

Zhejiang Hangke Technology Incorporated Company

Announcement on 2022 annual accrual of asset impairment provisions and assets write-off

Zhejiang Hangke Technology Incorporated Company (hereinafter referred to as the "company") held the fourteenth meeting of the third board of directors and the twelfth meeting of the third board of supervisors on April 26, 2023, and reviewed and approved the *Proposal on the 2022 Annual Accrual of Asset Impairment Provisions and Assets Write-off*. The relevant information is hereby announced as follows:

1. Overview of the accrual of asset impairment provisions and assets write-off

In accordance with the *Accounting Standards for Business Enterprises* and other relevant regulations, in order to truly reflect the company's financial status as of December 31, 2022 and its operating results in 2022, the company and its subsidiaries analyzed the various assets as of December 31, 2022. After the asset impairment test, the company believes that some assets have certain signs of impairment loss. Based on the principle of prudence, the company makes impairment provisions for assets that may have signs of impairment.

According to the results of the asset impairment test, the company accrued a total of [126,234,289.14] yuan for various types of credit impairment reserves and asset impairment reserves in 2022, and reversed or wrote off [36,142,639.67] yuan. At the same time, the company wrote off some accounts that cannot be recovered. The total write-off amount is [82,000,963.88] yuan. The details are as follows:

Item	Accrual for this period	Decrease this year	
		Transfer back/resell this year	Write off this year
Provision for bad	87,735,667.77	8,098,790.60	82,000,963.88

debts of accounts receivable			
Provision for bad debts of other receivables	-1,029,055.03		
Provision for impairment of contract assets	4,689,764.32		
Inventory impairment	35,164,912.88	28,043,849.07	
Impairment losses on other non-current assets	-327,000.80		
Total	126,234,289.14	36,142,639.67	82,000,963.88

In 2022, the company's consolidated statement accrued RMB 78,607,822.14 yuan of credit impairment provision and RMB 39,527,676.40 yuan of asset impairment provision, and reversed RMB 28,043,849.07 yuan of operating costs. The merger will reduce RMB 90,091,649.47 yuan from the company's total profit in the consolidated statement.

2. Specific explanations for the accrual of asset impairment provisions and assets write-off

(1) Basis for provision for bad debts

For notes receivable, accounts receivable, other receivables and contract assets, regardless of whether there is a significant financing component, the company measures the loss provision according to the expected credit loss of the entire duration. Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and all cash flows expected to be received by the company discounted at the original effective

interest rate, that is, the present value of all cash shortfalls.

When it is impossible to evaluate the expected credit loss of a single account receivable at a reasonable cost, the notes receivable and accounts receivable are divided into several portfolios based on the credit risk characteristics, and the expected credit loss is calculated on the basis of the portfolios. If there is objective evidence that certain notes receivable and accounts receivable have been credit-impaired, provision for bad debts shall be made for each account receivable and expected credit losses shall be recognized. For accounts receivable that are divided into portfolios, refer to historical credit loss experience and combine the current situation and the forecast of future economic conditions to prepare a comparison table of the aging of accounts receivable and the expected credit loss rate of the entire duration and calculate the expected credit loss.

For other receivables and long-term receivables, refer to historical credit loss experience and combine with the current situation and the forecast of future economic conditions to calculate the expected credit loss by default risk exposure and expected credit loss rate within the next 12 months or throughout the duration.

(2) Basis for inventory impairment provision

On the balance sheet date, inventories are measured at the lower of cost and net realizable value, and inventory impairment provisions are made based on the difference between the cost of a single inventory and the net realizable value. For inventories that are directly used for sale, the net realizable value is determined by the estimated selling price of the inventory minus the estimated sales expenses and related taxes during the normal production and operation process. For inventories that need to be processed, the net realizable value is determined by the estimated selling price of the finished product minus the estimated cost to be incurred at the time of completion, estimated sales expenses and related taxes. On the balance sheet date, if part of the same inventory has a contract price and other parts do not have a contract price, the net realizable value shall be determined separately and compared with the corresponding cost, to determine the accrued or reversed amount of the inventory impairment provision.

(3) Assets write-off this time

In order to truly reflect the company's financial status and operating results, the company conducted a full assessment and analysis of the recoverable amount of current accounts receivable at the end of December 2022 according to the *Accounting Standards for Business Enterprises* and other relevant regulations. Given that the relevant debtors have announced bankruptcy liquidation, cancellation, revocation, or inability to fulfill their repayment obligations, and some payments have been ruled by the court to be unable to be repaid, or a debt restructuring agreement has been reached with the debtor, etc., the company decided to liquidate the assets and write off an amount of RMB 82,000,963.88 yuan. The specific write-offs are as follows:

Company name	Nature of funds	Write-off amount	Reason for write-off
Zhengzhou BAK Battery Co., Ltd.	Loan	29,722,288.31	The funds have been waived by agreement.
Shenzhen BAK Power Battery Co., Ltd.		9,391,843.87	
Lixin (Jiangsu) Energy Technology Co., Ltd.	Loan	17,708,021.22	The company has gone bankrupt and been reorganized, and the funds cannot be recovered.
Jiangxi Far East Lithium Battery Co., Ltd.	Loan	13,560,470.08	The funds have been waived by agreement.
Shandong Yuhuang New Energy Technology Co., Ltd.	Loan	11,618,340.40	The company has been reorganized and the funds cannot be recovered.
Subtotal		82,000,963.88	

The accrual of asset impairment provision and assets write-off have been audited and confirmed by Pan-China Certified Public Accountants(Special General Partnership), and the corresponding accounting treatment has been reflected in the company's 2022 annual report.

3. The impact of the accrual of asset impairment provisions and assets write-off on the company

The accrual of credit impairment provision and asset impairment provision will cause an amount of RMB -118,135,498.54 yuan to the company's current total profit. The amount of accounts receivable written off this time is RMB 82,000,963.88 yuan, and the bad debt provision has been made for the accounts receivable at the end of 2021. This write-off will cause an amount of RMB -5,623,542.73 yuan to the company's current total profit.

4. Opinions of the Audit Committee on the accrual of asset impairment provisions and assets write-off

The Audit Committee of the Board of Directors believes that the accrual of asset impairment provisions and assets write-off comply with the provisions of the *Accounting Standards for Business Enterprises*, relevant accounting policies of the company, and the actual situation of the company's assets; and based on the principle of prudence, the accrual of asset impairment provisions and assets write-off fairly reflect the company's financial status, asset value and operating results as of December 31, 2022. Therefore, the Audit Committee agreed to submit the above proposal to the board of directors of the company for deliberation.

V. Opinions of the Board of Directors on the accrual of asset impairment provisions and assets write-off

The company's accrual of asset impairment provisions and assets write-off this time complies with the *Accounting Standards for Business Enterprises* and the company's relevant accounting policies. The basis is sufficient and can reasonably reflect the company's asset status and operating results as of December 31, 2022. The board of directors agreed to the company's accrual of asset impairment provisions and assets write-off.

6. Independent opinions of independent directors on the accrual of asset impairment provisions and assets write-off in 2022

The independent directors believe that the company's accrual of asset impairment provisions and assets write-off complies with the *Accounting Standards for Business*

Enterprises and the company's relevant accounting policies. Based on the principle of prudence, it can objectively and fairly reflect the company's financial status and operating results and helps to provide investors with more authentic, reliable and accurate accounting information. The business does not involve the company's related party transactions, and there is no situation that damages the interests of the company and all shareholders, especially the interests of small and medium shareholders. The decision-making procedures for accruing asset impairment provisions and assets write-off are in compliance with relevant laws, regulations and the relevant provisions of the *Articles of Association* of the company. Therefore, the independent directors agreed to the company's accrual of assets impairment provisions and assets write off in 2022.

7. Opinions of the Board of Supervisors on the accrual of asset impairment provisions and assets write-off in 2022

According to the *Accounting Standards for Business Enterprises* and the company's relevant accounting policies, the company accrues provisions for asset impairment and writes off assets. The procedure is legal, the basis is sufficient and in line with the actual situation of the company's assets. The review and voting procedures comply with relevant regulations. The board of supervisors agreed to the company's accrual of asset impairment provisions and assets write-off.

End of announcement.

Board of Directors of Zhejiang Hangke Technology Incorporated Company

April 26, 2023