

**Lund Investment Group AB**  
**Org.nr. 559033-9619**

**Årsredovisning**

**2023-01-01 - 2023-12-31**

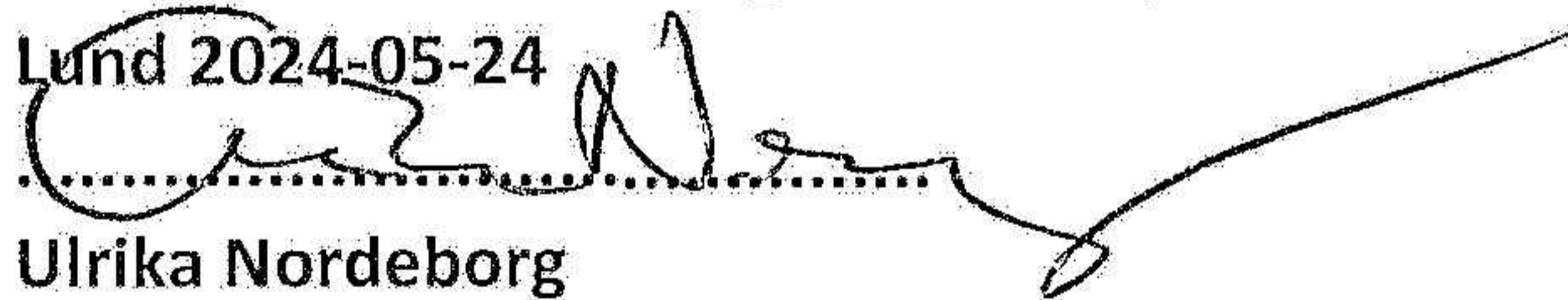
Undertecknad styrelseledamot i Lund Investment Group AB  
intygar härmed, dels att denna kopia av årsredovisningen överensstämmer  
med originalet, dels att resultat- och balansräkning fastställts på årsstämma  
den 2024-05-24

Stämman beslöt tillika godkänna styrelsens förslag till vinstdisposition.

Lund 2024-05-24

Ulrika Nordeborg

VD



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## Årsredovisning för räkenskapsåret 2023-01-01 - 2023-12-31

Styrelsen för Lund Investment Group AB avger härmed följande årsredovisning.

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## Förvaltningsberättelse

### Allmänt om verksamheten

Bolaget är ett holdingbolag och bedriver ingen egen verksamhet.

Bolagets säte är i Lund.

### Koncernförhållanden

Lund Investment Group AB äger 100% av andelarna i Purac AB som i sin tur har ett direkt ägande i sitt dotterbolag. Lund Investment Group AB är ett helägt dotterbolag till PURAC Environmental System (Beijing) Co., Ltd. Org nr 91110000302758205587R, med säte i Beijing, Kina.

### Väsentliga händelser efter räkenskapsåret

Verksamheten löper på likt tidigare år. Inga väsentliga händelser har uppstått efter balansdagen.

Flerårsöversikt (Tkr)	2023	2022	2021	2020	2019
Nettoomsättning	0	0	0	0	0
Resultat efter finansiella poster	-125	1	-651	-3 101	-1 902
Balansomslutning	397 655	397 719	397 809	434 283	439 640
Soliditet (%)	99,59%	99,61%	99,58%	91,37%	90,96%

Förslag till behandling av bolagets resultat:

Styrelsen föreslår att den ansamlade förlusten (kronor):

Balanserat resultat vid ingången av räkenskapsåret	396 097 945
Årets resultat	<u>-124 880</u>
	<b>395 973 065</b>

behandlas så att	<u>395 973 065</u>
i ny räkning överföres	<b>395 973 065</b>

Vad beträffar företagets resultat i övrigt, hänvisas till efterföljande resultat- och balansräkning med tillhörande bokslutskommentarer.

## Resultaträkning

Belopp i kr	Not	2023-01-01	2022-01-01
		2023-12-31	2022-12-31
<b>Rörelsens Intäkter</b>			
Nettoomsättning		0	0
<b>Summa rörelsens intäkter</b>		<u>0</u>	<u>0</u>
<b>Rörelsens kostnader</b>			
Övriga externa kostnader		-119 454	-57 650
<b>Summa rörelsens kostnader</b>		<u>-119 454</u>	<u>-57 650</u>
<b>Rörelseresultat</b>		-119 454	-57 650
<b>Resultat från finansiella poster</b>			
Övriga ränteintäkter och liknande resultatposter	2	64 089	537 744
Räntekostnader och liknande resultatposter	3	-69 515	-179 130
<b>Summa resultat från finansiella poster</b>		<u>-5 426</u>	<u>358 614</u>
<b>Resultat efter finansiella poster</b>		-124 880	300 964
<b>Bokslutsdispositioner</b>			
Lämnade koncernbidrag		0	-300 000
<b>Summa Bokslutsdispositioner</b>		<u>0</u>	<u>-300 000</u>
<b>Årets resultat</b>		<u>-124 880</u>	<u>964</u>

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## Balansräkning

<i>Belopp i kr</i>	<i>Not</i>	2023-01-01 2023-12-31	2022-01-01 2022-12-31
<b>TILLGÅNGAR</b>			
<b>Anläggningstillgångar</b>			
<i>Finansiella anläggningstillgångar</i>			
Andelar i koncernföretag	4	<u>397 559 405</u>	<u>397 559 405</u>
Summa anläggningstillgångar		<b>397 559 405</b>	<b>397 559 405</b>
<b>Omsättningstillgångar</b>			
<i>Kortfristiga fordringar</i>			
Övriga kortfristiga fordringar		<u>75</u>	<u>0</u>
		<b>75</b>	<b>0</b>
Kassa och bank		95 421	159 340
Summa omsättningstillgångar		95 496	159 340
<b>SUMMA TILLGÅNGAR</b>		<b>397 654 901</b>	<b>397 718 745</b>

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## Balansräkning

Belopp i kr	Not	2023-01-01	2022-01-01
		2023-12-31	2022-12-31
<b>EGET KAPITAL OCH SKULDER</b>			
<b>Eget kapital</b>			
<i>Bunder eget kapital</i>			
Aktiekapital		50 000	50 000
		<u>50 000</u>	<u>50 000</u>
<i>Fritt eget kapital</i>			
Balanserat resultat		396 097 947	396 096 983
Årets resultat		-124 880	964
		<u>395 973 067</u>	<u>396 097 947</u>
Summa eget kapital		396 023 067	396 147 947
<b>Långfristiga skulder</b>			
Skulder till koncernföretag	5, 6	1 631 834	1 550 798
Summa långfristiga skulder		<u>1 631 834</u>	<u>1 550 798</u>
<b>Kortfristiga skulder</b>			
Upplupna kostnader och förutbetalda intäkter		0	20 000
Summa långfristiga skulder		<u>0</u>	<u>20 000</u>
<b>SUMMA EGET KAPITAL OCH SKULDER</b>		<b>397 654 901</b>	<b>397 718 745</b>

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### Förändring av eget kapital

	Aktie- kapital	Balanserat resultat	Årets resultat	Summa eget kapital
Belopp vid årets ingång 2023-01-01	50 000	396 096 981	964	396 147 945
Omföring av föregående års resultat		964	-964	0
Årets resultat			-124 880	-124 880
<b>Belopp vid årets utgång 2023-12-31</b>	<b>50 000</b>	<b>396 097 945</b>	<b>-124 880</b>	<b>396 023 065</b>

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## Noter

### Not 1 Noter med redovisningsprinciper och bokslutskommentar

Bolagets årsredovisning har upprättats enligt Årsredovisningslagen (1995:1554) och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning ("K3").

#### Redovisningsvaluta

Årsredovisningen är upprättad i svenska kronor och beloppen anges i kronor om inget annat anges.

#### Utländska valutor

Monetära tillgångs- och skuldposter i utländsk valuta värderas till balansdagens kurs. Transaktioner i utländsk valuta omräknas enligt transaktionsdagens avistakurs.

#### Värderingsprinciper

Tillgångar, avsättningar och skulder värderas till anskaffningsvärden om inget annat anges.

#### Finansiella instrument

En finansiell tillgång eller finansiell skuld redovisas i balansräkningen när företaget blir part till instrumentets avtalsenliga villkor. Finansiella instrument som redovisas i balansräkningen inkluderar värdepapper, övriga fordringar och leverantörsskulder.

Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumenten har löpt ut eller överförts och koncernen har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten

Finansiella skulder tas bort från balansräkningen när förpliktelser har reglerats eller på annat sätt upphört.

#### Nedskrivningsprövning av finansiella anläggningstillgångar

Vid varje balansdag bedömer bolaget om det finns någon indikation på nedskrivningsbehov i någon utav de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående. Nedskrivning redovisas i resultaträkningsposten Resultat från övriga värdepapper och fordringar som är anläggningstillgångar. Nedskrivningsbehovet prövas individuellt för aktier. Exempel på indikationer på nedskrivningsbehov är negativa ekonomiska omständigheter eller ogynnsamma förändringar av branschvillkor i bolag vars aktier Lund Investment Group AB investerat i.

#### Personal

Bolaget har inga anställda.

#### Soliditet

Justerat eget kapital i procent av balansomslutningen. *for*

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**Not 2 Övriga ränteintäkter och liknande resultatposter**

	2023-01-01	2022-01-01
	2023-12-31	2022-12-31
Ränteintäkter, koncernföretag	64 089	69 641
Valutakursdifferenser	0	468 102
	<u>64 089</u>	<u>537 743</u>

**Not 3 Räntekostnader och liknande resultatposter**

	2023-01-01	2022-01-01
	2023-12-31	2022-12-31
Räntekostnader, kreditinstitut	-625	0
Räntekostnader, koncernföretag	0	-17 651
Valutakursdifferenser	-68 891	-161 479
	<u>-69 516</u>	<u>-179 130</u>

**Not 4 Andelar i koncernföretag**

	2023-12-31	2022-12-31
(Tkr)		
Ackumulerade anskaffningsvärden		
Vid årets början	397 559 405	397 559 405
Utgående anskaffningsvärde	<u>397 559 405</u>	<u>397 559 405</u>

**Not 5 Fordringar hos koncernföretag**

	2023-12-31	2022-12-31
Lån Purac AB	2 458 463	2 493 641
Utgående balans	<u>2 458 463</u>	<u>2 493 641</u>

**Not 6 Skulder till koncernföretag**

	2023-12-31	2022-12-31
Purac AB	4 090 297	4 044 439
	<u>4 090 297</u>	<u>4 044 439</u>

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# Revisionsberättelse

Till bolagsstämman i Lund Investment Group AB

Org.nr. 559033 - 9619

## Rapport om årsredovisningen

### Uttalanden

Vi har utfört en revision av årsredovisningen för Lund Investment Group AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Lund Investment Group ABs finansiella ställning per den 31 december 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

### Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Lund Investment Group AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

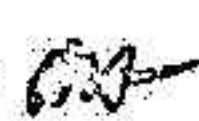
Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

### Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden.

Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild. 

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

## Rapport om andra krav enligt lagar och andra författningar

### Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Lund Investment Group AB för år 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

### Grund för uttalanden

Vi har utfört revisionen enligt god revisions sed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Lund Investment Group AB enligt god revisors sed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för

att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

### Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisions sed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisions sed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet.

Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Malmö den 24 maj 2024,  
Grant Thornton Sweden AB



Boel Hansson  
Auktoriserad revisor

**PURAC Environmental System (Beijing) Co.,  
Ltd**

**Auditor's Report and Financial Statements**

**For the Year Ended December 31, 2023**

**For Internal uses only**

**ENGLISH TRANSLATION OF AUDITOR'S  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31,  
2023**

**IF THERE IS ANY CONFLICT BETWEEN  
THE CHINESE VERSION AND ITS  
ENGLISH TRANSLATION, THE CHINESE  
VERSION WILL PREVAIL**

# **PURAC Environmental System (Beijing) Co., Ltd**

## **Auditor's report and Financial Statements**

(From January 1, 2023 to December 31, 2023)

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# **Auditor's Report**

(English Translation for Reference Only)

**To PURAC Environmental System (Beijing) Co., Ltd.:**

## **Opinion**

We have audited the accompanying financial statements of PURAC Environmental Systems (Beijing) Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of cash flows, and the consolidated statement of changes in owners' equity for the year then ended, and notes to the financial statements.

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

## **Basis for Opinion**

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

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures

responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

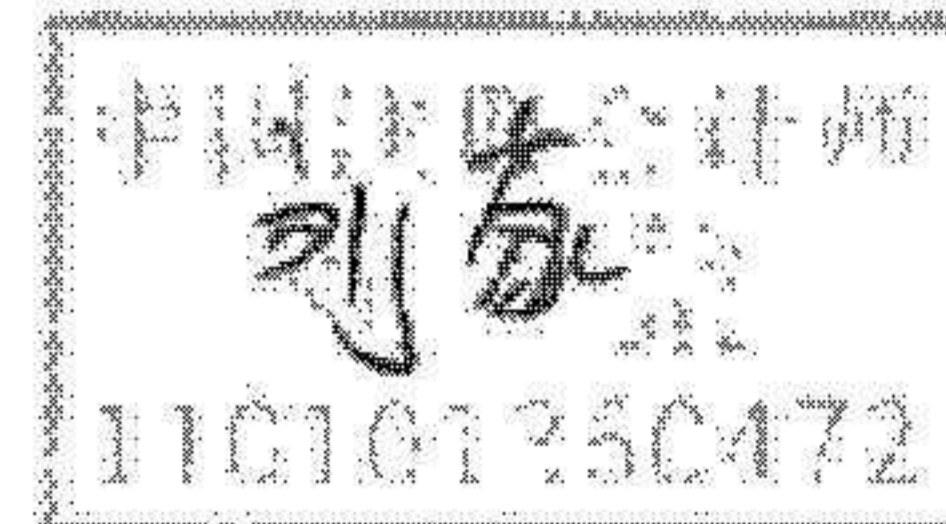
(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain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

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



Certified Public Accountant of China:

Certified Public Accountant of China:



Shanghai, China

July 25, 2024

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Balance sheet**  
**As at December 31, 2023**  
**(Unless otherwise specified, the amount is in RMB)**

(English Translation for Reference Only)

asset	Note V	Closing balance	Balance at the end of the previous year
Liquid asset:			
Monetary funds	(1)	78,630,045.26	95,194,957.51
Tradable financial assets	(2)	24,805,416.73	80,536,947.13
Derivative financial assets			
Notes receivable	(3)	8,000,000.00	2,500,000.00
Accounts receivable	(4)	246,964,941.93	140,171,674.21
Receivables financing			
Prepayment	(5)	4,460,113.75	11,317,156.14
Other receivables	(6)	10,241,944.60	10,300,980.99
stocks	(7)	803,087.76	937,168.84
Contract Assets	(8)	55,440,697.07	59,237,184.40
Assets held for sale			
Non-current assets that mature within one year			
Other current assets	(9)	1,096,227.27	754,547.28
<b>Total current assets</b>		<b>430,442,474.37</b>	<b>400,950,616.50</b>
Non current assets:			
Debt investment			
Other debt investments			
Long-term receivables	(10)	799,640.37	668,066.11
Long term equity investment			
Other equity instrument investments	(11)	2,296,148.90	2,797,112.95
Other non current financial assets			
Investment real estate			
Fixed assets	(12)	16,872,238.38	5,764,824.52
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right of use assets	(13)	8,071,139.78	1,244,105.23
Intangible assets	(14)	1,009,228.27	837,127.08
Development expenses			
Goodwill			
Long term deferred expenses	(15)	1,039,861.59	
Deferred tax assets	(16)	62,642,354.18	58,647,980.15
Other non current assets			
<b>Total non-current assets</b>		<b>92,730,611.47</b>	<b>69,959,216.04</b>
<b>Total Assets</b>		<b>523,173,085.84</b>	<b>470,909,832.54</b>

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:    Accounting Supervisor:    Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Balance Sheet (continued)**  
**As at December 31, 2023**  
**(Unless otherwise specified, the amount is in RMB)**  
**(English Translation for Reference Only)**

Liabilities and owner's equity	Note	Closing balance	Last year's year-end balance
Current liabilities:			
Short term loans	(17)	7,155,504.00	
Trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	(18)	103,092,737.36	65,321,770.15
Advance payment			
Contract liabilities	(19)	75,219,477.76	95,885,061.53
Payable employee compensation	(20)	17,255,678.92	17,631,025.56
Payable taxes and fees	(21)	2,101,317.15	4,719,711.26
Other payables	(22)	40,925,624.95	47,652,979.30
Held for sale liabilities			
Non current liabilities due within one year	(23)	3,173,140.12	1,305,673.60
Other current liabilities	(24)	14,548,238.92	6,429,725.15
<b>Total Current Liabilities</b>		<b>263,471,719.18</b>	<b>238,945,946.55</b>
Non current liabilities:			
Long term loans	(25)		1,378,582.74
Payable bonds			
Among them: Preferred shares			
Perpetual bond			
Lease liabilities	(26)	5,099,712.94	
Long term accounts payable	(27)	2,908,201.45	
Long term employee compensation payable	(28)	47,193,706.43	42,542,854.72
Estimated liabilities			
Deferred income			
Deferred Tax Liability			
Other non current liabilities			
<b>Total Non-current Liabilities</b>		<b>55,201,620.82</b>	<b>43,921,437.46</b>
<b>Total liabilities</b>		<b>318,673,340.00</b>	<b>282,867,384.01</b>
Owner's equity:			
Paid-up capital (or share capital)	(29)	204,606,910.00	204,606,910.00
Other equity instruments			
Among them: Preferred shares			
Perpetual bond			
Capital reserve			
Less: Treasury shares			
Other comprehensive income	(30)	22,901,427.02	16,963,757.25
Special reserves			
Surplus reserves	(31)	8,386,775.04	6,347,312.32
Retained earnings	(32)	-31,395,366.22	-39,875,531.04
Total equity attributable to the owners of the company		204,499,745.84	188,042,448.53
Minority shareholder equity			
<b>Total owner's equity</b>		<b>204,499,745.84</b>	<b>188,042,448.53</b>
<b>Total liabilities and owner's equity</b>		<b>523,173,085.84</b>	<b>470,909,832.54</b>

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:    Accounting Supervisor:    Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Income Statement**  
**For the Year Ended December 31, 2023**  
**(Unless otherwise specified, the amount is in RMB)**

(English Translation for Reference Only)

Project	Note	Current period amount	Previous period amount
1、 Operating income	(33)	693,744,614.14	601,283,343.53
Less: Operating costs	(33)	521,355,217.34	441,844,181.99
Taxes and surcharges	(34)	1,843,131.21	307,672.17
Sales expenses	(35)	98,360,162.57	93,008,885.44
Management expenses	(36)	45,846,569.36	39,725,214.72
R&D expenses	(37)	10,128,983.45	4,692,809.05
Financial expenses	(38)	3,224,200.47	2,096,930.96
Among them: interest expenses	(38)	3,223,606.94	1,473,707.96
Interest income	(38)	1,495,073.97	1,831,637.10
Plus: Other income	(39)	13,920.00	13,200.00
Investment income (loss expressed with "-")	(40)	989,279.81	2,816,683.20
Among them: Investment income from joint ventures and joint ventures			
Income from derecognition of financial assets measured at amortized cost			
Net exposure hedging income (loss expressed with "-")			
Income from changes in fair value (loss expressed with "-")			
Credit impairment loss (loss expressed with "-")			
Asset impairment loss (loss expressed with "-")	(41)		
Asset disposal income (loss expressed with "-")			39,223.30
2、 Operating profit (loss expressed with "-")		13,989,549.55	22,476,755.70
Plus: Non operating income	(42)	39,152.97	
Less: Non operating expenses	(43)	33,004.62	6,359,589.15
3、 Total profit (total loss expressed with "-")		13,995,697.90	16,117,166.55
Less: Income tax expenses	(44)	1,968,329.61	2,432,271.29
4、 Net profit (net loss expressed with "-")		12,027,368.29	13,684,895.26
(1) Classified by business continuity			
1. Net profit from continuing operations (net loss expressed with "-")		12,027,368.29	13,684,895.26
2. Net profit from termination of operations (net loss expressed with "-")			
(2) Classified by ownership attribution			
1. Net profit attributable to shareholders of the company (net loss expressed with "-")		12,027,368.29	13,684,895.26
2. Minority shareholder gains and losses (net loss expressed with "-")			
5、 After tax net amount of other comprehensive income		5,937,669.77	-6,130,362.84
After tax net amount of other comprehensive income attributable to the owner of the company		5,937,669.77	-6,130,362.84
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1. Remeasure changes in defined benefit plans			
2. Other comprehensive income that cannot be converted to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of corporate credit risk			
(2) Other comprehensive income reclassified to profit or loss		5,937,669.77	-6,130,362.84
1. Other comprehensive income that can be converted to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. The amount reclassified from financial assets to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Translation difference of foreign currency financial statements		5,937,669.77	-6,130,362.84
7. Other			
After tax net amount of other comprehensive income attributable to minority shareholders			
6、 Total comprehensive income		17,965,038.06	7,554,532.42
Total comprehensive income attributable to the owners of the company		17,965,038.06	7,554,532.42
Total comprehensive income attributable to minority shareholders			

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:    Accounting Supervisor:    Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2023**  
**(Unless otherwise specified, the amount is in RMB)**

(English Translation for Reference Only)

Project	Note	Current amount	Previous period amount
<b>1、 Cash flows generated from operating activities</b>			
Cash received from selling goods and providing services		667,327,830.22	683,041,218.74
Refunds of taxes			2,635,212.66
Received other cash related to operating activities		104,031,516.67	28,547,786.84
Subtotal of cash inflows from operating activities		771,359,346.89	714,224,218.24
Cash paid for purchasing goods and receiving services		585,958,281.15	500,987,761.56
Cash paid to and on behalf of employees		116,447,427.04	70,902,142.96
All taxes and fees paid		28,917,172.84	88,433,887.53
Payment of other cash related to operating activities		91,648,403.80	19,775,088.70
Subtotal of cash outflows from operating activities		822,971,284.83	680,098,880.75
<b>Net cash flow generated from operating activities</b>		-51,611,937.94	34,125,337.49
<b>2、 Cash flows generated from investment activities</b>			
Cash received from investment recovery		177,972,480.11	158,339,780.40
Cash received from obtaining investment returns		989,279.81	1,426,292.36
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		4,007.00	750,709.31
Net cash received from disposal of subsidiaries and other operating units			
Received other cash related to investment activities			
Subtotal of cash inflows from investment activities		178,965,766.92	160,516,782.07
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets		753,173.92	992,477.00
Cash paid for investment		123,129,810.00	171,934,950.00
Net cash paid for acquiring subsidiaries and other business units			
Payment of other cash related to investment activities			
Subtotal of cash outflows from investment activities		123,882,983.92	172,927,427.00
<b>Net cash flow generated from investment activities</b>		55,082,783.00	-12,410,644.93
<b>3、 Cash flows generated from financing activities</b>			
Cash received from absorbing investments			
Among them: Cash received by subsidiaries from absorbing minority shareholder investments			
Cash received from obtaining loans			
Received other cash related to financing activities			
Subtotal of cash inflows from financing activities			
Cash paid for debt repayment			47,815,118.31
Cash paid for distributing dividends, profits, or paying interest		6,989,728.40	1,473,456.57
Among them: Dividends and profits paid by subsidiaries to minority shareholders			
Payment of other cash related to financing activities		29,399,596.21	7,613,241.60
Subtotal of cash outflows from financing activities		36,389,324.61	56,901,816.48
<b>Net cash flow generated from financing activities</b>		-36,389,324.61	-56,901,816.48
<b>4、 The impact of exchange rate fluctuations on cash and cash equivalents</b>		10,977,664.86	-4,568,463.65
<b>5、 Net increase in cash and cash equivalents</b>		-21,940,814.69	-39,755,587.57
Add: Opening cash and cash equivalents balance		89,514,736.54	124,599,229.08
<b>6、 Closing balance of cash and cash equivalents</b>		67,573,921.85	84,843,641.51

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:    Accounting Supervisor:    Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Statement of Changes in Owners' Equity**  
**For the Year Ended December 31, 2023**  
**(Unless otherwise specified, the amount is in RMB)**

(English Translation for Reference Only)

Items	Current amount										
	Owner's equity attributable to the company						Subtotal				Owner's equity attributable to the company
	Paid-up capital	Preferred stock	Perpetual bond	Other	Capital reserve	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Subtotal	Owner's equity attributable to the company
1. Last year's year-end balance	204,606,910.00					16,963,757.25		6,347,312.32	-39,875,531.04	188,042,448.53	188,042,448.53
Add: Changes in accounting policies											
Early error correction											
Mergers of enterprises under the same control											
Other									-7,740.75	-7,740.75	-7,740.75
2. Balance at the beginning of this year	204,606,910.00					16,963,757.25		6,347,312.32	-39,883,271.79	188,034,707.78	188,034,707.78
3. Increase/decrease in current period (decrease is indicated by "-")						5,937,669.77		2,039,462.72	8,487,905.57	16,465,038.06	16,465,038.06
(1) Total comprehensive income						5,937,669.77			12,027,368.29	17,965,038.06	17,965,038.06
(2) Owners investing and reducing capital											
1. Ordinary shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amount of share based payments recognized in owner's equity											
4. Other											
(3) Profit distribution											
1. Withdrawal of surplus reserves								2,039,462.72	-3,539,462.72	-1,500,000.00	-1,500,000.00
2. Distribution to owners (or shareholders)								2,039,462.72	-2,039,462.72	-1,500,000.00	-1,500,000.00
3. Other											
(4) Internal transfer of owner's equity											
1. Capital surplus converted into capital (or share capital)											
2. Surplus reserves converted into capital (or share capital)											
3. Surplus reserves to offset losses											
4. Transfer of retained earnings based on changes in defined benefit plans											
5. Other comprehensive income carried forward to retained earnings											
6. Other											
(5) Special reserves											
1. Withdrawal in this period											
2. Current usage											
(6) Other											
4. Ending balance of this period	204,606,910.00					22,901,427.02		8,386,775.04	-31,395,366.22	204,499,745.84	204,499,745.84

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:

Accounting Supervisor:

Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**  
**Consolidated Statement of Changes in Owners' Equity (continued)**  
**For the Year Ended December 31, 2022**  
**(Unless otherwise specified, the amount is in RMB)**

(English Translation for Reference Only)

Items	Current amount										Total owner's equity Paid-up capital			
	Owner's equity attributable to the company					Minority shareholder equity Capital reserve								
	Paid-up capital	Preferred stock	Perpetual bond	Other	Capital reserve	Paid-up capital	Other equity instruments	Capital reserve	Paid-up capital	Other equity instruments				
1. Last year's year-end balance	204,606,910.00					23,094,120.09			4,486,895.75	-51,700,009.73	180,487,916.11			180,487,916.11
Add: Changes in accounting policies														
Early error correction														
Mergers of enterprises under the same control														
Other														
2. Balance at the beginning of this year	204,606,910.00					23,094,120.09			4,486,895.75	-51,700,009.73	180,487,916.11			180,487,916.11
3. Increase/decrease in current period (decrease is indicated by "-")						-6,130,362.84			1,860,416.57	11,824,478.69	7,554,532.42			7,554,532.42
(1) Total comprehensive income						-6,130,362.84				13,684,895.26	7,554,532.42			7,554,532.42
(2) Owners investing and reducing capital														
1. Ordinary shares invested by owners														
2. Capital invested by holders of other equity instruments														
3. Amount of share based payments recognized in owner's equity														
4. Other														
(3) Profit distribution														
1. Withdrawal of surplus reserves														
2. Distribution to owners (or shareholders)														
3. Other														
(4) Internal transfer of owner's equity														
1. Capital surplus converted into capital (or share capital)														
2. Surplus reserves converted into capital (or share capital)														
3. Surplus reserves to offset losses														
4. Transfer of retained earnings based on changes in defined benefit plans														
5. Other comprehensive income carried forward to retained earnings														
6. Other														
(5) Special reserves														
1. Withdrawal in this period														
2. Current usage														
(6) Other														
4. Ending balance of this period	204,606,910.00					16,963,757.25			6,347,312.32	-39,875,531.04	188,042,448.53			188,042,448.53

The accompanying notes to the financial statements are an integral part of the financial statements.

Company Leader:

Accounting Supervisor:

Accounting Institution Leader:

**PURAC Environmental System (Beijing) Co., Ltd**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2022**

**(Unless otherwise specified, all amounts are in RMB yuan)**  
(English Translation for Reference Only)

**1. Basic information of the company**

PURAC Environmental System (Beijing) Co., Ltd. (hereinafter referred to as the "Company" or "the Company") was approved by the Beijing Municipal People's Government in March 2004 with the approval of the Beijing Municipal People's Government [2004] No. 18013. The company's business license registration number: 91110302758205587R.

The company's main business activities are: the development of environmental protection technology, the design, processing and production of environmental protection equipment and systems, the sale of self-produced products, the provision of installation, maintenance, technical consulting and technical services of self-produced products, professional contracting, import and export of goods, agent import and export, technology import and export. (Market entities independently select business projects and carry out business activities in accordance with the law; projects subject to approval in accordance with the law shall carry out business activities in accordance with the approved content after approval by relevant departments; and shall not engage in business activities of projects prohibited or restricted by national and municipal industrial policies.) )

The parent company of the Company is Luxembourg Investment Co., Ltd. No. 115, and the ultimate controller of the Company is Beijing SDIC North Drainage Environment Investment Fund (Limited Partnership).

These financial statements were approved on April 20, 2024.

**2. Basis for the preparation of the financial statements**

**(1) Basis of preparation**

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance and various specific accounting standards, the Guidelines for the Application of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to

as "Accounting Standards for Business Enterprises").

**(2) Going concern**

These financial statements have been prepared on a going concern basis.

**(3) A statement of compliance with the Accounting Standards for Business Enterprises**

These financial statements comply with the requirements of the accounting standards for business enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated financial position of the Company as of December 31, 2022 and the consolidated financial performance and cash flow for the year then ended.

**3. Significant accounting policies and accounting estimates**

**(1) Accounting period**

The fiscal year begins on January 1 and ends on December 31 of the Gregorian calendar.

**(2) Business cycle**

The company's business cycle is 12 months.

**(3) The base currency of accounting**

The Company and its domestic subsidiaries use RMB as the base currency of accounting. The Company's overseas subsidiaries determine the Swedish krona as their base currency based on the currency of the main economic environment in which they operate. The currency used by the Company in preparing these financial statements is RMB.

**(4) Accounting treatment of business combinations under common control and not under common control**

Business combination under the same control: The assets and liabilities acquired by the merging party in the business combination (including the goodwill formed by the acquisition of the merged party by the ultimate controller) are measured on the basis of the carrying amount of the assets and liabilities of the merged party in the consolidated financial statements of the ultimate controller on the date of the merger. The difference between the book value of the net assets obtained in the merger and the book value of the merger consideration paid (or the total par value of the issued shares) shall be adjusted to the equity

premium in the capital reserve, and the retained earnings shall be adjusted if the equity premium in the capital reserve is insufficient to offset it.

Business combination not under common control: The cost of the merger is the fair value of the assets, liabilities incurred or assumed by the purchaser to acquire control of the acquiree and the equity securities issued. The difference between the cost of the merger and the fair value share of the identifiable net assets of the acquiree obtained in the merger shall be recognized as goodwill, and the difference between the cost of the merger and the fair value share of the identifiable net assets of the acquiree obtained in the merger shall be recognized as goodwill. The identifiable assets, liabilities and contingent liabilities of the acquiree acquired in the merger that meet the conditions for recognition are measured at fair value at the date of acquisition.

Expenses directly related to the business combination are recognized in profit or loss for the current period when incurred, and transaction costs for the issuance of equity securities or debt securities for the business combination are included in the initial recognition amount of equity securities or debt securities.

## **(5) Method of preparation of consolidated financial statements**

### **i. Scope of consolidation**

The scope of consolidation of the consolidated financial statements is determined on a control basis, and the scope of consolidation includes the Company and all of its subsidiaries. Control means that the company has power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns.

### **ii. Consolidation Procedure**

The Company regards the entire enterprise group as an accounting entity, and prepares consolidated financial statements in accordance with a unified accounting policy to reflect the overall financial position, operating results and cash flow of the enterprise group. The impact of internal transactions between the Company and its subsidiaries and subsidiaries is offset. If the internal transaction indicates that the relevant asset has incurred an impairment loss, the loss shall be recognized in full. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in

accordance with the accounting policies and accounting periods of the Company when preparing the consolidated financial statements.

The share of minority shareholders in the subsidiary's owner's equity, net profit or loss for the period and comprehensive income for the period is presented separately under the item of owner's equity, the item of net profit and the item of total comprehensive income in the consolidated balance sheet, respectively. The balance formed by the current loss shared by the minority shareholders of the subsidiary exceeds the minority shareholders' share in the opening ownership equity of the subsidiary, which is offset by the minority shareholders' equity.

(i) Addition of subsidiaries or businesses

During the reporting period, if a subsidiary or business is added due to a business combination under the same control, the operating results and cash flows of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated financial statements, and the opening number of the consolidated financial statements and the relevant items in the comparative statements shall be adjusted at the same time, and the consolidated reporting entity shall be deemed to have existed since the time when the ultimate controller began to control.

During the reporting period, the addition of subsidiaries or businesses due to a business combination not under the same control shall be included in the consolidated financial statements on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

(ii) Disposal of Subsidiaries

(I) General treatment methods

If the investee loses control over the investee due to the disposal of part of the equity investment or other reasons, the remaining equity investment after the disposal shall be remeasured at its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity interest, less the difference between the share of the share of the net assets of the original subsidiary and the sum of the goodwill calculated according to the original shareholding ratio from the date of acquisition or the date of consolidation, shall be included in the investment income for the period of loss of control. Other comprehensive income related to the equity investment of the original

subsidiary that can be reclassified into profit or loss in the future, and other changes in owners' equity under the equity method accounting shall be converted into current investment income when the control is lost.

**(6) Criteria for determining cash and cash equivalents**

Cash refers to the company's cash on hand and deposits that can be used for payment at any time. Cash equivalents are investments held by the Company that have a short maturity, are highly liquid, are easily convertible into cash in a known amount, and have little risk of changes in value.

**(7) Foreign currency operations and translation of foreign currency statements**

**(i) Foreign Currency Operations**

For foreign currency business, the spot exchange rate on the date of the transaction is used as the conversion rate to convert the foreign currency amount into RMB for accounting.

The balance of monetary items in foreign currencies at the balance sheet date is translated at the spot exchange rate at the balance sheet date, and the resulting exchange differences are included in profit or loss for the current period, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs.

**(ii) Translation of financial statements in foreign currencies**

The assets and liabilities in the balance sheet are translated at the spot exchange rate at the balance sheet date, and the owner's equity items are translated at the spot exchange rate at the time of incurrence, except for the item "retained earnings". The income and expense items in the income statement are translated using the spot exchange rate on the date of the transaction.

When disposing of an overseas operation, the difference in translation of the foreign currency financial statements related to the overseas operation shall be transferred from the owner's equity item to the profit or loss for the current period of disposal.

**(8) Financial Instruments**

When the Company becomes a party to a contract for a financial instrument, it recognizes a financial asset, financial liability or equity instrument.

**i. Classification of financial instruments**

According to the Company's business model of managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified as follows: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

The Company classifies financial assets that meet both the following conditions and are not designated as measured at fair value through profit or loss as financial assets measured at amortized cost:

- The business model is aimed at collecting contractual cash flows;
- Contract cash flows are only payments of principal and interest on the basis of the outstanding principal amount.

The Company classifies financial assets (debt instruments) that meet both the following conditions and are not designated as measured at fair value through profit or loss through profit or loss:

- The business model is aimed at both the receipt of contractual cash flows and the sale of the financial asset;
- Contract cash flows are only payments of principal and interest on the basis of the outstanding principal amount.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets (equity instruments) measured at fair value through other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment and the underlying investment meets the definition of an equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortized cost and measured at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value through profit or loss. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate financial assets

that should have been classified at amortized cost or measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

Financial liabilities are classified at fair value through profit or loss and financial liabilities at amortized cost at initial recognition.

A financial liability that meets one of the following conditions may be designated as a financial liability at fair value through profit or loss at the time of initial measurement:

- 1) The designation eliminates or significantly reduces accounting mismatches.
- 2) Conduct management and performance evaluation of the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value in accordance with the enterprise risk management or investment strategy set out in the formal written document, and report to key management personnel on this basis within the enterprise.
- 3) The financial liability contains embedded derivatives that need to be separately separated.

## **ii. Basis for recognition and measurement of financial instruments**

### **(i) Financial assets measured at amortized cost**

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, debt investments, etc., which are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount.

During the holding period, the interest calculated using the effective interest rate method is included in the profit or loss for the current period.

When recovered or disposed of, the difference between the price obtained and the carrying amount of the financial asset is included in profit or loss for the current period.

### **(ii) financial assets at fair value through other comprehensive income (debt instruments)**

Financial assets (debt instruments) measured at fair value through other comprehensive income, including receivables financing and other debt investments, are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income, except for interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method.

When the recognition is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the profit or loss for the current period.

(iii) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets (equity instruments) measured at fair value through other comprehensive income, including investments in other equity instruments, are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount. The financial asset is subsequently measured at fair value, and the change in fair value is included in other comprehensive income. Dividends received are included in profit or loss for the current period.

When the recognition is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

and (iv) financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss, including trading financial assets, derivative financial assets, other non-current financial assets, etc., are initially measured at fair value, and the relevant transaction costs are included in profit or loss for the current period. The financial asset is subsequently measured at fair value, and the change in fair value is included in profit or loss for the current period.

(v) Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including trading

financial liabilities and derivative financial liabilities, are initially measured at fair value, and the relevant transaction costs are included in profit or loss for the current period. The financial liability is subsequently measured at fair value, and the change in fair value is included in profit or loss for the current period.

When derecognized, the difference between its carrying amount and the consideration paid is recognized in profit or loss for the current period.

(vi) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, which are initially measured at fair value, and the relevant transaction costs are included in the initial recognition amount.

During the holding period, the interest calculated using the effective interest rate method is included in the profit or loss for the current period.

When the recognition is derecognized, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss for the current period.

**iii. Derecognition of financial assets and transfer of financial assets**

When one of the following conditions is met, the Company will terminate the recognition of financial assets:

- termination of contractual rights to receive cash flows from financial assets;
- The financial assets have been transferred, and almost all of the risks and rewards of the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and although the Company has neither transferred nor retained substantially all of the risks and rewards in the ownership of the financial assets, it has not retained control of the financial assets.

In the event of a transfer of financial assets, if almost all of the risks and rewards in the ownership of the financial assets are retained, the recognition of the financial assets shall not be terminated.

In determining whether the transfer of financial assets satisfies the above-mentioned conditions for derecognition of financial assets, the principle of substance over form

is adopted.

The Company distinguishes the transfer of financial assets into the transfer of financial assets as a whole and the transfer of financial assets. If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the profit or loss for the current period:

- (1) the carrying amount of the financial assets transferred;
- (2) The sum of the consideration received as a result of the transfer and the cumulative amount of changes in fair value that were originally directly included in the owner's equity (in the case of financial assets involved in the transfer are financial assets (debt instruments) measured at fair value and the changes thereof are included in other comprehensive income).

If the partial transfer of financial assets satisfies the conditions for derecognition, the carrying amount of the transferred financial assets as a whole shall be apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the difference between the following two amounts shall be included in the profit or loss for the current period:

- (1) the carrying amount of the derecognized portion;
- (2) The sum of the consideration for the derecognition portion and the amount corresponding to the derecognition portion of the accumulated fair value changes originally directly included in the owner's equity (in the case that the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value and the changes thereof are included in other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

#### **iv. Derecognition of financial liabilities**

If the Company enters into an agreement with creditors to replace the existing financial liabilities by assuming new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from the existing financial liabilities, the existing financial liabilities will be derecognized and the new financial liabilities will be recognized at the same time.

If all or part of the contract terms of the existing financial liabilities are substantially modified, the existing financial liabilities or part of them shall be derecognized, and the financial liabilities after the amended terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the derecognized financial liability and the consideration paid (including the non-cash assets transferred or the new financial liabilities assumed) is recognized in profit or loss for the current period.

If the Company buys back part of the financial liabilities, the carrying amount of the entire financial liabilities will be allocated according to the relative fair value of the recognizable part and the derecognized part on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the period.

**v. Methods for determining the fair value of financial assets and financial liabilities**

A financial instrument with an active market whose fair value is determined by quotes quoted in an active market. Financial instruments for which there is no active market are used to determine their fair value using valuation techniques. In valuation, the Company uses valuation techniques that are applicable in the current circumstances and supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transaction of the underlying assets or liabilities, and preferentially uses relevant observable inputs. Unobservable inputs are used only if the relevant observable input is not available or PURACTicable to obtain.

**vi. Test methods and accounting treatment for impairment of financial assets**

The Company estimates the expected credit losses of financial assets measured at amortized cost, financial assets (debt instruments) and financial guarantee contracts measured at fair value through other comprehensive income, either individually or in combination.

The Company recognizes expected credit losses by calculating the present value of the difference between the cash flows receivable under the contract and the cash flows expected to be received, weighting the risk of default, taking into account reasonable and evidence-based information such as past events, current conditions, and forecasts of future economic conditions. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures the loss allowance at an amount equivalent to the expected credit loss over the entire life of the financial instrument, and if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The amount of the increase or reversal of the resulting loss provision is recognized in the current profit or loss as an impairment loss or gain.

The Company determines the relative change in the risk of default during the expected duration of a financial instrument by comparing the risk of default on the balance sheet date with the risk of default occurring on the initial recognition date to assess whether the credit risk of a financial instrument has increased significantly since its initial recognition. Normally, the Company considers that the credit risk of the Financial Instrument has increased significantly if it is overdue for more than 30 days, unless there is conclusive evidence that the credit risk of the Financial Instrument has not increased significantly since the initial recognition.

If the credit risk of a Financial Instrument is low at the balance sheet date, the Company does not believe that the credit risk of such Financial Instrument has increased significantly since its initial recognition.

If there is objective evidence that a financial asset has been impaired for credit, the Company will make an impairment provision for the financial asset on a single basis. For the receivables and contract assets formed by transactions regulated by Accounting Standard for Business Enterprises No. 14 - Revenue (2017), regardless of whether they contain significant financing components, the Company has always measured its loss provision at an amount equivalent to the expected credit loss over the entire duration.

For lease receivables, the Company has always chosen to measure its loss provision at an amount equal to the expected credit loss over the entire duration.

If the Company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, it shall directly write down the book balance of the financial asset.

## **(9) Inventory**

### **i. Classification and cost of inventory**

Inventory is categorized as: Inventory Goods

Inventory is initially measured at cost, which includes the cost of procurement, processing and other expenses incurred to bring the inventory to its current premises and condition.

### **ii. Methods of valuation of issued inventory**

Inventories are valued on the weighted average method when they are issued.

### **iii. Basis for determining the net realizable value of different types of inventory**

At the balance sheet date, inventories should be measured at the lower of cost and net realizable value. When the cost of inventory is higher than its net realizable value, provision should be made for inventory decline. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less the estimated costs to be incurred at completion, estimated selling expenses, and related taxes.

In the ordinary course of production and operation, the net realizable value of the inventory of finished products, inventory commodities and materials used for sale directly used for sale shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and relevant taxes and fees; The net realizable value of the inventory held for the execution of the sales contract or the service contract shall be calculated on the basis of the contract price, and if the quantity of the inventory held exceeds the quantity ordered under the sales contract, the net realizable value of the excess inventory shall be calculated on the basis of the general sales price.

After the provision for inventory decline is made, if the influencing factors of the previous write-down of the inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying amount, it shall be

reversed within the amount of the original provision for inventory decline and the amount reversed shall be included in the profit or loss for the current period.

**iv. Inventory system**

Perpetual inventory system is adopted.

**v. Amortization method for low-value consumables and packaging**

(i) Low-value consumables are resold in a one-time manner;

(ii) The packaging adopts the one-time resale method.

**(10) Contract assets**

**i. Methods and standards for the recognition of contract assets**

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligations and the customer's payment. The right of the Company to receive consideration for the transfer of goods or services to the Client (and such right depends on factors other than the passage of time) is listed as a contract asset. Contract assets and contract liabilities under the same contract are shown in net. The Company's right, unconditionally (subject only to the passage of time) to receive consideration from the Client, is presented separately as a receivable.

**ii. Methods for determining the expected credit losses of contract assets and accounting treatment**

For details of the method of determining the expected credit loss of contract assets and the accounting treatment method, please refer to "(8) 6. Test Method and Accounting Treatment Method for Impairment of Financial Assets" in this note.

**(11) Long-term equity investment**

**i. Criteria for judging joint control and significant influence**

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be unanimously agreed by the participants who share the control before decision-making. If the Company and other joint venture parties exercise joint control over

the investee and have rights to the net assets of the investee, the investee shall be a joint venture of the Company.

Significant influence refers to the power to participate in the financial and operational decisions of the investee, but is not able to control or jointly control the formulation of these policies with other parties. If the Company is able to exert significant influence on the investee, the investee shall be an associate of the Company.

## **ii. Determination of the initial investment cost**

### **(i) Long-term equity investments formed by business combinations**

For the long-term equity investment in the subsidiary formed by the business combination under the same control, the initial investment cost of the long-term equity investment shall be based on the share of the carrying amount of the owner's equity of the merged party in the consolidated financial statements of the ultimate controller on the date of consolidation. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid shall be adjusted for the equity premium in the capital reserve, and the retained earnings shall be adjusted when the equity premium in the capital reserve is insufficient to offset the difference.

For a long-term equity investment in a subsidiary formed by a business combination not under the same control, the initial investment cost of the long-term equity investment shall be determined according to the merger cost determined on the date of purchase.

### **(ii) long-term equity investments made through a business combination other than a business combination**

For long-term equity investments made in cash, the initial investment cost is based on the purchase price actually paid.

For long-term equity investment obtained through the issuance of equity securities, the fair value of the equity securities issued shall be used as the initial investment cost.

## **iii. Subsequent measurement and profit and loss recognition methods**

(i) Long-term equity investments accounted for by the cost method

The company's long-term equity investment in a subsidiary is accounted for using the cost method, unless the investment meets the conditions for holding for sale. In addition to the cash dividends or profits that have been declared but not yet paid in the price or consideration actually paid at the time of obtaining the investment, the company recognizes the current investment income according to the cash dividends or profits declared and distributed by the investee.

(ii) long-term equity investments accounted for by the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. The initial investment cost is less than the difference between the fair value share of the investee's identifiable net assets at the time of investment, and the initial investment cost of the long-term equity investment shall not be adjusted, and the difference between the initial investment cost and the fair value share of the investee's identifiable net assets shall be included in the profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted.

The Company shall separately recognize investment income and other comprehensive income according to the share of the net profit or loss and other comprehensive income realized by the investee, and adjust the book value of the long-term equity investment, reduce the carrying amount of the long-term equity investment accordingly according to the profit or cash dividend declared by the investee, and other changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter referred to as "other changes in owner's equity"), adjust the book value of long-term equity investments and include them in owners' equity.

When recognizing the share of the investee's net profit or loss, other comprehensive income and other changes in owners' equity, the net profit and other comprehensive income of the investee shall be recognized on the basis of the fair value of the investee's identifiable net assets at the time of acquisition of the investment, and adjusted in accordance with the company's accounting policies and accounting periods.

In addition to the obligation to bear additional losses, the net loss incurred by the

company in respect of the joint venture or associated enterprise shall be written down to zero at the carrying amount of the long-term equity investment and other long-term interests that substantially constitute the net investment in the joint venture or associate. If the joint venture or associated enterprise realizes net profit in the future, the company shall resume the recognition of the revenue sharing amount after the revenue sharing amount makes up for the unrecognized loss sharing amount.

(iii) the disposal of long-term equity investments

The difference between the carrying amount of the disposal of long-term equity investment and the actual acquisition price shall be included in the profit or loss for the current period.

If part of the long-term equity investment accounted for by the equity method is partially disposed of, and the remaining equity is still accounted for by the equity method, the other comprehensive income recognized by the original equity method shall be carried forward on the same basis as the investee's direct disposal of the relevant assets or liabilities in the corresponding proportion, and the changes in other owners' equity shall be carried forward to the profit or loss for the current period on a proportional basis.

If the investee loses common control or significant influence due to the disposal of the equity investment, the other comprehensive income recognized by the original equity investment due to the adoption of the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when the equity method of accounting is terminated, and all changes in other owners' equity shall be transferred to the current profit or loss when the equity method of accounting is terminated.

If the investee is lost due to the disposal of part of the equity investment or other reasons, if the remaining equity can exercise joint control or significant influence on the investee when preparing individual financial statements, it shall be accounted for according to the equity method instead, and the remaining equity shall be adjusted as if it had been accounted for by the equity method since it was acquired, and the other comprehensive income recognized before the acquisition of the control of the investee shall be carried forward on a proportional basis on the same basis as the investee's direct disposal of the relevant assets or liabilities, and the changes in other

owners' equity recognized by the equity method shall be carried forward to the profit or loss for the current period in proportion; The difference between its fair value and carrying amount on the date of loss of control is included in profit or loss for the current period, and other comprehensive income and other changes in owner's equity recognized before the acquisition of control of the investee unit are all carried forward.

If the equity investment in a subsidiary is disposed of in a step-by-step manner through multiple transactions until the loss of control is a package transaction, each transaction shall be accounted for as a transaction in which the equity investment in the subsidiary is disposed of and the control is lost; the difference between the disposal price of each disposal before the loss of control and the carrying amount of the long-term equity investment corresponding to the equity disposed of shall be recognized as other comprehensive income in the individual financial statements, and then transferred to the profit or loss for the current period when the control is lost. If it is not a package transaction, each transaction shall be accounted for separately.

### **(12) Investment real estate**

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and ready to be transferred after appreciation, and buildings that have been leased out (including buildings that are self-constructed or used for rent after the completion of development activities, and buildings that are under construction or in the process of being developed for rent in the future).

Subsequent expenses related to investment real estate are included in the cost of investment real estate when the relevant economic benefits are likely to flow in and their costs can be reliably measured, otherwise they are included in profit or loss for the current period when incurred.

The Company adopts a cost model for the measurement of existing investment properties. The same depreciation policy as the Company's fixed assets is applied to investment real estate-rental buildings measured according to the cost model, and the same amortization policy as intangible assets is applied to leased land use rights.

### **(13) Fixed assets**

**i. Recognition and initial measurement of fixed assets**

Fixed assets refer to tangible assets that are held for the production of goods, the provision of services, leasing or business management, and have a useful life of more than one fiscal year. Fixed assets are recognized when the following conditions are met at the same time:

(i) the economic benefits associated with the fixed asset are likely to flow into the enterprise;

and (ii) the cost of the fixed asset can be reliably measured.

Fixed assets are initially measured at cost (and taking into account the impact of the expected disposal expense factor).

Subsequent expenses related to fixed assets are included in the cost of fixed assets when the economic benefits associated with them are likely to flow in and their costs can be reliably measured;

**ii. Depreciation method**

固 The depreciation of fixed assets is classified and accrued using the average life method, and the depreciation rate is determined according to the type of fixed assets, the expected useful life and the estimated net residual value rate. For fixed assets for which impairment provisions have been made, the depreciation amount shall be determined in future periods based on the carrying amount after deducting the impairment provision and based on the remaining useful life. If the service life of each component of the fixed asset is different or provides economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are selected and depreciation is accrued separately.

**iii. Disposal of fixed assets**

A fixed asset is derecognized when it is disposed of, or when it is not expected to generate economic benefit from its use or disposal. The amount of disposal income from the sale, transfer, scrapping or damage of fixed assets after deducting their book value and related taxes is included in profit or loss for the current period.

**(14) Construction in progress**

Construction in progress is measured at the cost actually incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalization, and other expenses necessary to bring the work in progress to its intended use. When the construction in progress reaches the intended usable state, it is transferred to fixed assets and depreciation begins to accrue from the following month.

## **(15) Borrowing costs**

### **i. Recognition principle for capitalization of borrowing costs**

The borrowing costs incurred by the company that can be directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization shall be capitalized and included in the cost of relevant assets;

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate, and inventories that need to be purchased, constructed, or produced for a considerable period of time to reach a predetermined usable or saleable state.

### **ii. Borrowing cost capitalization period**

The capitalization period refers to the period from the time when the capitalization of borrowing costs starts to the time when capitalization ceases, excluding the period during which the capitalization of borrowing costs is suspended.

Borrowing costs are capitalized when the following conditions are met:

(i) Expenditure on assets, including expenditure in the form of cash payments, transfer of non-cash assets or assumption of interest-bearing liabilities for the acquisition, construction or production of assets eligible for capitalization;

(ii) borrowing costs have been incurred;

(iii) the acquisition, construction or production activities necessary to bring the asset to its intended usable or saleable condition have commenced.

When the acquisition, construction or production of assets eligible for capitalization reaches the intended usable or saleable state, the borrowing costs cease to be capitalized.

### **iii. Suspension of capitalization period**

The capitalization of borrowing costs shall be suspended if there is an abnormal interruption in the acquisition, construction or production of an asset eligible for

capitalization for more than 3 consecutive months, and the capitalization of borrowing costs shall continue to be capitalized if the interruption is necessary for the acquisition, construction or production of an asset eligible for capitalization to reach the intended usable or saleable state. Borrowing costs incurred during the interruption period are recognized as profit or loss for the current period and continue to be capitalized until the acquisition and construction of assets or production activities resume.

**iv. Calculation method of capitalization rate and capitalization amount of borrowing costs**

For special borrowings borrowed for the purchase, construction or production of assets eligible for capitalization, the capitalized amount of borrowing costs shall be determined by the amount of borrowing costs actually incurred in the current period of the special borrowing, minus the interest income obtained by depositing the unused borrowed funds in the bank or the investment income obtained from temporary investment.

For general borrowings occupied for the acquisition, construction or production of assets eligible for capitalization, the amount of borrowing costs that should be capitalized for general borrowings shall be calculated and determined based on the weighted average of the asset expenditures exceeding the portion of special borrowings multiplied by the capitalization rate of the general borrowings occupied. The capitalization rate is calculated based on the weighted average effective interest rate of general borrowings.

During the capitalization period, the exchange difference between the principal and interest of the foreign currency special borrowings shall be capitalized and included in the cost of assets eligible for capitalization. The exchange difference arising from the principal and interest of foreign currency borrowings other than foreign currency special borrowings is recognized in profit or loss for the current period.

**(16) Intangible assets**

**i. Valuation method of intangible assets**

(i) the initial measurement of intangible assets at cost when the company acquires them;

The cost of the purchased intangible asset, including the purchase price, related taxes and other expenses directly attributable to the use of the asset for its intended purpose.

(ii) Subsequent measurements

Analyze and judge the useful life of intangible assets when acquiring them.

Intangible assets with a limited useful life shall be amortized within the period of economic benefits brought to the enterprise; if the period of economic benefits brought to the enterprise by the intangible assets cannot be foreseen, they shall be regarded as intangible assets with indefinite useful life and shall not be amortized.

**ii. Useful life estimates for intangible assets with limited useful life**

Project	Expected service life	Amortization method	Residual value rate (%)	Based on
patent right	10 years	Straight-line method	0.00	service life

**iii. Specific criteria for dividing the research phase into the development phase**

The expenditure on R&D projects within the company is divided into research stage expenditure and development stage expenditure.

Research stage: The stage of original planned investigation and research activities to acquire and understand new scientific or technological knowledge, etc.

Development stage: The stage in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc., before commercial production or use.

**iv. Specific conditions for capitalization of expenditures during the development phase**

Expenses incurred during the research phase are included in profit or loss for the current period when incurred. If the expenditure in the development stage meets the following conditions at the same time, it shall be recognized as an intangible asset, and the expenditure in the development stage that cannot meet the following conditions shall be included in the profit or loss for the current period:

(i) it is technically feasible to complete the intangible asset so that it can be used or sold;

- (ii) has the intent to complete the intangible asset and use or sell it;
- (iii) the manner in which the intangible asset generates an economic benefit, including the usefulness of the intangible asset if it can be demonstrated that there is a market for the product produced using the intangible asset or that there is a market for the intangible asset itself, and that the intangible asset will be used internally;
- (iv) have sufficient technical, financial and other resources to complete the development of the intangible asset and the ability to use or sell the intangible asset;
- (v) Expenditure attributable to the development phase of the intangible asset can be reliably measured.

If it is not possible to distinguish between the expenditure in the research stage and the expenditure in the development stage, all the R&D expenditure incurred shall be included in the profit or loss for the current period.

#### **(17) Impairment of long-term assets**

Long-term assets such as long-term equity investments, investment real estate, fixed assets, projects under construction, right-of-use assets, intangible assets with limited useful life, productive biological assets, oil and gas assets, etc., which have signs of impairment at the balance sheet date, shall be subject to impairment testing. If the impairment test results show that the recoverable amount of an asset is lower than its carrying amount, an impairment provision shall be made according to the difference and included in the impairment loss. The recoverable amount is the higher of the fair value of the asset less disposal costs and the present value of the asset's expected future cash flows. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined by the asset group to which the asset belongs. An asset group is the smallest portfolio of assets that can generate cash inflows independently.

For goodwill formed as a result of business combinations, intangible assets with indefinite useful lives, and intangible assets that have not yet reached a usable state, regardless of whether there is an indication of impairment, the impairment test shall be carried out at least at the end of each year.

The Company conducts a goodwill impairment test, and allocates the carrying amount of goodwill formed as a result of the business combination to the relevant asset group in a reasonable manner from the date of purchase, and if it is difficult to allocate it to the relevant asset group, it is allocated to the relevant asset group combination. The relevant asset group

or combination of asset groups is the one that can benefit from the synergies of the business combination.

When conducting an impairment test on a relevant asset group or a combination of asset groups containing goodwill, if there is an indication of impairment in the asset group or asset group combination related to goodwill, the asset group or asset group combination that does not contain goodwill shall first be tested for impairment, the recoverable amount shall be calculated, and the corresponding impairment loss shall be recognized by comparing it with the relevant carrying amount. If the recoverable amount is lower than the book value, the amount of impairment loss will first be offset against the book value of the goodwill allocated to the asset group or asset group combination, and then the book value of other assets will be offset proportionally according to the proportion of the book value of other assets other than goodwill in the asset group or asset group combination. Once the above-mentioned asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

#### **(18) Contract liabilities**

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance obligations and the customer's payment. The Company's obligation to transfer goods or services to the Customer for consideration received or receivable from the Customer is shown as a contractual liability. Contract assets and contract liabilities under the same contract are shown in net.

#### **(19) Employee remuneration**

##### **i. Accounting for short-term compensation**

During the accounting period in which employees provide services to the Company, the Company recognizes the actual short-term remuneration as a liability and includes it in the profit or loss for the current period or the cost of related assets.

The social insurance premiums and housing provident fund paid by the Company for the employees, as well as the trade union funds and employee education funds withdrawn in accordance with the regulations, shall be calculated and determined according to the prescribed basis and proportion of the employees' remuneration during the accounting period in which the employees provide services to the

Company.

The employee benefit expenses incurred by the Company shall be included in the profit or loss for the current period or the cost of related assets according to the actual amount incurred when actually incurred, of which non-monetary benefits shall be measured at fair value.

**ii. Accounting for post-employment benefits**

**(i) Set up a deposit and withdrawal plan**

The Company shall pay basic endowment insurance and unemployment insurance for employees in accordance with the relevant regulations of the local government, and during the accounting period in which the employees provide services to the Company, the amount payable shall be calculated according to the payment base and proportion stipulated by the local government, recognized as a liability, and included in the current profit or loss or the cost of related assets.

In addition, the company also participates in the enterprise annuity plan/supplementary pension insurance fund approved by the relevant state departments. The Company pays a certain percentage of the total salary of employees to the annuity plan/local social insurance institution, and the corresponding expenses are included in the profit or loss for the current period or the cost of related assets.

**(ii) setting up a beneficiary plan**

The Company attributes the benefit obligations arising from the defined benefit plan to the period during which the employee provides services according to the formula determined by the expected accrued benefit unit method, and includes it in the profit or loss for the current period or the cost of related assets.

The deficit or surplus resulting from the present value of defined benefit plan obligations minus the fair value of defined benefit plan assets is recognized as a defined benefit plan net liability or net assets. If there is a surplus in the defined benefit plan, the Company measures the net assets of the defined benefit plan by the lower of the surplus of the defined benefit plan and the asset limit.

All defined benefit plan obligations, including those expected to be paid within twelve months of the end of the annual reporting period in which employees provide services, are discounted based on the market yield of Treasury bonds or high-quality corporate bonds in active markets that match the term and currency of the defined

benefit plan obligations at the balance sheet date.

The cost of services arising from defined benefit plans and the net interest on net liabilities or net assets of defined benefit plans are recognized in profit or loss for the current period or the cost of related assets, and changes in net liabilities or net assets of defined benefit plans are included in other comprehensive income and are not reversed to profit or loss in subsequent accounting periods, and all of the portion originally included in other comprehensive income is carried forward to retained earnings to the extent of equity when the original defined benefit plan is terminated. At the time of settlement of the defined benefit plan, the settlement gain or loss is recognized as the difference between the present value of the defined benefit plan obligation and the settlement price determined on the settlement date.

### **3. Accounting treatment of dismissal benefits**

If the Company provides severance benefits to employees, the employee remuneration liabilities arising from the severance benefits shall be recognized and included in the profit or loss for the current period as soon as the Company is unable to unilaterally withdraw the severance benefits provided by the termination plan or the layoff proposal, and when the Company recognizes the costs or expenses related to the restructuring involving the payment of severance benefits.

#### **(20) Projected liabilities**

The Company recognizes obligations related to contingencies as projected liabilities if they meet the following conditions at the same time:

- (i) the obligation is a current obligation of the Company;
- (ii) the performance of such obligation is likely to result in an outflow of economic benefits from the Company;
- (iii) the amount of the obligation can be reliably measured.

Projected liabilities are initially measured on the basis of the best estimate of the expenditure required to meet the relevant current obligations.

In determining the best estimates, factors such as risks, uncertainties and time value of money associated with contingencies are taken into account. Where the time value of money is significant, the best estimate is determined by discounting the relevant future cash

outflows.

If all or part of the expenses required to settle the projected liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined that it can be received, and the amount of compensation recognized shall not exceed the carrying amount of the projected liabilities.

The Company reviews the carrying amount of the projected liabilities at the balance sheet date, and if there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

## **(21) Income**

### **i. Accounting policies used for revenue recognition and measurement**

The Company has fulfilled its contractual performance obligations, i.e., recognises revenue when the Customer acquires control of the relevant goods or services. Gaining control of the relevant goods or services means being able to dominate the use of the goods or services and derive almost all of the economic benefits from them. If the contract contains two or more performance obligations, the Company shall allocate the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation on the commencement date of the contract. The Company measures revenue based on the transaction price allocated to each individual performance obligation.

The Transaction Price means the amount of consideration that the Company expects to be entitled to receive as a result of the transfer of goods or services to the Client, excluding payments received on behalf of third parties and amounts expected to be returned to the Client. The Company determines the transaction price in accordance with the terms of the contract and its past PURACtices, and takes into account the impact of factors such as variable consideration, significant financing elements existing in the contract, non-cash consideration, and consideration payable to customers when determining the transaction price. The Company determines the transaction price including variable consideration by an amount not exceeding the amount of the accrued recognized revenue that is likely not to be materially reversed at the time the relevant uncertainty is eliminated. If there is a material financing component in the contract, the Company shall determine the transaction price based

on the amount payable in cash assuming that the customer acquires control of the goods or services, and amortize the difference between the transaction price and the contract consideration using the effective interest rate method during the contract period.

If one of the following conditions is met, it is deemed to be a performance obligation within a certain period of time, otherwise, it is a performance obligation at a certain point in time:

- The customer obtains and consumes the economic benefits brought by the company's performance at the same time as the company's performance.
- The customer has control over the merchandise under construction during the company's fulfillment process.
- The goods produced by the Company in the course of the performance of the contract have irreplaceable uses, and the Company has the right to receive payment for the part of the performance that has been completed so far during the entire contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize revenue in accordance with the performance progress during that period, unless the performance progress cannot be reasonably determined. Taking into account the nature of the goods or services, the Company adopts the output method or the input method to determine the performance progress. When the performance progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the Company shall recognize the revenue according to the amount of the costs incurred until the performance progress can be reasonably determined.

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

- The Company has a current right to receive payment for the goods or services, i.e. the Customer has a current payment obligation for the goods or services.
- The Company has transferred the legal title of the Goods to the Customer, i.e. the Customer has legal ownership of the Goods.
- The Company has physically transferred the Commodity to the Customer, i.e. the

Customer has taken physical possession of the Goods.

- The Company has transferred the principal risks and rewards of ownership of the Commodity to the Client, i.e., the Client has acquired the principal risks and rewards of ownership of the Commodities.
- The customer has accepted the goods or services, etc.

## **(22) Contract costs**

Contract costs include contract performance costs and contract acquisition costs.

If the costs incurred by the Company for the performance of the contract do not fall within the scope of the relevant standards such as inventory, fixed assets or intangible assets, they shall be recognized as an asset as contract performance costs when the following conditions are met:

- The cost is directly related to a current or anticipated contract.
- This cost increases the Company's resources to meet its performance obligations in the future.
- This cost is expected to be recovered.

If the incremental cost incurred by the Company in obtaining the contract is expected to be recovered, it shall be recognized as an asset as the cost of obtaining the contract.

Assets related to contract costs are amortized on the same basis as revenue recognition for goods or services related to such assets, but if the amortization period of contract acquisition costs does not exceed one year, the Company will include them in profit or loss for the current period when incurred.

If the carrying amount of an asset related to the contract cost is higher than the difference between the following items, the Company shall make an impairment provision for the excess and recognize it as an asset impairment loss:

- i. the residual consideration expected to be obtained as a result of the transfer of goods or services related to the asset;
2. Estimate the cost to be incurred for the transfer of the relevant goods or services.

If the factors of impairment in the previous period change later, so that the aforesaid difference is higher than the carrying amount of the asset, the Company shall reverse the impairment provision that has been made and include it in the profit or loss for the current period, but the carrying amount of the reversed asset shall not exceed the carrying amount of the asset on the reversal date assuming that no provision for impairment is made.

**(23) Government subsidy**

**i. Type**

Government subsidies are monetary assets or non-monetary assets obtained by the Company from the government free of charge, which are divided into asset-related government subsidies and income-related government subsidies.

Asset-related government subsidies refer to government subsidies obtained by the Company for the acquisition, construction or other formation of long-term assets.

Income-related government grants refer to government grants other than asset-related government grants.

**ii. Accounting Treatment**

Asset-related government subsidies are offset against the carrying amount of the underlying assets or recognized as deferred income. If it is recognized as deferred income, it shall be included in the profit or loss for the current period in installments in accordance with a reasonable and systematic method during the useful life of the relevant assets (other income related to the daily activities of the Company; non-operating income if it is not related to the daily activities of the Company);

Government subsidies related to revenues are recognized as deferred income if they are used to compensate the Company for relevant costs, expenses or losses in subsequent periods, and are included in profit or loss for the current period (included in other income if they are related to the Company's daily activities; if they are not related to the Company's daily activities, they are included in non-operating income) or offset against relevant costs, expenses or losses, and if they are used to compensate for the relevant costs, expenses or losses incurred by the Company, they are directly included in the profit or loss for the current period (if they are related to the Company's daily activities, they are included in other income; if they are not related to the Company's daily activities, they are included in non-operating income) or written off the relevant costs, expenses or losses.

The preferential policy loan interest discount obtained by the Company is divided into the following two situations and is accounted for separately:

(i) If the Ministry of Finance allocates the interest discount funds to the lending bank, and the lending bank provides loans to the Company at a preferential policy interest

rate, the Company shall take the actual amount of the loan received as the recorded value of the loan, and calculate the relevant borrowing costs according to the principal of the loan and the preferential interest rate of the policy.

(ii) If the finance department directly allocates the interest discount funds to the Company, the Company will offset the relevant borrowing costs with the corresponding interest discount.

#### **(24) Deferred tax assets and deferred tax liabilities**

Income tax includes current income tax and deferred income tax. Except for income tax arising from business combinations and transactions or events directly credited to owners' equity (including other comprehensive income), the Company includes current income tax and deferred income tax in profit or loss for the current period.

Deferred tax assets and deferred tax liabilities are recognized based on the difference between the tax basis of the assets and liabilities and their carrying amounts (temporary differences).

For deductible temporary differences, deferred tax assets are recognized to the extent of the taxable income that is likely to be obtained in future periods to offset the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred tax assets are recognized to the extent that the future taxable income that is likely to be used to offset the deductible losses and tax credits will be obtained.

For taxable temporary differences, deferred tax liabilities are recognized, except in exceptional circumstances.

Special circumstances in which deferred tax assets or deferred tax liabilities are not recognized include:

- Initial recognition of goodwill;
- Transactions or events that are neither a business combination, nor do they affect accounting profits and taxable income (or deductible losses) at the time of their occurrence.

Deferred tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless the Company has control over the timing of the reversal of such temporary differences and it is likely that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets are

recognized for deductible temporary differences related to investments in subsidiaries, associates and joint ventures when the temporary differences are likely to be reversed in the foreseeable future and taxable income to offset the deductible temporary differences is likely to be obtained in the future.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period in which the relevant assets are expected to be recovered or the relevant liabilities are liquidated, in accordance with the provisions of the tax law.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. The carrying amount of the deferred tax asset is written down if there is a high probability that sufficient taxable income will not be available in future periods to offset the benefit of the deferred tax asset. The write-down amount is reversed when it is likely that sufficient taxable income will be obtained.

When there is a legal right to settle on a net basis, and the intention is to settle on a net basis or to acquire assets and settle liabilities at the same time, the current income tax assets and current income tax liabilities are presented as net offset.

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented on a net basis after offsetting if the following conditions are met:

- The taxpayer has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- Deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or to different taxpayers, but in each future period when the deferred tax assets and liabilities are reversed, the taxpayers involved intend to settle the current income tax assets and liabilities on a net basis or acquire the assets and settle the liabilities at the same time.

## **(25) Leasing**

Lease refers to a contract in which the lessor transfers the right to use an asset to the lessee for a certain period of time for consideration.

On the commencement date of the contract, the Company assesses whether the contract is a lease or includes a lease. A contract is a lease or contains a lease if one of the parties to a contract relinquishes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration.

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

For rent concessions such as rent reductions and deferred payments reached on existing lease contracts directly caused by the novel coronavirus pneumonia epidemic, and the following conditions are met, the Company adopts a simplified approach for all lease options and does not assess whether there is a lease change or re-evaluate the lease classification:

- The lease consideration after concession is reduced or basically unchanged compared with that before concession, of which the lease consideration is undiscounted or discounted at the discount rate before concession;
- After taking into account both qualitative and quantitative factors, it was determined that there were no significant changes to the other terms and conditions of the lease.

#### **i. The Company acts as the lessee**

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

At the commencement date of the lease term, the Company recognizes right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost. This cost includes:

Initial measurement amount of the lease liability;

If there is a lease incentive for the lease payment paid on or before the commencement date of the lease term, the relevant amount of the lease incentive already enjoyed shall be deducted;

Initial direct costs incurred by the Company;

The costs expected to be incurred by the Company to dismantle and remove the Leased Assets, restore the premises on which the Leased Assets are located or restore the Leased Assets to the conditions agreed in the lease terms, excluding the costs incurred for the production of inventory.

Subsequently, the Company adopted the straight-line method to depreciate the right-of-use assets. If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, the Company shall accrue depreciation during the remaining useful life of the leased assets; Otherwise, depreciation is accrued on the leased asset for the period whichever is shorter of the lease term and the remaining

useful life of the leased asset.

The Company shall determine whether the right-of-use assets have been impaired in accordance with the principles described in "III. (XX) Impairment of Long-term Assets" in this note, and shall account for the identified impairment losses.

(ii) Lease Liabilities

At the commencement date of the lease term, the Company recognizes lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured at the present value of unpaid lease payments. The lease payment amount includes:

Fixed payment amount (including substantial fixed payment amount), if there is a lease incentive, the relevant amount of the lease incentive shall be deducted;

Variable lease payments depending on the index or ratio;

The amount expected to be payable based on the residual value of the guarantee provided by the company;

The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;

The amount to be paid for exercising the termination option, provided that the term of the lease reflects that the Company will exercise the termination option.

The Company uses the interest rate embedded in the lease as the discount rate, but if the interest rate embedded in the lease cannot be reasonably determined, the Company's incremental borrowing interest rate is used as the discount rate.

The Company calculates the interest expense of the lease liabilities for each period of the lease term at a fixed periodic interest rate, and includes it in the profit or loss for the current period or the cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss for the current period or the cost of related assets when actually incurred.

After the commencement date of the lease term, if the following circumstances occur, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets, and if the carrying amount of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the profit or loss for the current period:

- When there is a change in the appraisal results of the purchase option, renewal option or termination option, or the actual exercise of the aforesaid option is inconsistent with the original appraisal result, the Company will remeasure the lease liability based on the present value calculated by the changed lease payment amount and the revised discount rate;
- When there is a change in the amount of the real fixed payment, the amount expected payable for the residual value of the guarantee, or the index or ratio used to determine the amount of the lease payment, the Company remeasures the lease liability based on the present value calculated by the changed lease payment amount and the original discount rate. However, where the change in lease payments is due to a change in the floating interest rate, the present value is calculated using the revised discount rate.

(iii) Short-term leases and leases of low-value assets

The Company elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and to include the relevant lease payments in profit or loss or the cost of related assets on a straight-line basis for each period of the lease term. A short-term lease is a lease with a lease period of not more than 12 months on the start date of the lease term and does not include an option to purchase. A lease of a low-value asset refers to a lease with a lower value when a single leased asset is a brand new asset. If the company subleases or expects to sublease the leased assets, the original lease is not a low-value asset lease.

(iv) Lease Variation

If there is a change in the lease and the following conditions are met at the same time, the company will treat the lease change as a separate lease for accounting treatment: The lease variation expands the lease scope by adding the right to use one or more leased assets;

The increased consideration is commensurate with the individual price of the expanded portion of the lease as adjusted for the circumstances of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the company will reallocate the consideration of the modified contract, redetermine the lease term, and remeasure the lease liability according to

the present value calculated by the lease payment amount after the change and the revised discount rate.

If the lease scope is shortened or the lease term is shortened as a result of the lease change, the Company shall reduce the carrying amount of the right-of-use assets accordingly, and include the gains or losses related to the partial or complete termination of the lease in profit or loss for the current period. If the lease liability is remeasured due to other lease changes, the Company shall adjust the carrying amount of the right-of-use assets accordingly.

**(v) COVID-related rent concessions**

For those who adopt the simplified method of rent concessions related to the new crown pneumonia epidemic, the Company will not assess whether there is a lease change, and will continue to calculate the interest expense of lease liabilities at the same discount rate as before the concession and include it in the current profit or loss, and continue to depreciate the right-of-use assets according to the same method as before the concession. In the event of rent reduction, the Company will treat the reduced rent as a variable lease payment, and when the original rent payment obligation is discharged by entering into a concession agreement, the Company will offset the cost or expense of the relevant assets according to the discount amount at the discount rate before the concession, and adjust the lease liabilities accordingly. In the event of deferred payment of rent, the Company shall offset the lease liabilities recognized in the previous period when the actual payment is made.

For short-term leases and leases of low-value assets, the Company continues to include the original contract rent in the cost or expense of the underlying assets in accordance with the same method as before the concession. In the event of rent reduction, the Company will treat the reduced rent as a variable lease payment, and the cost or expense of the relevant assets will be offset during the reduction period; In the event of a deferred payment of rent, the Company shall recognize the rent payable as payable during the original payment period, and offset the amount payable recognized in the previous period when the actual payment is made.

**ii. The Company acts as the lessor**

On the lease commencement date, the Company divides the lease into a finance lease

and an operating lease. A financial lease refers to a lease that substantially transfers almost all of the risks and rewards associated with the ownership of the leased asset, regardless of whether the ownership is ultimately transferred. Operating lease refers to leases other than financial leases. When the Company acts as a sublease, it classifies the sublease based on the right-of-use assets generated from the original lease.

(i) Accounting for operating leases

Lease receipts from operating leases are recognized as rental income on a straight-line basis for each period of the lease term. The Company capitalizes the initial direct expenses incurred in connection with the operating lease and apportion them to profit or loss for the current period on the same basis as the rental income recognition during the lease term. Variable lease payments that are not included in lease receipts are recognized in profit or loss for the current period when they are actually incurred. If there is a change in the operating lease, the company shall account for it as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable related to the lease before the change shall be regarded as the amount received from the new lease.

(ii) Accounting for financial leases

On the lease commencement date, the Company recognized the financial lease receivables for the financial lease and terminated the recognition of the financial lease assets. When the Company initially measures the financial lease receivables, the net lease investment is recorded as the value of the financial lease receivables. The net lease investment is the sum of the unsecured residual value and the present value of lease receipts not yet received at the start date of the lease term discounted at the interest rate embedded in the lease.

The Company calculates and recognises interest income for each period of the lease term at a fixed periodic interest rate. The derecognition and impairment of financial lease receivables shall be accounted for in accordance with "III.(8) Financial Instruments" of this note.

Variable lease payments that are not included in the net measurement of lease investments are recognized in profit or loss for the period when they are actually

incurred.

If there is a change in the financial lease and the following conditions are met at the same time, the Company will treat the change as a separate lease for accounting treatment:

- The change expands the scope of the lease by adding the right to use one or more leased assets;
- The increased consideration is commensurate with the amount of the separate price for the expanded portion of the lease as adjusted for the circumstances of the contract.

If the change of financial lease is not accounted for as a separate lease, the Company shall treat the changed lease in the following circumstances:

- If the change becomes effective on the lease commencement date, 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 use the net lease investment prior to the effective date of the lease change as the carrying amount of the leased assets;
- If the change takes effect on the lease commencement date, the lease will be classified as a finance lease and the Company will account for it in accordance with the policy of amending or renegotiating contracts in "III.(8) Financial Instruments" of this note.

(iii) COVID-related rent concessions

For operating leases that adopt the simplified method of rent concessions related to the novel coronavirus pneumonia epidemic, the Company will continue to recognize the original contract rent as lease income in accordance with the same method as before the concession, and in the event of rent reduction, the Company will treat the reduced rent as a variable lease payment and reduce the lease income during the reduction period, and if the rent collection is deferred, the Company will recognize the rent receivable as a receivable during the original collection period and offset the receivables recognized in the previous period when it is actually received.

For finance leases that adopt the simplified method of rent concessions related to the novel coronavirus pneumonia epidemic, the Company continues to calculate interest at the same discount rate as before the concession and recognize it as lease income. In the event of rent reduction, the Company will treat the reduced rent as a variable

lease payment, and when the original right to collect rent is waived at the concession agreement, the original recognized lease income shall be offset by the amount discounted at the discount rate before the concession, and the part that is insufficient shall be included in the investment income, and the financial lease receivable shall be adjusted accordingly;

**(26) Changes in significant accounting policies and accounting estimates and correction of errors**

**i. Changes in significant accounting policies**

(i) Implementation of "Interpretation No. 15 of Accounting Standards for Business Enterprises"

The Ministry of Finance issued the "Interpretation No. 15 of Accounting Standards for Business Enterprises" (Finance [2021] No. 35, hereinafter referred to as "Interpretation No. 15") on December 30, 2021.

① Accounting treatment for trial sales

Interpretation No. 15 stipulates the accounting treatment and presentation of the external sales of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the research and development process. It stipulates that the income related to trial operation sales should not be used to offset the costs. The net amount is used to offset fixed asset costs or R&D expenditures. This regulation will take effect on January 1, 2022, and retrospective adjustments should be made to trial sales that occurred between the beginning of the earliest period for financial statement presentation and January 1, 2022.

② Judgment on loss-making contracts

Interpretation No. 15 clarifies that the "costs of performing the contract" that an enterprise considers when determining whether a contract constitutes an onerous contract should include both the incremental costs of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. This regulation will come into effect on January 1, 2022. Enterprises should implement this regulation for contracts that have not fulfilled all obligations on January 1, 2022. The cumulative impact number will be adjusted to retained earnings and other related financial statement items at the beginning of the year on the date of implementation. , does not adjust the comparative financial statement data of the previous period.

(ii) Implementation of the "Notice on Issues Concerning the Application of the "Accounting Treatment Provisions on Rent Concessions Related to the COVID-19 Epidemic"

On May 19, 2022, the Ministry of Finance issued the "Notice on Issues Related to the Application of the "Accounting Treatment Provisions for Rent Concessions Related to the COVID-19 Epidemic" (Financial Accounting [2022] No. 13), once again allowing the use of simplified methods for the COVID-19 epidemic. The applicable scope of relevant rent concessions has been adjusted, and the original restriction that the simplified method can only be applied to concessions on lease payments payable before June 30, 2022 has been removed. For concessions in lease payments payable after June 30, 2022 that are directly caused by the COVID-19 epidemic, lessees and lessors can continue to choose to use the simplified method specified in the "Accounting Treatment Provisions for Rent Reductions Related to the COVID-19 Epidemic" for accounting Processing, other applicable conditions remain unchanged.

The company has chosen to adopt the simplified method for accounting treatment for all eligible lease contracts before the adjustment of the scope of application. It also adopts the simplified method for accounting treatment for all similar lease contracts that meet the conditions after the adjustment of the scope of application. The company has also adopted the simplified method for accounting treatment for all lease contracts that have met the conditions before the adjustment of the scope of application. Retrospective adjustments will be made to the relevant lease contracts that have been changed for accounting treatment, but the comparative financial statement data of the previous period will not be adjusted; the relevant rent concessions that occurred between January 1, 2022 and the implementation date of the notice will not be accounted for in accordance with the notice. , make adjustments based on this notification.

(iii) Implementation of "Interpretation No. 16 of Accounting Standards for Business Enterprises"

The Ministry of Finance announced the "Interpretation No. 16 of Accounting Standards for Business Enterprises" (Finance [2022] No. 31, hereinafter referred to

as "Interpretation No. 16") on November 30, 2022.

① Accounting treatment of income tax effects on dividends related to financial instruments classified as equity instruments by the issuer

Interpretation No. 16 stipulates that for financial instruments classified as equity instruments by enterprises, if the relevant dividend payments are deducted before corporate income tax in accordance with the relevant provisions of tax policies, the income tax impact related to the dividend shall be recognized when the dividend payable is recognized, and the income tax impact related to the dividend shall be recognized in accordance with the past. The income tax effects of dividends are included in the current profit and loss or owner's equity items (including other comprehensive income items) in a manner consistent with the accounting treatment used when transactions or events that generate distributable profits.

This regulation will take effect from the date of announcement. If the relevant dividend payable occurs between January 1, 2022 and the implementation date, adjustments will be made in accordance with this regulation; if it occurs before January 1, 2022 and the relevant financial instruments are in January 2022, If the recognition has not been terminated on the 1st of the month, retrospective adjustments shall be made. The implementation of this provision has not had a significant impact on the Company's financial status and operating results.

② Regarding the accounting treatment when an enterprise changes a cash-settled share-based payment to an equity-settled share-based payment

Interpretation No. 16 clarifies that if an enterprise modifies the terms and conditions of a cash-settled share-based payment agreement to convert it into an equity-settled share-based payment agreement, on the modification date (whether it occurs during the waiting period or after the end of the waiting period), the company shall be subject to the terms and conditions granted in accordance with the grant. The fair value of the equity instrument on the date of modification is measured as equity-settled share-based payment, and the services received are included in the capital reserve. At the same time, the liability recognized on the modification date for cash-settled share-based payment is derecognised. The difference between the two Included in current profit and loss.

This regulation will come into effect on the date of promulgation, and new relevant

transactions from January 1, 2022 to the date of implementation will be adjusted in accordance with this regulation; if relevant transactions that occurred before January 1, 2022 are not handled in accordance with this regulation, they shall Retrospective adjustments will be made to adjust the cumulative impact to retained earnings and other related items on January 1, 2022, without adjusting the comparative financial statement data of the previous period. The implementation of this provision has not had a significant impact on the Company's financial status and operating results.

#### 4. Taxes

##### (1) Major taxes and rates

Tax types	Tax basis	Tax rate (%)
Value added tax	The output tax amount is calculated based on the sales of goods and taxable labor income	13.00
	calculated according to tax laws.	9.00
	After deducting the input tax amount allowed for deduction in the current period, the difference is the payable value-added tax.	6.00
Urban maintenance and construction tax	Calculated and paid based on the actual value-added tax and consumption tax paid	7.00
Corporate income tax	Calculated and paid based on taxable income	25.00

##### (2) Tax incentives

The statutory rate of corporate income tax of the Company is 25%, and according to December 1, 2022, the Company was approved by the Beijing Municipal Science and Technology Commission, the Beijing Municipal Bureau of Finance, and the Beijing Municipal Taxation Bureau of the State Administration of Taxation, and the Company was recognized as a high-tech enterprise, with the certificate number of high-tech enterprise

identification number: No. GR202211004795, and the certificate is valid for 3 years. From December 2022 to December 2025, the corporate income tax will be paid at a reduced rate of 15%.

**5. Notes to the items in the consolidated financial statements**

**(1) Monetary funds**

Project	Closing balance	Last year's year-end balance
Inventory cash	21,742.56	16,173.45
Bank deposit	67,552,179.29	84,827,468.06
Other monetary funds	11,056,123.41	10,351,316.00
Total	78,630,045.26	95,194,957.51

The breakdown of restricted monetary funds is as follows:

Project	Closing balance	Last year's year-end balance
Letter of Guarantee Bond	8,363,116.22	10,275,750.49
Forward foreign exchange settlement and sales margin	2,693,007.19	
other		75,565.51
Total	11,056,123.41	10,351,316.00

**(2) Trading financial assets**

Project	Closing balance	Last year's year-end balance
Financial assets at fair value through profit or loss	24,805,416.73	80,536,947.13
Others - Money Market Fund Wealth Management	24,805,416.73	80,536,947.13
total	24,805,416.73	80,536,947.13

**(3) Notes receivable**

Project	Closing balance	Last year's year-end balance
Banker's Acceptance	8,000,000.00	2,500,000.00

**PURAC Environmental System (Beijing) Co., Ltd**  
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Project	Closing balance	Last year's year-end balance
total	8,000,000.00	2,500,000.00

**(4) Accounts receivable**

Aging of accounts	Closing balance	Last year's year-end balance
Within 1 year	244,159,272.13	5,160,351.49
1-2 years	2,579,507.80	135,711,322.72
2-3 years	926,162.00	
Subtotal	247,664,941.93	140,871,674.21
Less: Bad debt provision	700,000.00	700,000.00
Total	246,964,941.93	140,171,674.21

**(5) Prepayments**

Aging of accounts	Closing balance		Last year's year-end balance	
	Money	Money	Money	比例(%)
Within 1 year	61.87	0.00	79,137.53	0.70
1-2 years	4,460,051.88	100.00	11,238,018.61	99.30
Total	4,460,113.75	100.00	11,317,156.14	100.00

**(6) Other receivables**

Project	Closing balance	Last year's year-end balance
Interest receivable		
Dividends receivable		
Other receivables	10,241,944.60	10,300,980.99
Total	10,241,944.60	10,300,980.99

**Other receivables**

Disclosure by account age

**PURAC Environmental System (Beijing) Co., Ltd**  
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Aging of accounts	Closing balance	Last year's year-end balance
Within 1 year	8,951,805.44	3,482,442.57
1-2 years	1,700.00	6,076,793.86
3years and more	1,288,439.17	741,744.56
Subtotal	10,241,944.60	10,300,980.99
Less: Bad debt provision		
Total	10,241,944.60	10,300,980.99

**(7) Inventory**

Project	Closing balance			Last year's year-end balance		
	Book balance	Provision for inventory depreciation/provision for impairment of contract performance costs	Book value	Book balance	Provision for inventory depreciation/provision for impairment of contract performance costs	Book value
Inventory items	782,624.26		782,624.26	937,168.84		937,168.84
Contract performance cost	20,463.50		20,463.50			
Total	803,087.76		803,087.76	937,168.84		937,168.84

**(8) Contract assets**

**PURAC Environmental System (Beijing) Co., Ltd**

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Items	Closing balance			Last year's year-end balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Project payment	55,440,697.07		55,440,697.07	59,237,184.40		59,237,184.40
Total	55,440,697.07		55,440,697.07	59,237,184.40		59,237,184.40

**(9) Other current assets**

Project	Closing balance	Last year's year-end balance
Input tax to be deducted	1,096,227.27	754,547.28
Total	1,096,227.27	754,547.28

**(10) Long-term receivables**

Project	Closing balance			Last year's year-end balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Maturity insurance value	799,640.37		799,640.37	668,066.11		668,066.11
Total	799,640.37		799,640.37	668,066.11		668,066.11

**(11) Investments in other equity instruments**

项目	期末余额	上年年末余额
More · Biogas · Smjland · AB	2,296,148.90	2,797,112.95
Total	2,296,148.90	2,797,112.95

**(12) Fixed assets**

**1、 Fixed assets and fixed asset liquidation**

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Project	Closing balance	Last year's year-end balance
Fixed assets	16,872,238.38	5,764,824.52
Fixed asset liquidation		
Total	16,872,238.38	5,764,824.52

**PURAC Environmental System (Beijing) Co., Ltd**  
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**2、 Fixed asset situation**

Items	Houses and buildings	Machine equipment	Transportation equipment	Electronic devices	Office equipment	Total
1. Original book value						
(1) End balance of the previous year	950,751.06	8,409,270.59	2,948,270.35	3,773,417.40	617,904.60	16,699,614.00
(2) Increased amount in current period	64,392.36	1,231,990.89	11,137,652.04	542,341.97	392,054.12	13,368,431.38
—Purchase		690,541.34	10,634,138.53	388,102.16	392,054.12	12,104,836.15
—Others	64,392.36	541,449.56	503,513.51	154,239.81		1,263,595.23
(3) Decreased amount in this period		56,296.38		341,889.82		398,186.20
—Disposal or scrapping		56,296.38		341,889.82		398,186.20
—Others						
(4) Closing balance	1,015,143.42	9,584,965.10	14,085,922.39	3,973,869.55	1,009,958.72	29,669,859.18
2. Accumulated depreciation						
(1) End balance of the previous year	580,559.17	5,547,426.31	1,031,982.10	3,170,643.96	604,177.93	10,934,789.48
(2) Increased amount in current period	39,320.05	1,062,174.14	698,134.95	415,196.60	44,766.02	2,259,591.76
—Provision		695,008.55	560,933.23	293,421.67	44,766.02	1,594,129.47
—Others	39,320.05	367,165.59	137,201.72	121,774.93		665,462.29
(3) Decreased amount in this period		56,296.38		340,464.05		396,760.43

**PURAC Environmental System (Beijing) Co., Ltd**  
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Items	Houses and buildings	Machine equipment	Transportation equipment	Electronic devices	Office equipment	Total
—Disposal or scrapping		56,296.38		340,464.05		396,760.43
—Others						
(4) Closing Balance	619,879.22	6,553,304.08	1,730,117.05	3,245,376.51	648,943.95	12,797,620.80
3. Provision for impairment						
(1) End balance of the previous year		-602,969.25				-602,969.25
(2) Increased amount in current period		-40,837.83				-40,837.83
—Provision						
—Others		-40,837.83				-40,837.83
(3) Decreased amount in this period						
—Disposal or scrapping						
—Others						
(4) Closing Balance		-643,807.09				-643,807.09
4. Book value						
(1) Closing book value	395,264.20	3,031,661.02	12,355,805.34	728,493.04	361,014.77	16,872,238.38
(2) Book value at the end of last year	370,191.89	2,861,844.28	1,916,288.25	602,773.43	13,726.67	5,764,824.52

**PURAC Environmental System (Beijing) Co., Ltd**  
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**(13) Right of use assets**

Project	Houses and buildings	Total
1. Book value		
(1) Last year's year-end balance	6,220,526.13	6,220,526.13
(2) Increased amount in this period	9,685,367.73	9,685,367.73
—New leasing	9,685,367.73	9,685,367.73
—Increase in business merger		
(3) Reduced amount in this period	6,220,526.13	6,220,526.13
—other	6,220,526.13	6,220,526.13
—Disposition		
(4) Closing balance	9,685,367.73	9,685,367.73
2. Accumulated depreciation		
(1) Last year's year-end balance	4,976,420.90	4,976,420.90
(2) Increased amount in this period	2,858,333.18	2,858,333.18
—Provision	2,858,333.18	2,858,333.18
(3) Reduced amount in this period	6,220,526.13	6,220,526.13
—other	6,220,526.13	6,220,526.13
—Disposition		
(4) Closing balance	1,614,227.95	1,614,227.95
3. Impairment provision		
(1) Last year's year-end balance		
(2) Increased amount in this period		

**PURAC Environmental System (Beijing) Co., Ltd**  
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Project	Houses and buildings	Total
—Provision		
(3) Reduced amount in this period		
—Transferred out to fixed assets		
—Disposition		
(4) Closing balance		
4. Book value		
(1) Closing book value	8,071,139.78	8,071,139.78
(2) Book value at the end of last year	1,244,105.23	1,244,105.23

**(14) Intangible assets**

Project	Patent right	Total
1. Book value		
(1) Last year's year-end balance	15,491,238.44	15,491,238.44
(2) Increased amount in this period	1,335,253.81	1,335,253.81
—Purchase	337,839.87	337,839.87
—other	997,413.95	997,413.95
(3) Reduced amount in this period		
—Disposition		
(4) Closing balance	16,826,492.25	16,826,492.25
2. Accumulated amortization		
(1) Last year's year-end balance	14,654,111.36	14,654,111.36
(2) Increased amount in this period	1,163,152.63	1,163,152.63
—Provision	226,087.56	226,087.56
—other	937,065.07	937,065.07
(3) Reduced amount in this period		
—Disposition		
(4) Closing balance	15,817,263.99	15,817,263.99

**PURAC Environmental System (Beijing) Co., Ltd****Notes to Financial Statements****For the Year Ended December 31, 2023**

(English Translation for Reference Only)

Project	Patent right	Total
3. Impairment provision		
(1) Last year's year-end balance		
(2) Increased amount in this period		
—Provision		
(3) Reduced amount in this period		
—Disposition		
(4) Closing balance		
4. Book value		
(1) Closing book value	1,009,228.27	1,009,228.27
(2) Book value at the end of last year	837,127.08	837,127.08

**(15) Long-term amortized expenses**

Project	Balance at the end of the previous year	The amount increased in the current period	Amortization amount for the period	Other reduction amounts	Closing balance
Renovation costs		1,039,861.59			1,039,861.59
Total		1,039,861.59			1,039,861.59

**(16) Deferred income tax assets and deferred income tax liabilities****Deferred income tax assets that have not been offset**

Items	Closing balance	Last year's year-end balance
Credit impairment provision	175,000.00	175,000.00
Deductible losses	62,467,354.18	58,472,980.15
Total	62,642,354.18	58,647,980.15

**(17) Short-term borrowings**

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Project	Closing balance	Last year's year-end balance
Guarantee loan	7,155,504.00	
Total	7,155,504.00	

**(18) Accounts payable**

Project	Closing balance	Last year's year-end balance
Project payment	103,092,737.36	65,321,770.15
Total	103,092,737.36	65,321,770.15

**(19) Contract liabilities**

Project	Closing balance	Last year's year-end balance
Equipment , engineering and service payment	75,219,477.76	95,885,061.53
Total	75,219,477.76	95,885,061.53

**(20) Payable employee compensation**

1. Components of payable employee compensation

Project	Closing balance	Last year's year-end balance
Short term compensation	14,368,047.10	13,397,934.78
Post employment benefits - defined contribution plan	2,887,631.82	4,233,090.78
Total	17,255,678.92	17,631,025.56

2. Short term salary

Items	Closing balance	Last year's year-end balance
(1) Salary, bonuses, allowances, and subsidies	11,750,102.13	10,820,546.30

**PURAC Environmental System (Beijing) Co., Ltd****Notes to Financial Statements****For the Year Ended December 31, 2023**

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Items	Closing balance	Last year's year-end balance
(2) Social insurance premiums	2,617,944.97	2,577,388.48
Total	14,368,047.10	13,397,934.78

**3.DB plan**

Items	Closing balance	Last year's year-end balance
Basic pension insurance	2,881,626.23	4,227,279.86
Unemployment insurance premium	6,005.59	5,810.92
Total	2,887,631.82	4,233,090.78

**(21) Taxes and fees payable**

Tax items	Closing balance	Last year's year-end balance
vat	175,390.47	2,482,998.24
Corporate income tax	1,272,762.40	1,845,729.53
Personal income tax	328,391.73	251,625.74
Urban Maintenance Construction Tax	189,450.65	81,292.02
Educational fee surcharge	135,321.90	58,065.73
Total	2,101,317.15	4,719,711.26

**(22) Other payables**

Project	Closing balance	Last year's year-end balance
Interest payable		
Dividends payable		
Other payables	40,925,624.95	47,652,979.30
total	40,925,624.95	47,652,979.30

**Other payables**

Other amounts payable are shown by nature of payments

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Project	Closing balance	Last year's year-end balance
Accrued Expenses	34,437,554.47	46,041,083.55
Withholding payments	6,488,070.48	1,611,895.75
total	40,925,624.95	47,652,979.30

**(23) Non-current liabilities due within one year**

Project	Closing balance	Last year's year-end balance
Lease liabilities that are due within one year	3,173,140.12	1,305,673.60
total	3,173,140.12	1,305,673.60

**(24) Other current liabilities**

Project	Closing balance	Last year's year-end balance
Tax on items to be re-sold	1,824,608.79	3,772,668.12
Group adjustment		893,637.80
other	12,723,630.13	1,763,419.23
total	14,548,238.92	6,429,725.15

**(25) Long-term borrowings**

Project	Closing balance	Last year's year-end balance
Guaranteed borrowing		1,378,582.74
total		1,378,582.74

**(26) Lease liabilities**

Project	Closing balance	Last year's year-end balance
Lease payments	5,099,712.94	
total	5,099,712.94	

**(27) Long-term payables**

Project	Closing balance	Last year's year-end balance
Long-term payables	2,908,201.45	
total	2,908,201.45	

**(28) Long-term payable employee compensation**

A breakdown of employee remuneration payable on a long-term basis

Project	Closing balance	Last year's year-end balance
Net liability for the benefit-DB plan after leave	47,193,706.43	42,542,854.72
total	47,193,706.43	42,542,854.72

**(29) Paid-up capital**

Project	Last year's year-end balance	Increase in this period	Decrease in this period	Closing balance
Luxembourg Investment Limited No. 115	154,703,285.00			154,703,285.00
Beijing-Tianjin-Hebei Industrial Coordinated Development Investment Fund (Limited Partnership)	37,422,604.00			37,422,604.00
Beijing Guotou North Drainage Environment Investment Fund (Limited Partnership)	12,481,021.00			12,481,021.00
total	204,606,910.00			204,606,910.00

**PURAC Environmental System (Beijing) Co., Ltd**  
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**(30) Other comprehensive income**

Project	Last year's year-end balance	Current amount					Closing balance
		Amount incurred before income tax in this period	Less: Previously recognized in other comprehensive income and transferred to profit or loss in the current period	Less: Previously recognized in other comprehensive income, transferred to earnings in the current period	Less: Income tax expenses	After tax attributable to the company	
1. Other comprehensive income that cannot be reclassified into profit or loss							
Among them: remeasurement of the change in the defined benefit plan							
Other comprehensive income that cannot be converted into profit or loss under the equity method							
Changes in the fair value of investments in other equity instruments							
Changes in the fair value of the enterprise's own credit risk other							
2. Other comprehensive income that will be reclassified into profit or loss	16,963,757.25	5,937,669.77			5,937,669.77		22,901,427.02
Among them: other comprehensive income from transferable gains or losses under the equity method							

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Project	Last year's year-end balance	Current amount					Closing balance
		Amount incurred before income tax in this period	Less: Previously recognized in other comprehensive income and transferred to profit or loss in the current period	Less: Previously recognized in other comprehensive income, transferred to retained earnings in the current period	Less: Income tax expenses	After tax attributable to the company	
Changes in the fair value of other debt investments							
The amount of financial assets that are reclassified into other comprehensive income							
Other credit impairment provisions for debt investments							
Cash flow hedging reserves							
Differences in translation of financial statements in foreign currencies	16,963,757.25	5,937,669.77				5,937,669.77	22,901,427.02
Revaluation							
Total other comprehensive income	16,963,757.25	5,937,669.77				5,937,669.77	22,901,427.02

**(31) Surplus reserve**

Project	Last year's year-end balance	Opening balance	Increase in this period	Decrease in this period	Closing balance
Legal reserve	6,347,312.32	2,039,462.72			8,386,775.04
Total	6,347,312.32	2,039,462.72			8,386,775.04

**(32) Retained earnings**

Project	Current amount	Previous period amount
Retained earnings at the end of the prior year before adjustment	-39,875,531.04	-51,700,009.73
Adjustment of the total retained earnings at the beginning of the year (increase +, decrease -)	-7,740.75	
Adjusted retained earnings at the beginning of the year	-39,883,271.79	-51,700,009.73
Add: Net profit attributable to owners of the company for the period	12,027,368.29	13,684,895.26
Less: Withdrawal of statutory surplus reserve	2,039,462.72	1,860,416.57
Withdraw any surplus reserve		
Dividends payable on common stock	1,500,000.00	
Dividends on common shares converted to share capital		
other		
Retained earnings at the end of the period	-31,395,366.22	-39,875,531.04

**(33) Operating income and operating costs**

**PURAC Environmental System (Beijing) Co., Ltd****Notes to Financial Statements****For the Year Ended December 31, 2023**

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Project	Current amount		Previous period amount	
	Income	Cost	收入	Income
Main business	692,798,953.20	520,222,946.73	597,664,406.69	438,165,049.26
Other businesses	945,660.95	1,132,270.61	3,618,936.84	3,679,132.73
Total	693,744,614.14	521,355,217.34	601,283,343.53	441,844,181.99

**(34) Taxes and surcharges**

Project	Current amount	Previous period amount
Urban maintenance and construction tax	1,003,731.82	131,995.41
Education surcharge	716,951.31	95,946.96
stamp duty	122,448.08	79,729.80
Total	1,843,131.21	307,672.17

**(35) Sales expenses**

Project	Current amount	Previous period amount
Employee compensation	75,808,112.59	68,641,853.64
Travel expenses	1,409,590.14	1,176,375.20
Business entertainment expenses	982,393.59	777,733.59
Service charge	787,981.86	294,004.10
Advertising costs	89,489.85	392,891.60
Other	19,282,594.54	21,726,027.31
total	98,360,162.57	93,008,885.44

**(36) Administrative expenses**

Project	Current amount	Previous period amount
Salary and social security	24,344,018.31	22,094,524.58
Rental fees	7,031,495.37	5,765,180.61
Office expenses	5,039,699.39	4,226,381.23

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Project	Current amount	Previous period amount
Depreciation expenses	880,539.53	642,054.62
Fees for hiring an intermediary	296,622.66	1,198,912.67
Other	8,254,194.10	5,798,161.01
Total	45,846,569.36	39,725,214.72

**(37) R&D expenses**

Project	Current amount	Previous period amount
Labor costs	7,857,610.32	3,521,649.50
Direct investment costs	2,242,509.22	1,034,027.21
Other expenses	28,863.91	137,132.34
Total	10,128,983.45	4,692,809.05

**(38) Financial expenses**

Project	Current amount	Previous period amount
Interest expenses	3,223,606.94	1,473,707.96
Less: Interest income	1,495,073.97	1,831,637.10
Exchange gains and losses	753,937.39	2,422,372.09
Handling fees and others	741,730.11	32,488.01
Total	3,224,200.47	2,096,930.96

**(39) Other income**

Project	Current amount	Previous period amount
Receiving jobs and social security subsidies for the disabled	13,920.00	13,200.00
Total	13,920.00	13,200.00

**(40) Investment income**

**PURAC Environmental System (Beijing) Co., Ltd**  
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Project	Current amount	Previous period amount
Investment income from other illiquid financial assets during the holding period	1,319,089.81	2,816,683.20
Investment income from the disposal of derivative financial assets	-329,810.00	
Total	989,279.81	2,816,683.20

**(41) Gains on disposal of assets**

Project	Current amount	Previous period amount
Vehicle Replacement Revenue		39,223.30
Total		39,223.30

**(42) Non-operating income**

Project	Current amount	Previous period amount
Gain on the destruction and retirement of non-current assets	3,546.02	
Liquidated damages income	23,505.06	
Other	12,101.89	
Total	39,152.97	

**(43) Non-operating expenses**

Project	Current amount	Previous period amount
Other	33,004.62	
Very loss		6,359,589.15
Total	33,004.62	6,359,589.15

**(44) Income tax expense**

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Project	Current amount	Previous period amount
Current income tax expense	1,994,159.38	2,452,836.29
Deferred tax expense	-25,829.77	-20,565.00
Total	1,968,329.61	2,432,271.29

**2. Related parties and related party transactions**

**(1) The parent company of the Company**

Name of parent company	Registration location	Business nature	Registered capital (10000 euros)	The shareholding ratio of the parent company in this company (%)	Voting rights ratio of the parent company to the company (%)
Luxembourg Investment Limited No. 115	Luxembourg	Management	1.25	75.61	75.61

The ultimate controller of the Company is: Beijing SDIC North Drainage Environment Investment Fund (Limited Partnership).

**(2) Other related parties**

Other related party names	The relationship between other related parties and our company
Lund Investment Group AB	Subsidiary
Purac AB	Subsidiary

**3. Commitments and contingencies**

**(1) Important commitments**

As of the balance sheet date, there are no commitments that need to be disclosed.

**(2) Contingencies**

As of the balance sheet date, there are no contingencies that need to be disclosed.

**4. Events after the balance sheet date**

As of the date of approval, the company has no post-balance sheet events that need to be disclosed.

**5. Other important matters**

None.

**6. Supplementary information**

None.

PURAC Environmental System (Beijing) Co., Ltd

July 25, 2024

**Not 7 Koncernuppgifter**

Bolaget är moderbolag till Purac AB, org nr 556229-3125 med säte i Lund. Med hänvisning till ÅRL 7:2 upprättar bolaget inte koncernredovisning.

Koncernredovisningen, vari Lund Investment Group AB ingår, upprättas av Purac Environmental System (Beijing) Co., Ltd. Med org nummer 91110302758205587R och säte i Beijing.

**Not 8 Väsentliga händelser efter räkenskapsårets slut**

Verksamheten löper på likt tidigare år. Inga väsentliga händelser har uppstått efter balansdagen.

**Not 9 Resultatdisposition**

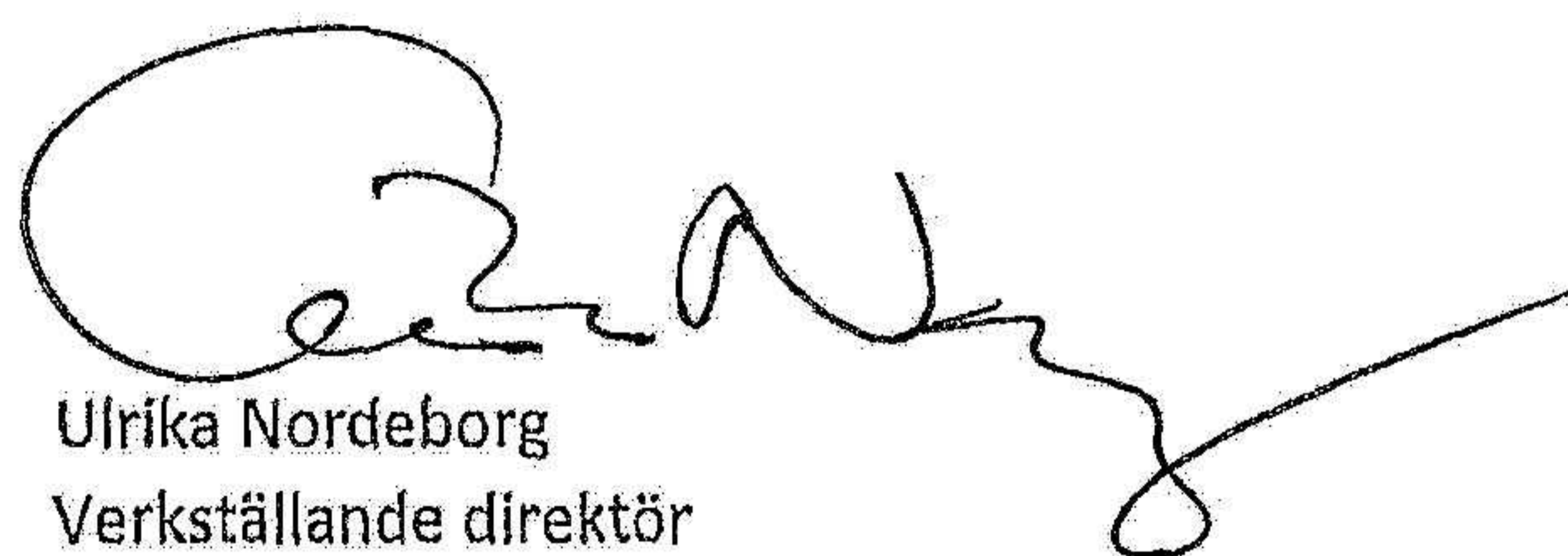
Förslag till behandling av bolagets resultat:  
Styrelsen föreslår att till årsstämman förfogande stående vinstmedel, disponeras enligt följande:

Balanserat resultat vid ingående av räkenskapsåret	396 097 945
Årets resultat	-124 880
	<u>395 973 065</u>

Styrelsen föreslår att i ny räkning överföres:	395 973 065
	<u>395 973 065</u>

Lund 2024-05-24

Xiaobin Shu  
Styrelseordförande



Ulrika Nordeborg  
Verkställande direktör

Vår revisionsberättelse har lämnats 2024-05-24

Grant Thornton Sweden AB



Boel Hansson  
Auktoriserad revisor