd. On January 6, 2022, the Company's subsidiary, Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. signed the *Equity Transfer Contract* with Gongqingcheng Binglan Investment Partnership (limited partnership), to stipulate that Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. will transfer the subscribed 7% equity of Zhejiang Cooking Future Technology Co., Ltd. to Gongqingcheng Binglan Investment Partnership (limited partnership) to change its shareholding ratio from 70% to 63%, and change the shareholding ratio of the Company from 35.70% to 32.13%.

(2) Important non-wholly owned subsidiary

Unit: yuan

| Subsidiary name | Minority shareholding ratio | Current profits and losses attributable to minority shareholders | Current dividends declared to minority shareholders | Ending balance of minority equity |
|--|-----------------------------|--|---|-----------------------------------|
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 49.00% | -9,994,106.97 | 9,800,000.00 | 118,293,284.50 |
| Zhejiang Cooking Future Technology Co., Ltd. | 37.00% | -4,104,395.68 | | 10,829,229.79 |

(3) Main financial information of important non-wholly owned subsidiaries

Unit: yuan

| Subsidiary name | Ending balance | | | | | | Beginning balance | | | | | |
|--|----------------|--------------------|----------------|---------------------|-------------------------|-------------------|-------------------|--------------------|----------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 152,256,797.00 | 348,855,702.41 | 501,112,499.41 | 203,576,227.80 | 45,292,175.50 | 248,868,403.30 | 215,540,936.45 | 309,621,535.16 | 525,162,471.61 | 204,306,095.17 | 35,111,747.76 | 239,417,842.93 |
| Zhejiang Cooking Future Technology Co., Ltd. | 25,723,850.48 | 6,669,996.33 | 32,393,846.81 | 3,125,658.21 | | 3,125,658.21 | 18,295,624.97 | 1,856,306.24 | 20,151,931.21 | 4,790,781.30 | | 4,790,781.30 |

Unit: yuan

| Subsidiary name | Amount incurred in current period | | | | Amount incurred in previous period | | | |
|--|-----------------------------------|----------------|----------------------------|-------------------------------------|------------------------------------|---------------|----------------------------|-------------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flow from financing activities | Operating income | Net profit | Total comprehensive income | Cash flow from financing activities |
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 170,999,666.69 | -24,500,532.58 | -24,500,532.58 | -53,403,723.94 | 279,090,651.50 | 37,631,627.30 | 37,631,627.30 | 50,456,257.24 |
| Zhejiang Cooking Future Technology Co., Ltd. | 1,291,219.22 | -11,092,961.31 | -11,092,961.31 | 19,686,152.21 | 360,328.16 | -8,887,591.74 | -8,887,591.74 | -11,991,748.70 |

2. Equity in joint venture arrangement or joint venture

(1) Unimportant cooperative enterprises or joint ventures

| Name of cooperative enterprise or joint venture | Main operation site | Registration place | Business nature | Shareholding ratio | | Accounting treatment method of investment in cooperative enterprises or joint ventures |
|---|---------------------|--------------------|-----------------------------|--------------------|----------|--|
| | | | | Direct | Indirect | |
| De Dietrich Trade (Shanghai) Co., Ltd. | Shanghai | Shanghai | Sales of kitchen appliances | 51.00% | | Equity method |
| Zhejiang | Hangzhou | Hangzhou | Retail industry | 40.00% | | Equity method |

| | | | | | | |
|--|---------------|---------------|-----------------------------------|--|--------|---------------|
| Tingshuo Brand Operation Management Co., Ltd. | | | | | | |
| Shaoxing Shuaige Kitchen and Bathroom Technology Co., Ltd. | Shaoxing City | Shaoxing City | Manufacture of kitchen appliances | | 20.40% | Equity method |

(2) Summary of financial information of unimportant cooperative enterprises and joint ventures

Unit: yuan

| | Ending balance/amount incurred in current period | Beginning balance/amount incurred in previous period |
|---|--|--|
| Cooperative enterprise: | | |
| Total book value of investment | 3,824,460.03 | 3,661,700.03 |
| Total number of following items by shareholding ratio | | |
| - Net profit | 162,760.00 | 208,930.44 |
| - Total comprehensive income | 162,760.00 | 208,930.44 |
| Joint venture: | | |
| Total book value of investment | 4,894,045.59 | 1,743,429.88 |
| Total number of following items by shareholding ratio | | |
| - Net profit | -989,384.29 | -256,570.12 |
| - Total comprehensive income | -989,384.29 | -256,570.12 |

X. Risks associated with financial instruments

The main financial instruments of the Company include accounts receivable, accounts payable, etc. The detailed description of the financial instruments is shown in Note VI. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below. The management of the Company shall manage and monitor these risk exposures to ensure that the above risks are controlled within the limited scope.

1. The Company's various risk management objectives and policies are as follows:

The Company's risk management is to strike an appropriate balance between risks and benefits, minimize the negative impact of risks on the Company's business performance and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to determine and analyze various risks faced by the Company, establish an appropriate bottom line for risk tolerance, make risk management and timely and reliably supervise various risks to control the risks within the limited scope.

- Market risk - price risk

The Company sells the products at market prices and are therefore subject to fluctuations in these prices.

- Credit risk

The largest credit risk exposure that may cause financial losses of the Company on December 31, 2022 mainly comes from the loss of financial assets of the Company caused by the failure of the other party to fulfill its obligations, including the book value of financial assets recognized in the consolidated balance sheet.

In order to reduce credit risks, the Company shall assign special personnel to determine the credit limit, conduct credit examination and approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. Moreover, the Company shall review the recovery of each single receivable on each balance sheet date to ensure that adequate bad debt provisions are withdrawn for unrecoverable amounts. Therefore, the Company's management believes that the Company's credit risk has been greatly reduced.

The Company's working capital is deposited in banks with high credit rating, so the credit risk of working capital is low.

There is no significant credit concentration risk due to the Company's risk exposure to multiple parties and customers.

The Company has adopted the necessary policies to ensure that all sales customers have good credit records. The Company has no significant credit concentration risk.

Total amount of the top 5 accounts receivable: RMB 1,419,688,838.84.

Total amount of the top 5 other receivables: RMB 56,109,793.65.

- Liquidity risk:

The risk that the Company is unable to perform its financial obligations at maturity. The Company manages its liquidity risk by ensuring that it has sufficient liquidity to meet maturing obligations without causing unacceptable losses or damage to the credibility of the business. The management of the Company has conducted a detailed inspection on the working capital of the Company and regularly analyzed the debt structure, term and bank line of credit to ensure sufficient funds. The conclusion is that the Company has sufficient funds to meet the needs of the Company's short-term debts and capital expenditures. The financial assets and financial liabilities held by the Company are analyzed as follows according to the maturity of undiscounted remaining contractual obligations:

Amount on December 31, 2022:

| Item | Within one year | One to two years | Two to five years | More than five years | Total |
|---|------------------|------------------|-------------------|----------------------|------------------|
| Financial assets | | | | | |
| Monetary capital | 5,292,762,670.94 | | | | 5,292,762,670.94 |
| Trading financial assets | 2,511,844,508.00 | | | | 2,511,844,508.00 |
| Notes receivable | 881,773,341.71 | | | | 881,773,341.71 |
| Accounts receivable | 1,689,606,828.94 | | | | 1,689,606,828.94 |
| Other receivables | 80,429,057.84 | | | | 80,429,057.84 |
| Financial liabilities | | | | | |
| Short-term borrowing | 51,723,429.99 | | | | 51,723,429.99 |
| Notes payable | 872,550,306.86 | | | | 872,550,306.86 |
| Accounts payable | 2,418,755,167.31 | | | | 2,418,755,167.31 |
| Other payables | 281,878,208.25 | | | | 281,878,208.25 |
| Payroll payable | 153,942,329.88 | | | | 153,942,329.88 |
| Other current liabilities | 120,126,501.73 | | | | 120,126,501.73 |
| Non-current liabilities due within a year | 5,720,175.21 | | | | 5,720,175.21 |
| Lease liabilities | | 4,926,795.88 | 8,802,594.45 | 4,859,576.34 | 18,588,966.67 |

- Sensitivity analysis of foreign exchange risk

The Company's exchange rate risk is mainly related to US dollar, Euro, Australian dollar and other currencies. The foreign exchange risk borne by the Company is mainly related to USD (which shall be modified according to the actual situation), and the main business activities of the Company are denominated and settled in RMB. As of December 31, 2022, the Company's assets and liabilities were RMB balance, except the foreign currency balance of the assets and liabilities in Note "Foreign currency monetary items". The foreign exchange risks arising from the assets and liabilities of such foreign currency balance may have an impact on the Company's business performance.

The Company pays close attention to the exchange rate movement on its foreign exchange risks. and has not taken any measures to avoid foreign exchange risks.

XI. Fair value disclosure

1. Ending fair value of assets and liabilities measured with fair value

Unit: yuan

| Item | Ending fair value | | | Total |
|--------------------------------------|--|---|--|------------------|
| | Measurement of fair value at the first level | Measurement of fair value at the second level | Measurement of fair value at the third level | |
| I. Continuous fair value measurement | -- | -- | -- | -- |
| (I) Trading financial assets | | | 2,511,844,508.00 | 2,511,844,508.00 |

| | | | | |
|---|----|----|------------------|------------------|
| 1. Financial assets measured with fair value and with the changes included in current profit and loss | | | 2,511,844,508.00 | 2,511,844,508.00 |
| (2) Equity instrument investments | | | 2,116,023.22 | 2,116,023.22 |
| Total assets continuously measured at fair value | | | 2,513,960,531.22 | 2,513,960,531.22 |
| II. Non-continuous fair value measurement | -- | -- | -- | -- |

2. Continuous and non-continuous measurement items of fair value at third level, qualitative and quantitative information on valuation techniques adopted and important parameters

| Item | December 31, 2022 Fair value | Valuation technique | Significant unobservable value | Relationship between unobservable value and fair value |
|-------------------------------------|---------------------------------|-----------------------------|--------------------------------|--|
| Bank financial products | 2,511,844,508.00 | Best estimate of fair value | Investment cost | — |
| Other equity instrument investments | 2,116,023.22 | Best estimate of fair value | Investment cost | — |

Note: Due to the deterioration of the business environment, business conditions and financial conditions of the invested enterprise Suzhou Industrial Park Ruican Investment Enterprise (limited partnership), the Company takes zero yuan as a reasonable estimate of the fair value for measurement.

XII. Related parties and related transactions

1. Parent company of the Company

| Parent company name | Registration place | Business nature | Registered capital | Shareholding ratio of the parent company in the Company | Voting right ratio of the parent company in the Company |
|---|--------------------|--------------------------------------|--------------------|---|---|
| Hangzhou ROBAM Industrial Group Co., Ltd. | Hangzhou, Zhejiang | Investment and industrial management | RMB 60 million | 49.68% | 49.68% |

The ultimate controlling party of the Company: Ren Jianhua

2. Subsidiaries of the Company

See the Notes for the details of the Company's subsidiaries.

3. Cooperative enterprises and joint ventures

See the note for important cooperative enterprises or joint ventures of the Company.

Other cooperative enterprises or joint ventures that made related party transactions with the Company in the current period, or formed the balance of related party transactions with the Company in the previous periods are as follows:

| Name of cooperative enterprise or joint venture | Relationship with the Company |
|--|---|
| Hangzhou Amblem Kitchenware Co., Ltd. | Controlled by the same final controller |
| Hangzhou ROBAM Gas Station Co., Ltd. | Controlled by the same final controller |
| Hangzhou Nbond Nonwoven Co., Ltd. | Controlled by the same final controller |
| Hangzhou Yuhang Matt Spray Painting Factory | Other related parties |
| Garden Hotel Hangzhou | Other related parties |
| Hangzhou Bonyee Daily Necessity Technology Co., Ltd. | Controlled by the same final controller |
| Shaoxing Kinde Electric Appliance Co., Ltd. | Other related parties |

| | |
|---|---|
| Hangzhou Guoguang Touring Commodity Co., Ltd. | Controlled by the same final controller |
| Hangzhou Seasons Health Care Products Co., Ltd. | Controlled by the same final controller |
| Hangzhou Linping ROBAM Charity Foundation | Other related parties |

4. Related transaction

(1) Related transaction of purchases and sales of goods, provision and acceptance of services

Purchase of goods/acceptance of services

Unit: yuan

| Related party | Related transaction content | Amount incurred in current period | Approved transaction quota | Whether the transaction quota is exceeded | Amount incurred in previous period |
|--|-----------------------------|-----------------------------------|----------------------------|---|------------------------------------|
| Hangzhou Amblem Kitchenware Co., Ltd. | Product purchase | 28,302,583.22 | | No | 1,846,329.38 |
| Hangzhou Yuhang Matt Spray Painting Factory | Labor receiving | 9,589,975.85 | | No | 9,560,985.98 |
| Hangzhou Seasons Health Care Products Co., Ltd. | Product purchase | 2,704,152.47 | | No | 6,339,452.12 |
| Shaoxing Shuaige Kitchen and Bathroom Technology Co., Ltd. | Product purchase | 1,983,294.00 | | No | |
| Hangzhou ROBAM Gas Station Co., Ltd. | Product purchase | 995,343.75 | | No | 854,444.59 |
| Zhejiang Tingshuo Brand Operation Management Co., Ltd. | Labor receiving | 400,760.00 | | No | |
| Hangzhou Guoguang Touring Commodity Co., Ltd. | Product purchase | 106,473.99 | | No | 94,897.35 |
| Hangzhou Nbond Nonwoven Co., Ltd. | Product purchase | 95,302.65 | | No | 86,436.20 |
| Hangzhou Bonyee Daily Necessity Technology Co., Ltd. | Product purchase | 8,728.42 | | No | 424.78 |
| Garden Hotel Hangzhou | Labor receiving | | | No | 201,474.34 |
| Total | — | 44,186,614.35 | | | 18,984,444.74 |

Selling commodities/offering labor

Unit: yuan

| Related party | Related transaction content | Amount incurred in current period | Amount incurred in previous period |
|---|-----------------------------|-----------------------------------|------------------------------------|
| Hangzhou Amblem Kitchenware Co., Ltd. | Selling goods | 5,814,674.29 | 11,650,995.14 |
| Hangzhou Linping ROBAM Charity Foundation | Selling goods | 3,914,955.70 | |
| De Dietrich Trade (Shanghai) | Selling goods | 1,326,580.82 | 1,190,969.50 |

| | | | |
|-----------------------------------|---------------|---------------|---------------|
| Co., Ltd. | | | |
| Hangzhou Nbond Nonwoven Co., Ltd. | Selling goods | 10,746.90 | |
| Total | — | 11,066,957.71 | 12,841,964.64 |

(2) Related-party lease

The Company as the lessor:

Unit: yuan

| Name of lessee | Type of leased assets | Lease income recognized in the current period | Lease income recognized in the previous period |
|---|-----------------------|---|--|
| Hangzhou ROBAM Industrial Group Co., Ltd. | House | 28,800.00 | 28,800.00 |

The Company as the lessee:

Unit: yuan

| Name of lessor | Type of leased assets | Simplified treatment of rental costs for short-term lease and low-value asset lease | | Variable lease payments not included in the measurement of lease liabilities (if applicable) | | Rent paid | | Interest expenses incurred on lease liabilities | | Increased right-of-use assets | |
|---|-----------------------|---|------------------------------------|--|------------------------------------|-----------------------------------|------------------------------------|---|------------------------------------|-----------------------------------|------------------------------------|
| | | Amount incurred in current period | Amount incurred in previous period | Amount incurred in current period | Amount incurred in previous period | Amount incurred in current period | Amount incurred in previous period | Amount incurred in current period | Amount incurred in previous period | Amount incurred in current period | Amount incurred in previous period |
| Hangzhou ROBAM Industrial Group Co., Ltd. | House | | | | | 550,024.57 | 550,024.57 | | | | |

(3) Key management personnel remuneration

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|--------------------|-----------------------------------|------------------------------------|
| Total remuneration | 14,242,333.46 | 11,350,618.33 |

5. Accounts receivable and payable by related parties

(1) Receivables

Unit: yuan

| Item name | Related party | Ending balance | | Beginning balance | |
|---------------------|---|----------------|------------------------|-------------------|------------------------|
| | | Book balance | Provision for bad debt | Book balance | Provision for bad debt |
| Accounts receivable | Hangzhou Amblem Kitchenware Co., Ltd. | 1,432,274.00 | | | |
| Advance to supplier | Hangzhou Seasons Health Care Products Co., Ltd. | 3,769.89 | | | |
| Total | | 1,436,043.89 | | | |

(2) Payables

Unit: yuan

| Item name | Related party | Ending book balance | Beginning book balance |
|------------------|--|---------------------|------------------------|
| Accounts payable | Hangzhou Yuhang Matt Spray Painting Factory | 3,043,849.87 | 3,543,430.78 |
| Accounts payable | Hangzhou ROBAM Gas Station Co., Ltd. | 2,548,095.18 | 1,723,356.74 |
| Accounts payable | Hangzhou Guoguang Touring Commodity Co., Ltd. | 6,963.19 | 23,605.20 |
| Accounts payable | Hangzhou Amblem Kitchenware Co., Ltd. | 4,386,391.83 | |
| Accounts payable | Shaoxing Shuaige Kitchen and Bathroom Technology Co., Ltd. | 298,021.70 | |
| Other payables | Hangzhou Yuhang Matt Spray Painting Factory | 200,000.00 | 200,000.00 |
| Other payables | Hangzhou Guoguang Touring Commodity Co., Ltd. | 2,000.00 | 2,000.00 |
| Total | | 10,485,321.77 | 5,492,392.72 |

XIII. Share-based payment

1. Overall status of share-based payment

Applicable Not applicable

2. Equity-settled share-based payments

Applicable Not applicable

See XVI. Other important issues, stock option incentive plan (2) Equity-settled share-based payments

3. Share-based payment settled by cash

Applicable Not applicable

4. Modification and termination of share-based payment

5. Other

XIV. Commitment and contingencies

1. Important commitment issues

Important commitments on balance sheet date

The Company has committed to invest RMB 4 million in Tingshuo Brand, an associated company of the Company. At present, RMB 2 million has been paid in, accounting for 40% of the equity, and RMB 2 million has not been paid. Except for the above commitments, the Company has no other major commitments as of the date of presentation of the financial statements.

2. Contingencies

(1) Important contingencies on balance sheet date

The Company had no significant contingencies to be disclosed as of December 31, 2022.

(2) Explanation even if the Company has no important contingencies to be disclosed

The Company has no important contingencies to be disclosed.

3. Other

XV. Post-balance sheet events

1. Important non-adjustment items

(1) 2023 stock option incentive plan

On April 25, 2023, the 14th meeting of the Fifth Board of Directors of the Company deliberated and approved the Company's "Proposal on 2023 Stock Option Incentive Plan (draft) of the Company and its Abstract". The incentive plan mainly takes the operating income from 2023 to 2025 as the performance evaluation target, and provides stock option incentive to middle management and core technology (business) backbones working in the Company (including subsidiaries). The proposal still shall be subject to the deliberation and approval by the Company's annual general meeting of shareholders in 2022.

(2) Cancellation of partial stock options in the 2021 stock option incentive plan

On April 25, 2023, the 14th meeting of the Fifth Board of Directors of the Company deliberated and approved the "Proposal on Cancellation of the 2021 Stock Option Incentive Plan for Failure to Meet the Exercise Conditions during the Second Exercise Period" and the "Proposal on the Cancellation of Partial Stock Options in the 2021 Stock Option Incentive Plan". As a failure of meeting the exercise conditions of the second exercise period of stock options in 2021, the Company will cancel 831,000 stock options held by the incentive objects that have been granted in the second exercise period but do not meet the exercise conditions; As 13 incentive objects under the Company's 2021 Stock Option Incentive Plan no longer meet the incentive conditions due to their resignation, thus the Company will cancel 114,000 stock options granted to but not exercised by the above 13 incentive objects, totaling 945,000 stock options.

(3) Cancellation of partial stock options in the 2022 stock option incentive plan

On April 25, 2023, the 14th meeting of the Fifth Board of Directors of the Company deliberated and approved the "Proposal on Cancellation of the 2022 Stock Option Incentive Plan for Failure to Meet the Exercise Conditions during the First Exercise Period" and the "Proposal on the Cancellation of Partial Stock Options in the 2022 Stock Option Incentive Plan." As a failure of meeting the exercise conditions of the first exercise period of stock options in 2022, the Company will cancel 1,359,000 stock options held by the incentive objects that have been granted in the first exercise period but do not meet the exercise conditions; As 13 incentive objects under the Company's 2022 Stock Option Incentive Plan no longer meet the incentive conditions due to their resignation, thus the Company will cancel 240,000 stock options granted to but not exercised by the above 13 incentive objects; As 1 incentive object under the Company's 2022 Stock Option Incentive Plan no longer meets the incentive conditions due to his/her death, thus the Company will cancel 10,000 stock options granted to but not exercised by the above 1 incentive object, totaling 1,609,000 stock options;

(4) Post-term debt restructuring matters

As of the reporting date, the newly signed accounts receivable debt repayment agreement of the Company amounted to RMB 17,185,500, including RMB 6,191,400 for which online signing and delivery procedures have been completed; The amount of debt repayment agreement signed in 2022 for which online signing and delivery procedures has been completed was RMB 3,453,100.

2. Profit distribution

| Item | Amount |
|--------------------------------------|----------------|
| Profit or dividend to be distributed | 472,047,458.00 |

On April 25, 2023, according to the "Proposal on 2022 Annual Profit Distribution Plan" deliberated and adopted by the 14th meeting of the fifth Board of Directors of the Company, based on the total share capital of 944,094,916 (the existing total share capital is 949,024,050 shares, excluding the repurchased 4,929,134 shares), the Company intends to pay a cash dividend of RMB 5 (tax-inclusive) per 10 shares to all shareholders, for a total of RMB 472,047,458.00. The proposal still shall be subject to the deliberation and approval by the Company's annual general meeting of shareholders in 2022.

Except for the aforementioned post balance sheet events, the Company has no other major post-balance sheet events.

XVI. Other important issues

1. Stock option incentive plan

(1) Overall status of share-based payment

| Item | Conditions |
|--|--------------|
| Total amount of equity instruments granted by the Company in this year | 4,780,000.00 |
| Total amount of equity instruments exercised by the Company in this year | |

| Item | Conditions |
|---|---|
| Total amount of the Company's equity instruments invalidate in this year | 1,264,000.00 |
| Range of the exercise price of the Company's stock options outstanding at the end of the year and the remaining term of the contract | The exercise price of the 2021 stock option incentive plan is RMB 36.57 per share, with a remaining term of 1-2 years; The exercise price of the 2022 stock option incentive plan is RMB 29.27 per share, with a remaining term of 1-3 years. |
| Range of the exercise price of the Company's other equity instruments outstanding at the end of the year and the remaining term of the contract | |

1) 2021 stock option incentive plan

On April 14, 2021, the Company held the 4th meeting of the Fifth Board of Directors. The meeting deliberated and approved "Business Partner Shareholding Plan (Draft)", "2021 Stock Option Incentive Plan (Draft)" and other relevant proposals, and decided to take the operating income and non-net profit after deduction belonging to the parent company from 2021 to 2023 as the main performance assessment objectives, implemented the business partner shareholding plan for the core managers in the Company (including its subsidiaries) who play an important role in the overall performance and development of the Company, including directors (excluding independent directors), general managers, deputy general managers, senior directors and directors; implemented the stock option incentive for the Company's middle management and core technology (business) backbones, totaling 142 people.

On April 30, 2021, the first extraordinary shareholders' meeting of the Company in 2021 deliberated and approved the above proposals, and determined May 10, 2021 as the first grant date of stock options in this incentive plan. In 2021, 3.04 million stock options was actually granted to 138 people.

On April 19, 2022, the 10th meeting of the Fifth Board of Directors and the 9th meeting of the Fifth Board of Supervisors of the Company deliberated and approved the "Proposal on Cancellation of the 2021 Stock Option Incentive Plan for Failure to Meet the Exercise Conditions during the First Exercise Period" and the "Proposal on the Cancellation of Partial Stock Options in the 2021 Stock Option Incentive Plan" and other proposals. Due to the failure to meet the exercise conditions of stock options in 2021 during the first exercise period, the Company will cancel 1,184,000 stock options held by the incentive objects that have been granted in the first exercise period but do not meet the exercise conditions; As 4 incentive objects under the Company's 2021 Stock Option Incentive Plan no longer meet the incentive conditions due to their resignation, thus the Company will cancel 80,000 stock options granted to but not exercised by the above 4 incentive objects. On April 26, 2022, after verification and confirmation by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the cancellation of the aforementioned 1,264,000 stock options has been completed.

2) 2022 stock option incentive plan

On March 31, 2022, the 9th meeting of the Fifth Board of Directors of the Company deliberated and approved the Company's "2022 Stock Option Incentive Plan (draft)". The incentive plan mainly takes the operating income from 2022 to 2024 as the performance evaluation target, and provides stock option incentive to 285 middle management and core technology (business) backbones working in the Company (including subsidiaries), with an exercise price of 29.27 yuan/share. The validity period of stock options in this incentive plan shall be from the of grant of stock options to the date of full exercise or cancellation of stock options granted to the incentive object, with a maximum of 48 months. The vesting period of the stock options in this incentive plan shall be 12 months, 24 months and 36 months respectively from the corresponding grant date of the stock options, and the exercise ratio of each exercise period shall be 30%, 30% and 40% respectively.

Assuming that the incentive objects of the granted stock option exercise all of their options during each exercise period, the cost amortization of the granted stock option from 2022 to 2025 is as follows:

| Quantity of stock option (10,000) | Total expenses to be amortized (10,000 yuan) | 2022 (10,000 yuan) | 2023 (10,000 yuan) | 2024 (10,000 yuan) | 2025 (10,000 yuan) |
|-----------------------------------|--|--------------------|--------------------|--------------------|--------------------|
| 481.00 | 2,031.74 | 757.58 | 746.03 | 437.23 | 90.91 |

On April 21, 2022, the Company held the first extraordinary general meeting of shareholders to deliberate and adopt the "Proposal on 2022 Stock Option Incentive Plan (draft) of the Company and its Abstract" and other relevant proposals. On May 10, 2022, the Company's 11th meeting of the fifth Board of Directors deliberated and adopted the "Proposal on Granting Stock Options to Incentive Objects". The stock option incentive is actually granted to 282 person on May 10, 2022, with the quantity of 4.78 million, exercise price of RMB 29.27 per share. On May 26, 2022, the registration of stock option grants was completed.

(2) Equity-settled share-based payments

| Item | Conditions |
|------|------------|
|------|------------|

| Item | Conditions |
|--|---|
| Method for determining the fair value of equity instruments on the grant date | The Company evaluates the fair value of the stock options with the internationally recognized BlackScholes option pricing model |
| Basis for the determination of the number of viable equity instruments | Optimum estimation for the number of viable equity instruments |
| Reasons for significant differences between the estimates of this year and the previous year | N/A |
| Accumulated amount of equity-settled share-based payments recorded in capital reserves | 7,854,225.96 |
| Total amount of expenses recognized by equity-settled share-based payments in this year | 4,735,460.48 |

2. Corporate debt restructuring matters

As of December 31, 2022, the Company has signed the following project mortgage property agreements and completed the online signing procedures of the property as follows:

| Item | Amount of debt agreement signed | Including: those completing the online signing procedures and delivery procedures Fees for procedures | Amount of those not completing the online signing procedures and delivery procedures |
|----------------------------|---------------------------------|--|--|
| Real estate customers (38) | 164,232,192.36 | 50,337,125.23 | 113,895,067.13 |
| Total | 164,232,192.36 | 50,337,125.23 | 113,895,067.13 |

The total balance of accounts receivable involved in the project mortgage property agreements signed between the Company and the aforementioned real estate customers is RMB 164,232,200, of which RMB 50,337,100 has been completed with online signing or delivery procedures, the recognition of claims receivable of which has been terminated. The fair value of the mortgaged property at the time of debt restructuring is reported in other non-current assets. The fair value of the property is RMB 51,514,000, which was confirmed through public market inquiry. The Company pays the difference of RMB 1,176,900 in cash, the debt restructuring matters do not generate any restructuring gains or losses at the time of restructuring; The remaining RMB 113,895,100 has not yet been completed with online registration of the house and the Company has not terminated the recognition of claims receivable, and make the provision for bad debts based on an expected credit loss rate of 20%.

The Company had no other important matters to be disclosed as of December 31, 2022.

XVII. Notes on main items of parent company's financial statement

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

| Category | Ending balance | | | | | Beginning balance | | | | |
|--|------------------|------------|------------------------|---------------------|------------------|-------------------|------------|------------------------|---------------------|------------------|
| | Book balance | | Provision for bad debt | | Book value | Book balance | | Provision for bad debt | | Book value |
| | Amount | Proportion | Amount | Accruing proportion | | Amount | Proportion | Amount | Accruing proportion | |
| Accounts receivable of provision for bad debt by single item | 1,543,955,986.32 | 58.11% | 972,062,395.33 | 62.96% | 571,893,590.99 | 628,127,248.06 | 29.39% | 551,636,286.07 | 87.82% | 76,490,961.99 |
| Where: | | | | | | | | | | |
| Accounts receivable of provision for bad debt by combination | 1,112,930,148.56 | 41.89% | 64,280,210.58 | 5.78% | 1,048,649,937.98 | 1,509,321,539.72 | 70.61% | 89,120,674.12 | 5.90% | 1,420,200,865.60 |
| Where: | | | | | | | | | | |
| Combination of related party | 99,792,768.36 | 3.76% | | | 99,792,768.36 | 13,799,399.00 | 0.64% | | | 13,799,399.00 |
| Accounts | 1,013,13 | 38.13% | 64,280,210. | 6.34% | 948,857,16 | 1,495,522,1 | 69.97% | 89,120,674. | 5.96% | 1,406,401,4 |

| | | | | | | | | | | |
|--|------------------|---------|------------------|--------|------------------|------------------|---------|----------------|--------|------------------|
| receivable of provision for bad debt by expected credit loss combination based on aging features | 7,380.20 | | 58 | | 9.62 | 40.72 | | 12 | | 66.60 |
| Total | 2,656,886,134.88 | 100.00% | 1,036,342,605.91 | 39.01% | 1,620,543,528.97 | 2,137,448,787.78 | 100.00% | 640,756,960.19 | 29.98% | 1,496,691,827.59 |

Provision for bad debt by single item:

Unit: yuan

| Name | Ending balance | | | |
|---------|------------------|------------------------|---------------------|--|
| | Book balance | Provision for bad debt | Accruing proportion | Reasons for provision |
| Unit 1 | 657,344,204.78 | 657,344,204.78 | 100.00% | Difficult to recover |
| Unit 2 | 585,673,768.95 | 175,702,130.69 | 30.00% | Debt overdue |
| Unit 3 | 112,811,043.19 | 42,342,003.78 | 37.53% | Debt overdue |
| Unit 4 | 27,754,259.57 | 18,956,340.20 | 68.30% | Debt default |
| Unit 5 | 24,817,347.78 | 4,963,469.56 | 20.00% | Debt overdue |
| Unit 6 | 21,370,090.54 | 14,959,063.38 | 70.00% | Debt default |
| Unit 7 | 20,263,294.09 | 5,751,727.45 | 28.38% | Debt overdue |
| Unit 8 | 16,210,905.78 | 11,325,134.05 | 69.86% | Debt default |
| Unit 9 | 14,139,851.56 | 8,965,986.59 | 63.41% | Debt default |
| Unit 10 | 10,185,685.90 | 2,157,682.25 | 21.18% | Debt overdue |
| Unit 11 | 9,475,265.17 | 6,632,685.62 | 70.00% | Debt default |
| Unit 12 | 9,181,060.96 | 6,426,742.67 | 70.00% | Debt default |
| Unit 13 | 8,440,716.52 | 4,288,717.32 | 50.81% | Debt default |
| Unit 14 | 8,009,318.82 | 2,345,903.11 | 29.29% | Debt overdue |
| Unit 15 | 4,025,730.93 | 2,818,011.65 | 70.00% | Debt default |
| Unit 16 | 14,253,441.78 | 7,082,592.23 | 49.69% | It is expected that there is recovery risk |
| Total | 1,543,955,986.32 | 972,062,395.33 | | |

Provision for bad debt by combination: accounts receivable of provision for bad debt by expected credit loss combination based on aging features

Unit: yuan

| Name | Ending balance | | |
|-------------------|------------------|------------------------|---------------------|
| | Book balance | Provision for bad debt | Accruing proportion |
| Within 1 year | 876,938,472.66 | 43,846,923.63 | 5.00% |
| 1~2 years | 106,716,453.33 | 10,671,645.33 | 10.00% |
| 2~3 years | 20,374,364.02 | 4,074,872.80 | 20.00% |
| 3~4 years | 5,916,513.91 | 2,958,256.96 | 50.00% |
| 4~5 years | 2,315,322.08 | 1,852,257.66 | 80.00% |
| More than 5 years | 876,254.20 | 876,254.20 | 100.00% |
| Total | 1,013,137,380.20 | 64,280,210.58 | |

Description of the basis for determining the combination:

Provision for bad debt by combination: accounts receivable of provision for bad debt by combination of related parties

Unit: yuan

| Name | Ending balance | | |
|------------------------------|----------------|------------------------|---------------------|
| | Book balance | Provision for bad debt | Accruing proportion |
| Combination of related party | 99,792,768.36 | | |

| | | | |
|-------|---------------|--|--|
| Total | 99,792,768.36 | | |
|-------|---------------|--|--|

Description of the basis for determining the combination:

If the bad debt provision of accounts receivable is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

Applicable Not applicable

Disclosure by aging

Unit: yuan

| Aging | Book balance |
|----------------------------------|------------------|
| Within 1 year (including 1 year) | 1,304,372,596.67 |
| Within 1 year (including 1 year) | 1,304,372,596.67 |
| 1~2 years | 1,288,794,867.92 |
| 2~3 years | 51,406,707.51 |
| More than 3 years | 12,311,962.78 |
| 3~4 years | 7,674,961.53 |
| 4~5 years | 3,585,776.77 |
| More than 5 years | 1,051,224.48 |
| Total | 2,656,886,134.88 |

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

| Category | Beginning balance | Changes in amount in current period | | | | Ending balance |
|---|-------------------|-------------------------------------|-----------------------|-----------------------------|-------|------------------|
| | | Provision | Recovered or reversed | Canceled after verification | Other | |
| Provision for bad debt of accounts receivable | 640,756,960.19 | 420,476,255.80 | 24,667,546.54 | 223,063.54 | | 1,036,342,605.91 |
| Total | 640,756,960.19 | 420,476,255.80 | 24,667,546.54 | 223,063.54 | | 1,036,342,605.91 |

(3) Receivables with top 5 ending balances by debtor

Unit: yuan

| Unit name | Ending balance of accounts receivable | Proportion in total ending balance of accounts receivable | Ending balance of bad debt provision |
|-----------|---------------------------------------|---|--------------------------------------|
| Unit 1 | 585,494,572.95 | 22.04% | 175,648,371.89 |
| Unit 2 | 452,376,997.98 | 17.03% | 452,376,997.98 |
| Unit 3 | 200,404,163.35 | 7.54% | 10,020,208.17 |
| Unit 4 | 95,125,955.20 | 3.58% | 95,125,955.20 |
| Unit 5 | 62,543,420.42 | 2.35% | 62,543,420.42 |
| Total | 1,395,945,109.90 | 52.54% | |

(4) Amount of assets and liabilities formed by transferring accounts receivable and continuing involvement

| Asset item | Year-end balance | Liability item | Year-end balance |
|---|------------------|----------------------|------------------|
| Accounts receivable with recourse factoring | 573,429.99 | Short-term borrowing | 573,429.99 |

2. Other receivables

Unit: yuan

| Item | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Dividends receivable | 10,200,000.00 | |
| Other receivables | 73,700,676.77 | 66,149,239.78 |
| Total | 83,900,676.77 | 66,149,239.78 |

(1) Dividends receivable

1) Classification of dividends receivable

Unit: yuan

| Project (or investee) | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 10,200,000.00 | |
| Total | 10,200,000.00 | |

(2) Other receivables

1) Other receivables classified by nature

Unit: yuan

| Nature of payment | Ending book balance | Beginning book balance |
|---------------------------|---------------------|------------------------|
| Collection by third party | 50,695,825.81 | 39,389,486.99 |
| Deposit and margin | 30,213,932.48 | 41,547,121.13 |
| Associated contact | 4,064,000.00 | 4,064,000.00 |
| Withheld amount | 4,337,682.15 | 2,646,050.39 |
| Imprest | 1,972,794.63 | 966,513.08 |
| Other | 6,022.00 | 6,021.99 |
| Total | 91,290,257.07 | 88,619,193.58 |

2) Provision for bad debt

Unit: yuan

| Provision for bad debt | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--|---|---|---------------|
| | Expected credit losses over the next 12 months | Expected credit loss for the entire duration (no credit impairment) | Expected credit loss for the entire duration (credit impairment has occurred) | |
| Balance on January 1, 2022 | 22,469,953.80 | | | 22,469,953.80 |
| Balance on January 1, 2022 in current period | | | | |
| Withdrawn in current period | -4,880,373.50 | | | -4,880,373.50 |
| Balance on December 31, 2022 | 17,589,580.30 | | | 17,589,580.30 |

Large book balance change in the current period of provision for loss

Applicable Not applicable

Disclosure by aging

Unit: yuan

| Aging | Book balance |
|----------------------------------|---------------|
| Within 1 year (including 1 year) | 66,837,836.02 |

| | |
|----------------------------------|---------------|
| Within 1 year (including 1 year) | 66,837,836.02 |
| 1~2 years | 6,804,424.74 |
| 2~3 years | 3,014,521.11 |
| More than 3 years | 14,633,475.20 |
| 3~4 years | 2,701,746.80 |
| 4~5 years | 1,591,300.00 |
| More than 5 years | 10,340,428.40 |
| Total | 91,290,257.07 |

3) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

| Category | Beginning balance | Changes in amount in current period | | | | Ending balance |
|---|-------------------|-------------------------------------|-----------------------|-----------------------------|-------|----------------|
| | | Provision | Recovered or reversed | Canceled after verification | Other | |
| Provision for bad debt of other receivables | 22,469,953.80 | -4,880,373.50 | | | | 17,589,580.30 |
| Total | 22,469,953.80 | -4,880,373.50 | | | | 17,589,580.30 |

4) Other receivables with top 5 ending balances by debtor

Unit: yuan

| Unit name | Nature of payment | Ending balance | Aging | Proportion in total other ending balance receivable | Ending balance of bad debt provision |
|-----------|---------------------------|----------------|-------------------|---|--------------------------------------|
| Unit 1 | Collection by third party | 33,740,160.20 | Within 1 year | 36.96% | 1,687,008.01 |
| Unit 2 | Collection by third party | 9,589,038.27 | Within 1 year | 10.50% | 479,451.91 |
| Unit 3 | Unit security deposit | 4,928,000.00 | More than 5 years | 5.40% | 4,928,000.00 |
| Unit 4 | Collection by third party | 4,428,009.63 | 0~5 years | 4.85% | 221,400.48 |
| Unit 5 | Associated contact | 4,064,000.00 | More than 5 years | 4.45% | 4,064,000.00 |
| Total | | 56,749,208.10 | | 62.16% | 11,379,860.40 |

3. Long-term equity investment

Unit: yuan

| Item | Ending balance | | | Beginning balance | | |
|--|----------------|--------------------------|----------------|-------------------|--------------------------|----------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Investment in subsidiaries | 267,279,396.10 | 20,400,000.00 | 246,879,396.10 | 257,032,370.17 | 20,400,000.00 | 236,632,370.17 |
| Investment in associated enterprises and joint enterprises | 4,890,453.34 | | 4,890,453.34 | 5,405,129.91 | | 5,405,129.91 |
| Total | 272,169,849.44 | 20,400,000.00 | 251,769,849.44 | 262,437,500.08 | 20,400,000.00 | 242,037,500.08 |

(1) Investment in subsidiaries

Unit: yuan

| Invested unit | Beginning balance | Increase or decrease in current period | Ending | Balance of |
|---------------|-------------------|--|--------|------------|
|---------------|-------------------|--|--------|------------|

| | (book value) | Further investment | Capital reduction | Provision for impairment | Other | balance (book value) | impairment provision at the end of period |
|---|-----------------------|----------------------|-------------------|--------------------------|-------|-----------------------|---|
| Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd. | 162,320,000.00 | | | | | 162,320,000.00 | |
| Hangzhou Mingqi Electric Co., Ltd. | 52,028,217.25 | 247,025.93 | | | | 52,275,243.18 | |
| Dize Home Appliances Trading (Shanghai) Co., Ltd. | 630,900.00 | | | | | 630,900.00 | 20,400,000.00 |
| Shanghai ROBAM Electric Appliance Sales Co., Ltd. | 5,838,272.10 | | | | | 5,838,272.10 | |
| Beijing ROBAM Electric Appliance Sales Co., Ltd. | 5,814,980.82 | | | | | 5,814,980.82 | |
| Hangzhou ROBAM Fuchuang Investment Management Co., Ltd. | 10,000,000.00 | | | | | 10,000,000.00 | |
| Hangzhou Jinhe Electric Appliances Co., Ltd. | | 10,000,000.00 | | | | 10,000,000.00 | |
| Total | 236,632,370.17 | 10,247,025.93 | | | | 246,879,396.10 | 20,400,000.00 |

(2) Investment in associated enterprises and joint enterprises

Unit: yuan

| Invested entity | Beginning balance (book value) | Increase or decrease in current period | | | | | | | | Ending balance (book value) | Balance of impairment provision at the end of period | |
|-----------------------------------|--------------------------------|--|-------------------|---|--|-------------------------|---|--------------------------|-------|-----------------------------|--|--|
| | | Further investment | Capital reduction | Investment gains and losses recognized by the equity method | Adjustment of other comprehensive income | Changes in other equity | Declared payment of cash dividends or profits | Provision for impairment | Other | | | |
| I. Joint enterprise | | | | | | | | | | | | |
| De Dietrich Trade (Shanghai) Co., | 3,661,700.03 | | | 162,760.00 | | | | | | | 3,824,460.03 | |

| | | | | | | | | | | | |
|--|------------------|--|--|---------------------|--|--|--|--|--|------------------|--|
| Ltd. | | | | | | | | | | | |
| Subtotal | 3,661,70 0.03 | | | 162,760. 00 | | | | | | 3,824,46 0.03 | |
| II. Joint venture | | | | | | | | | | | |
| Zhejiang Tingshu o Brand Operatio n Manage ment Co., Ltd. | 1,743,42 9.88 | | | - 677,436. 57 | | | | | | 1,065,99 3.31 | |
| Subtotal | 1,743,42 9.88 | | | - 677,436. 57 | | | | | | 1,065,99 3.31 | |
| Total | 5,405,12 9.91 | | | - 514,676. 57 | | | | | | 4,890,45 3.34 | |

4. Operating income and operating cost

Unit: yuan

| Item | Amount incurred in current period | | Amount incurred in previous period | |
|------------------|-----------------------------------|------------------|------------------------------------|------------------|
| | Income | Cost | Income | Cost |
| Main business | 9,254,790,315.93 | 4,792,994,074.50 | 9,034,839,040.01 | 4,512,516,514.28 |
| Other businesses | 269,759,869.66 | 108,497,967.17 | 249,392,105.48 | 45,025,643.79 |
| Total | 9,524,550,185.59 | 4,901,492,041.67 | 9,284,231,145.49 | 4,557,542,158.07 |

Unit: yuan

5. Investment income

Unit: yuan

| Item | Amount incurred in current period | Amount incurred in previous period |
|---|-----------------------------------|------------------------------------|
| Long-term equity investment income checked by cost method | 10,200,000.00 | 22,950,000.00 |
| long-term equity investment gains measured by employing the equity method | -514,676.57 | -47,639.68 |
| Investment income from trading financial assets during the holding period | 98,086,574.72 | 86,701,654.28 |
| Total | 107,771,898.15 | 109,604,014.60 |

XVIII. Further information

1. Current non-recurring gain and loss statement

Applicable Not applicable

Unit: yuan

| Item | Amount | Description |
|--|----------------|-------------|
| Profit and loss on disposal of non-current assets | 113,456.26 | |
| Government subsidies included into the current profits and losses (except those government subsidies, which are closely related to the normal business of the Company, comply with national policies and regulations and continuously enjoyed in accordance with a certain standard quota or quantity) | 101,963,275.49 | |
| Reversal of impairment provision for receivables subject to separate impairment test | 24,667,546.54 | |

| | | |
|---|----------------------|-----------|
| Income and expenditure other than those mentioned above | -2,044,818.28 | |
| Minus: Amount affected by income tax | 26,789,339.27 | |
| Amount of minority shareholders' equity affected | 4,607,290.53 | |
| Total | 93,302,830.21 | -- |

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable Not applicable

| Item | Amount | Cause |
|---|----------------------|---|
| VAT exemption or reduction or refund | 45,970,536.15 | National tax policies, recurring business |
| Individual income tax service charge refund | 541,758.65 | National tax policies, recurring business |
| Total | 46,512,294.80 | — |

Description of defining the non-recurring profit and loss items enumerated in the “Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses” as recurrent profit and loss items

Applicable Not applicable

2. Return on net assets and earnings per share

| Reporting profit | Weighted average return on net assets | Earnings Per Share | |
|---|---------------------------------------|------------------------|--------------------------|
| | | Basic EPS (yuan/share) | Diluted EPS (yuan/share) |
| Net profit attributable to common shareholders of the Company | 17.21% | 1.67 | 1.67 |
| Net profit attributable to common shareholders of the Company after deduction of non-recurring profits and losses | 16.19% | 1.57 | 1.57 |

3. Differences in Accounting Data under Domestic and Foreign Accounting Standards

(1) Differences between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

Applicable Not applicable

(2) Differences between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards and Chinese Accounting Standards simultaneously

Applicable Not applicable

(3) Causes for differences in accounting data under domestic and foreign accounting standards. If the difference adjustment has been made to the data audited by the overseas audit institution, the name of the overseas audit institution shall be indicated

4. Other