LITHIUM WERKS CHINA MANUFACTURING CO., LTD.

Financial Statements
For the year ended 31 December 2023

AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF LITHIUM WERKS CHINA MANUFACTURING CO., LTD.,

1. Opinion

We have audited the financial statements of Lithium Werks China Manufacturing Co., Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2023, and the income statement, the cash flow statement and the statement of changes in owners' equity for the year then ended, and the notes to the financial statements.

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

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. 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 Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless the 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 REPORT - continued

4. 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 China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, 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 understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

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

(4) Conclude on the appropriateness of the management's use of the going concern assumption 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 by China Standards on Auditing 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 content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S REPORT - continued

4. Auditor's Responsibilities for the Audit of the Financial Statements - continued

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.

Deloitte Touche Tohmatsu CPA LLP Nanjing Branch

Nanjing, China

Chinese Certified Public Accountant:

Yang, Bei

Chinese Certified Public Accountant:

Chen, Xiao Chun

11 May 2024

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Lithium Werks China Manufacturing Co., Ltd.
BALANCE SHEET
AT 31 DECEMBER 2023

ASSETS	NOTE VII	31/12/2023 RMB	31/12/2022 RMB
Current Assets:			
Cash and bank balances	1	903,276.90	8,975,057.78
Accounts receivable	2	88,691,221.88	57,649,657.14
Prepayments	3	1,722,823.10	10,772,911.01
Other receivables	4	553,525.95	1,537,034.97
Inventories	5	73,736,409.37	79,960,962.07
Other current assets		1,564,391.02	572,656.08
Total Current Assets		167,171,648.22	159,468,279.05
Non-current Assets:			
Fixed assets	6	68,032,989.62	43,466,250.40
Construction in progress	7	186,777.39	6,027,488.76
Intangible assets	8	2,350,426.58	2,630,194.70
Long-term prepaid expenses	9	4,935,177.73	539,948.62
Other non-current assets	10	-	3,229,432.60
Total Non-current Assets		75,505,371.32	55,893,315.08
TOTAL ASSETS		242,677,019.54	215,361,594.13

Lithium Werks China Manufacturing Co., Ltd.
BALANCE SHEET - continued
AT 31 DECEMBER 2023

LIABILITIES AND OWNERS' EQUITY	NOTE VII	31/12/2023 RMB	31/12/2022 RMB
Current Liabilities:			
Short-term borrowings	12	18,000,000.00	12,500,000.00
Accounts payable		30,479,469.11	31,072,714.63
Contract liabilities	13	70,340,697.50	14,683,337.60
Employee benefits payable	14	7,261,701.73	6,935,292.80
Taxes payable	15	238,706.79	237,886.27
Other payables		2,697,360.23	297,251.90
Other current liabilities	16	448,132.79	3,417,504.63
Total Current Liabilities		129,466,068.15	69,143,987.83
TOTAL LIABILITIES		129,466,068.15	69,143,987.83
OWNERS' EQUITY:			
Paid-in capital	17	509,446,364.80	509,446,364.80
Accumulated losses	18	(396,235,413.41)	(363,228,758.50)
TOTAL OWNERS' EQUITY		113,210,951.39	146,217,606.30
TOTAL LIABILITIES AND OWNERS' EQUITY		242,677,019.54	215,361,594.13

The accompanying notes form part of the financial statements.

The financial statements on pages 4 to 46 were signed by the following:

Zhang, Jia	E, Tao Feng	E, Tao Feng
Head of the Company	Chief Financial Officer	Person in Charge of the Accounting Body

Lithium Werks China Manufacturing Co., Ltd.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

		NOTE VII	2023 RMB	2022 RMB
I.	Operating income	19	156,387,439.87	176,136,283.05
	Less: Operating costs	20	140,241,472.18	163,775,616.11
	Taxes and levies	21	439,074.70	482,460.98
	Selling expenses		235,338.63	264,097.00
	Administrative expenses	22	33,729,511.80	15,199,622.10
	Financial expenses	23	1,691,891.92	(4,284,408.89)
	Including: Interest expenses		688,369.89	632,494.70
	Interest income		3,956.33	3,050.78
	Add: Impairment losses of assets	24	(5,170,414.64)	(1,602,157.71)
	Losses on disposal of assets	25	(8,118,740.37)	-
II.	Operating loss		(33,239,004.37)	(903,261.96)
	Add: Non-operating income		302,190.46	248,256.63
	Less: Non-operating expenses		69,841.00	739,228.62
III.	Total loss		(33,006,654.91)	(1,394,233.95)
	Less: Income tax expenses	26	-	-
IV.	Net loss		(33,006,654.91)	(1,394,233.95)
V.	Total comprehensive loss		(33,006,654.91)	(1,394,233.95)

The accompanying notes form part of the financial statements.

Lithium Werks China Manufacturing Co., Ltd.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE VII	2023 RMB	2022 RMB
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		180,673,233.94	216,356,851.26
Other cash receipts relating to operating activities		3,511,500.84	4,963,269.50
Sub-total of cash inflows from operating activities		184,184,734.78	221,320,120.76
Cash payments for goods purchased and services received		96,729,500.69	153,502,644.01
Cash payments to and on behalf of employees		49,933,905.80	41,940,723.25
Payments of various types of taxes		1,922,083.12	771,207.45
Other cash payments relating to operating activities		13,198,300.76	9,028,425.56
Sub-total of cash outflows from operating activities		161,783,790.37	205,243,000.27
Net Cash Flow from Operating Activities	27	22,400,944.41	16,077,120.49
II. Cash Flows from Investing Activities			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		115,139.00	81,191.00
Other cash receipts relating to investing activities		-	-
Sub-total of cash inflows from investing activities		115,139.00	81,191.00
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		35,429,975.12	7,806,917.25
Sub-total of cash outflows from investing activities		35,429,975.12	7,806,917.25
Net Cash Flow Used in Investing Activities		(35,314,836.12)	(7,725,726.25)
III. Cash Flows from Financing Activities			
Cash receipts from borrowings		18,000,000.00	20,500,000.00
Sub-total of cash inflows from financing activities		18,000,000.00	20,500,000.00
Cash repayments of borrowings		12,500,000.00	21,831,548.40
Cash payments for distribution of dividends or profits or settlement of interest expenses		688,369.89	632,494.70
Sub-total of cash outflows from financing activities		13,188,369.89	22,464,043.10
Net Cash Flow from (Used in) Financing Activities		4,811,630.11	(1,964,043.10)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		30,480.72	214,464.26
V. Net (Decrease) Increase in Cash and Cash Equivalents	28	(8,071,780.88)	6,601,815.40
Add: Opening balance of cash and cash equivalents		8,975,057.78	2,373,242.38
VI. Closing Balance of Cash and Cash Equivalents	28	903,276.90	8,975,057.78

The accompanying notes form part of the financial statements.

Lithium Werks China Manufacturing Co., Ltd.
STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

		Paid-in capital RMB	Surplus reserve RMB	Accumulated losses RMB	Total owners' equity RMB
I.	Balance at 1 January 2023	509,446,364.80	-	(363,228,758.50)	146,217,606.30
II.	Changes for the year				
	Total comprehensive loss	-	-	(33,006,654.91)	(33,006,654.91)
III.	Balance at 31 December 2023	509,446,364.80	-	(396,235,413.41)	113,210,951.39
I.	Balance at 1 January 2022	509,446,364.80	-	(361,834,524.55)	147,611,840.25
II.	Changes for the year				
	Total comprehensive loss	-	-	(1,394,233.95)	(1,394,233.95)
III.	Balance at 31 December 2022	509,446,364.80	-	(363,228,758.50)	146,217,606.30

The accompanying notes form part of the financial statements.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

I. BASIC INFORMATION

Lithium Werks China Manufacturing Co., Ltd. ("the Company") is a limited liability company (wholly owned by a foreign legal person) registered in Changzhou City, Jiangsu Province, the People's Republic of China. The Company was established on 24 March 2006, and the operating term is 50 years, with a unified social credit code of 9132041178556645XX. The Company's registered capital is USD76.5 million.

The Company is mainly engaged in the research and development, design and production of lithium ion batteries, high-energy lithium ion batteries, lithium ion battery materials, battery energy system equipment; engaged in relevant technology development and technology transfer business; engaged in import and export business of related products and domestic wholesale business (except those involving special administrative measures implemented by the state; items subject to approval according to law may be carried out after approval by relevant departments).

According to the resolutions of shareholders on 29 June 2022, the shareholder of the Company was changed from RELIANCE WERKS B.V. to RELIANCE LITHIUM WERKS B.V.

The Company's holding company is RELIANCE LITHIUM WERKS B.V. established in the Netherlands, and the ultimate holding company is RELIANCE INDUSTRIES LIMITED established in India.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern

As at 31 December 2023, the Company had accumulated losses of RMB396,235,413.41. The Company's controlling shareholder, RELIANCE LITHIUM WERKS B.V. has agreed not to request repayment of outstanding balances owing to it and, to provide all necessary financial support to the Company in the foreseeable future so as to maintain the Company's ability to continue as a going concern, therefore, the financial statements have been prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("ASBE")

The financial statements of the Company have been prepared in accordance with the ASBE, and present truly and completely, the Company’s financial position as at 31 December 2023, and the results of operations and cash flows of the Company for the year then ended.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined in accordance with the Accounting Standards for Business Enterprises.

1. Accounting year

The Company has adopted the calendar year as its accounting year, i.e., from 1 January to 31 December.

2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company operates. Therefore, the Company chooses RMB as its functional currency. The Company adopts RMB to prepare its financial statements.

3. Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting. The Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are measured at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are measured at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair values for measurement and/or disclosure purposes in these financial statements are determined on such a basis.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

4. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Company recognises assets acquired and liabilities assumed on a trade date basis, or derecognises the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initially recognised amounts. Upon initial recognition of accounts receivable that do not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year under the Accounting Standards for Business Enterprises No. 14 - Revenue ("Revenue Standards"), the Company adopts the transaction price as defined in the Revenue Standards for initial measurement.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting periods. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When determining the effective interest rate, the Company estimates future cash flows by considering all contractual terms of the financial asset or financial liability including repayment in advance, extension, call option, or other similar options, etc., without considering the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative provision for losses (only applicable to financial assets).

5.1 Classification, recognition and measurement of financial assets

After initial recognition, the Company's financial assets of various types are subsequently measured at amortised cost, at fair value through other comprehensive income ("FVTOCI"), or at fair value through profit or loss ("FVTPL"), respectively.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.1 Classification, recognition and measurement of financial assets - continued

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Company classifies such financial asset as financial assets measured at amortised cost, which include cash and bank balances, accounts receivable and other receivables, etc.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, the Company classifies such financial asset as financial assets at FVTOCI. The notes receivable classified as at FVTOCI upon acquisition are presented under financing with receivables, while the remaining items due within one year (inclusive) upon acquisition are presented under other current assets.

5.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest method. Any gains or losses arising from impairment or derecognition are included in profit or loss.

For financial assets at amortised cost, the Company recognises interest income using effective interest method. Interest income is determined by applying an effective interest rate to the gross carrying amount of the financial assets, except for the following circumstances:

- For a purchased or originated credit-impaired financial asset, the Company calculates and determines its interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset since initial recognition.
- For a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, the Company calculates and determines the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent periods. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Company will calculate and determine the interest income by applying effective interest rate to the gross carrying amount of the financial asset.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.1 Classification, recognition and measurement of financial assets - continued

5.1.2 Financial assets at FVTOCI

For financial assets classified as at FVTOCI, except for the impairment losses or gains and the interest income calculated using the effective interest method which are included in profit or loss for the period, the changes in fair value are included in other comprehensive income. The amounts included in profit or loss for each period are equivalent to that as if it has been always measured at amortised cost. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to profit or loss for the period.

5.2 Impairment of financial instruments

For financial assets measured at amortised cost and at fair value through other comprehensive income, the Company accounts for the impairment and recognises the provision for losses on the basis of expected credit loss ("ECL").

For all accounts receivable arising from transactions regulated by Revenue Standards, the Company recognises the provision for losses at an amount equivalent to the lifetime ECL.

For other financial instruments (other than purchased or originated credit-impaired financial assets), the Company assesses the changes of credit risk since initial recognition of relevant financial instruments at each balance sheet date. If the credit risk has increased significantly since initial recognition of the financial instruments, the Company recognises the provision for losses at an amount equivalent to lifetime ECL; if the credit risk has not increased significantly since initial recognition of the financial instruments, the Company recognises the provision for losses at an amount equivalent to 12-month ECL. The increase or reversal of provision for credit losses of financial assets other than those classified as at FVTOCI is recognised as an impairment loss or gain and included in profit or loss for the period. For financial assets classified as at FVTOCI, the provision for credit losses is recognised in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the financial assets in the balance sheet.

Where the Company has measured the provision for losses at an amount equivalent to lifetime ECL of a financial instrument in prior accounting period, but the financial instrument no longer satisfies the criteria of significant increase in credit risk since initial recognition at the current balance sheet date, the Company measures the provision for losses of the financial instrument at an amount equivalent to 12-month ECL at the current balance sheet date, with any resulting reversal of provision for losses recognised as impairment gains in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments - continued

5.2.1 Significant increase in credit risk

The Company uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition.

The following information is taken into account when assessing whether the credit risk has increased significantly:

(1) Significant changes in internal price indicators resulting from changes in credit risk;
(2) An actual or expected decrease in the internal credit rating for the debtor;
(3) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
(4) An actual or expected significant change in the operating results of the debtor;
(5) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
(6) Significant change in the debtor's economic motives to repay within the time limit specified in contract;
(7) Change in the method used by the Company to manage the credit of financial instrument.

At the balance sheet date, if the Company determines that the financial instrument has only lower credit risk, the Company assumes that the credit risk of such financial instrument has not increased significantly since initial recognition. The financial instrument is deemed as having lower credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash obligations.

5.2.2 Credit-impaired financial assets

When an event or several events that are expected to have adverse impact on the future cash flows of the financial assets have occurred, the financial assets become credit-impaired. The evidence of credit impairment of financial assets includes the following observable information:

(1) Significant financial difficulty of the issuer or debtor;
(2) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
(3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
(4) It is probable that the debtor will enter bankruptcy or other financial reorganisations;

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments - continued

5.2.2 Credit-impaired financial assets - continued

Based on the Company's internal credit risk management, the Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

5.2.3 Determination of ECL

The Company determines the credit losses of accounts receivable, other receivables and other current assets on an individual asset basis.

The Company determines the ECL of relevant financial instruments using the following method:

- For financial assets, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be received by the Company.

The factors reflected by the Company's measurement of ECL of financial instruments include: unbiased probability weighted average amount recognised by assessing a series of possible results; time value of money; reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

5.2.4 Write-down of financial assets

When the Company no longer reasonably expects that the contractual cash flows of financial assets can be collected in aggregate or in part, the Company will directly write down the gross carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

5.3 Transfer of financial assets

The Company derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.3 Transfer of financial assets - continued

- For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Company's retained rights (if the Company retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Company (if the Company assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at FVTPL.

- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Company's retained rights (if the Company retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Company (if the Company assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. Where the transferred assets are non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred out and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognised on the date of derecognition; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss. Where the transferred assets are non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred out and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Company continues to recognise the transferred financial asset in its entirety. The consideration received from transfer of the financial assets is recognised as a liability upon receipt.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.4 Classification of financial liabilities and equity instruments

Financial instruments issued by the Company or their components are classified into financial liabilities or equity instruments on initial recognition on the basis of not only the legal form but also the contractual terms and their economic substance, together with the definition of financial liability and equity instrument.

5.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

5.4.1.1 Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

If the modification or renegotiation for the contract by the Company and its counterparties does not result in derecognition of a financial liability subsequently measured at amortised cost but the changes in contractual cash flows, the Company will recalculate the carrying amount of the financial liability, with relevant gain or loss recognised in profit or loss. The Company will determine the carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the original effective interest rate of the financial liability. For all costs or expenses arising from modification or renegotiation of the contract, the Company will adjust the modified carrying amount of the financial liability and make amortisation during the remaining term of the modified financial liability.

5.4.2 Derecognition of financial liabilities

The Company derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.4 Classification of financial liabilities and equity instruments - continued

5.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Company are recognised as changes in equity. Change in fair value of equity instruments is not recognised by the Company. Transaction costs related to equity transactions are deducted from equity.

The Company treats allocations to equity instrument holders as profit distribution and the distributed dividends do not affect the total amount of shareholders' equity.

6. Inventories

The Company's inventories include raw materials, work in progress and finished goods. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

The actual cost of inventories upon delivery is calculated using the weighted average method.

Packaging materials and low-cost and short-lived consumable items are amortised using the immediate write-off method.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, provision for decline in value of inventories is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

The perpetual inventory system is maintained for stock system.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Company and the cost can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful lives, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful life	Estimated net residual value rate	Annual depreciation rate
Buildings	20 years	10%	4.5%
Machinery and equipment	10 years	10%	9.0%
Office and other equipment	3-10 years	10%	9%-30%

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Company reviews the useful life and the estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in accounting estimates.

8. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

9. Intangible assets

Intangible assets include land use rights and patented technologies.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its expected useful life using the straight-line method.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of the year, and makes adjustments when necessary.

10. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

11. Impairment of non-financial assets other than goodwill

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets.

Recoverable amount is estimated on an individual asset basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If such recoverable amount is less than its carrying amount, an provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

In determining the impairment loss on assets relating to the contract cost, the impairment loss should first be determined for the other assets relating to contracts, which are recognised in accordance with other accounting standards for business enterprises. For assets relating to the contract cost, where the carrying amount is higher than the difference between the two items below, the impairment provision will be made for the excess part with the impairment losses of assets recognised: (1) the remaining consideration that the Company expects to obtain for transfer of goods or services relating to the assets; (2) the estimated costs necessary to transfer relevant goods or services.

Once an impairment loss of the above-mentioned assets is recognised, it will not be reversed in any subsequent period.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

12. Provisions

Provisions are recognised when the Company has a present obligation related to a contingency such as products quality assurance and onerous contract, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

13. Employee benefits

In an accounting period in which an employee has rendered service to the Company, the Company recognises the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefit incurred by the Company are charged to profit or loss or to the cost of related assets based on the actual amount incurred. Employee benefits in non-monetary assets are measured at fair value.

Social insurance contributions paid by the Company for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, in the accounting period in which employees provide services, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to profit or loss for the current period or the costs of relevant assets.

In an accounting period in which an employee has rendered service to the Company, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability by the Company and charged to profit or loss for the period, or included in cost of related assets.

A liability for a termination benefit is recognised in profit or loss at the earlier of when the Company cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognises any related restructuring costs.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

14. Revenue recognition

The Company's revenue mainly comes from:

(1) Revenue from sales of goods
(2) Revenue from rendering of services

The Company recognises revenue based on the transaction price allocated to the performance obligation when the Company satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. A performance obligation is a commitment that the Company transfers a distinct goods or service to a customer in the contract. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

It is a performance obligation satisfied during a period of time and the Company recognises revenue during a period of time according to the progress of performance if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Company's performance; (ii) the customer is able to control goods in progress during the Company's performance; (iii) goods generated during the Company's performance have irreplaceable utilisation, and the Company is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, revenue is recognised at a point in time when the customer obtains control over the relevant goods or services.

14.1 Costs of obtaining a contract

For the incremental cost of obtaining the contract (cost that will not occur if the contract is not obtained) that is expected to be recoverable, it is recognised as an asset, and shall be amortised on a basis that is consistent with the revenue recognition of the goods or services to which the asset relates and recognised in profit or loss for the period. Other expenses incurred for obtaining the contract are included in profit or loss for the period when incurred, except for those explicitly assumed by the customer.

15. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration. A government grant is recognised only when the Company can comply with the conditions attaching to the grant and the Company will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

A government grant related to an asset is charged against the carrying amount of the related asset or recognised as deferred income, and charged to profit or loss over the useful life of the related asset with a reasonable and systematic method.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

15. Government grants - continued

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or charged against the related cost over the periods in which the related expenses or losses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss or charged against the related cost for the period.

A government grant related to the Company's daily activities is recognised in other income or charged against related cost and expense based on the nature of economic activities; a government grant not related to the Company's daily activities is recognised in non-operating income and expenses.

16. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

17. Income tax

Income tax expenses include current income tax and deferred income tax.

17.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

17.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Income tax – continued
17.2 Deferred tax assets and deferred tax liabilities - continued

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

17.3 Income tax offsetting

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

18. Translation of transactions and financial statements denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the gross carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised in other comprehensive income.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

18. Translation of transactions and financial statements denominated in foreign currencies - continued

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes in exchange rate) and is recognised in profit or loss or as other comprehensive income.

19. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

The Company assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

19.1 The Company as a lessee

19.1.1 Right-of-use assets

Except for short-term leases, at the commencement date of the lease, the Company recognises a right-of-use asset. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Company. The Company measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;

The Company depreciates right-of-use assets by reference to the relevant depreciation provisions of Accounting Standards for Business Enterprises No. 4 - Fixed Assets. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Company is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

19.1.2 Lease liabilities

Except for short-term leases, at the commencement date of the lease, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease as the discount rate. The Company uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

19.1 The Company as a lessee - continued

19.1.2 Lease liabilities - continued

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Company to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);

After the commencement date of the lease, the Company calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognises such expenses in profit or loss.

19.1.3 Short-term leases

The Company chooses not to recognise right-of-use assets and lease liabilities for short-term leases of plant and office. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain a call option. The Company shall recognise the lease payments associated with short-term leases in profit or loss on a straight-line basis over the lease term.

V. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Company's accounting policies, which are described in Note IV, the Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgments, estimates and assumptions are based on historical experience of the Company's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

V. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

- Key assumptions and uncertainties in accounting estimates

At the balance sheet date, the key assumptions and uncertainties that are probable to cause significant adjustments to the carrying amounts of assets and liabilities in future periods include:

<u>Expected credit losses on accounts receivable</u>

The Company calculates expected credit losses through default risk exposure and expected credit loss rate, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Company uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include the risk of economic downturn, external market environment, technological environment and changes in customer situations. The Company regularly monitors and reviews assumptions related to the calculation of expected credit losses. As at 31 December 2023, the balance of the Company's provision for expected credit losses on accounts receivable was RMB 8,986,496.71 (31 December 2022: RMB 8,986,496.71).

<u>Provision for decline in value of inventories</u>

As stated in Note IV 6, inventories are measured at the lower of cost and net realisable value. Net realisable value refers to the estimated selling price of inventories less the estimated costs of completion, the estimated selling expenses and relevant taxes. Since a considerable proportion of the Company's working capital is used for inventories, the Company has special operating procedures to control this risk. The Company will regularly conduct a comprehensive count of inventories to determine whether there are outdated and obsolete inventories and to review their impairment. Review procedures include comparing the carrying amount of outdated and obsolete inventories with their corresponding net realisable values so as to determine whether any provision for outdated and obsolete inventories shall be made in the financial statements. Appropriate accounting estimates are required for the selling price of inventories, the costs of completion, the selling expenses and the related taxes that have being applied to the net realisable value. The management has taken into account the historical experience and current production costs as well as selling expenses based on the best estimates to ensure the reasonableness of its accounting estimates. Based on the above procedures, the management of the Company believes that adequate provision for decline in value of these outdated or obsolete inventories has been made. As at 31 December 2023, the balance of the Company's provision for decline in value of inventories was RMB7,783,474.32 (31 December 2022: RMB2,613,059.68).

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

VI. TAXES

Value added tax

VAT payable is the balance of output VAT less deductible input VAT. The Company is located in Changzhou Comprehensive Bonded Zone, and its revenue on sales of goods and rendering of services is subject to the preferential VAT rate of 0% of the Bonded Zone.

Income tax

The income tax rate of the Company is 25% (2022: 25%).

Other taxes

City maintenance and construction tax is levied at 7% of circulation tax actually paid. Education surcharge and local education surcharge are levied at 5% of circulation tax actually paid.

VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS

1. CASH AND BANK BALANCES

	31/12/2023			31/12/2022		
	Foreign currency amount	Exchange rate	RMB	Foreign currency amount	Exchange rate	RMB
Cash						
RMB	-	-	22,906.17	-	-	-
Bank deposits						
RMB	-	-	204,502.74	-	-	6,044,697.36
USD	95,425.19	7.0827	675,867.99	420,759.77	6.96445	2,930,360.42
Total			903,276.90			8,975,057.78

As at the balance sheet date, the Company has no restricted cash and bank balances.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

2. ACCOUNTS RECEIVABLE

	31/12/2023 RMB	31/12/2022 RMB
Accounts receivable arising from contracts with customers	97,677,718.59	66,636,153.85
Less: Provision for credit losses	8,986,496.71	8,986,496.71
Carrying amount	88,691,221.88	57,649,657.14

The above expected average loss rates take into account the current conditions and projections of future economic conditions.

The aging analysis of accounts receivable is as follows:

	31/12/2023				31/12/2022			
	Amount RMB	Proportion %	Provision for credit losses RMB	Carrying amount RMB	Amount RMB	Proportion %	Provision for credit losses RMB	Carrying amount RMB
Within 1 year	52,609,988.91	53.90	-	52,609,988.91	57,649,657.14	86.50	-	57,649,657.14
1 to 2 years	36,081,232.97	36.90	-	36,081,232.97	-	-	-	-
Over 3 years	8,986,496.71	9.20	8,986,496.71	-	8,986,496.71	13.50	8,986,496.71	-
Total	97,677,718.59	100.0	8,986,496.71	88,691,221.88	66,636,153.85	100.0	8,986,496.71	57,649,657.14

The changes in provision for expected credit losses of accounts receivable are as follows:

	2023 Lifetime ECL RMB	2022 Lifetime ECL RMB
31/12/2022 & 31/12/2023	8,986,496.71	8,986,496.71

3. PREPAYMENTS

The aging analysis of prepayments is as follows:

	31/12/2023		31/12/2022	
Aging	Amount RMB	Proportion %	Amount RMB	Proportion %
Within 1 year	1,422,823.10	82.59	10,394,019.51	96.48
1 to 2 years	-	-	314,891.50	2.92
2 to 3 years	300,000.00	17.41	-	-
Over 3 years	-	-	64,000.00	0.60
Total	1,722,823.10	100.00	10,772,911.01	100.00

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

4. OTHER RECEIVABLES

The nature of other receivables is detailed as follows:

	31/12/2023 RMB	31/12/2022 RMB
Deposits	202,487.00	742,667.00
Others	351,038.95	794,367.97
Less: Credit impairment losses	-	-
Total	553,525.95	1,537,034.97

As at the balance sheet date, the management of the Company considers that the credit risk of other receivables has not increased significantly since initial recognition, thus there is no significant expected credit loss.

5. INVENTORIES

(1) Categories of inventories

	31/12/2023 RMB	31/12/2022 RMB
Raw materials	18,965,348.20	25,333,694.59
Work in progress	49,552.82	27,316,614.97
Finished goods	62,504,982.67	29,923,712.19
Sub-total	81,519,883.69	82,574,021.75
Less: Provision for decline in value of inventories	7,783,474.32	2,613,059.68
Total	73,736,409.37	79,960,962.07

(2) Provision for decline in value of inventories

2023

	31/12/2022 RMB	Provision RMB	31/12/2023 RMB
Raw materials	-	1,200,046.09	1,200,046.09
Finished goods	2,613,059.68	3,970,368.55	6,583,428.23
Total	2,613,059.68	5,170,414.64	7,783,474.32

As at 31 December 2023, the Company has no inventories with limited ownership.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

6. FIXED ASSETS

	Buildings RMB	Machinery and equipment RMB	Office and other equipment RMB	Total RMB
Cost				
At 1 January 2023	23,798,123.76	252,213,638.01	11,024,215.93	287,035,977.70
Acquisitions	-	31,175,993.41	2,693,103.51	33,869,096.92
Transfer from construction in progress	-	-	108,559.93	108,559.93
Decreases	(99,670.60)	(23,448,111.60)	(2,147,381.59)	(25,695,163.79)
At 31 December 2023	23,698,453.16	259,941,519.82	11,678,497.78	295,318,470.76
Accumulated depreciation				
At 1 January 2023	16,406,786.97	192,420,796.30	8,616,095.08	217,443,678.35
Charge for the year	1,095,512.95	5,311,295.17	608,002.38	7,014,810.50
Decreases	-	(19,763,815.12)	(1,962,188.74)	(21,726,003.86)
At 31 December 2023	17,502,299.92	177,968,276.35	7,261,908.72	202,732,484.99
Impairment provision				
At 1 January 2023	-	25,752,284.42	373,764.53	26,126,048.95
Decreases	-	(1,461,782.94)	(111,269.86)	(1,573,052.80)
At 31 December 2023	-	24,290,501.48	262,494.67	24,552,996.15
Carrying amount				
At 1 January 2023	7,391,336.79	34,040,557.29	2,034,356.32	43,466,250.40
At 31 December 2023	6,196,153.24	57,682,741.99	4,154,094.39	68,032,989.62

7. CONSTRUCTION IN PROGRESS

	31/12/2023 RMB	31/12/2022 RMB
Construction in progress	186,777.39	9,302,996.76
Less: Impairment provision	-	3,275,508.00
Net book value	186,777.39	6,027,488.76

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

8. INTANGIBLE ASSETS

	Land use right RMB	Patent use right RMB	Total RMB
Cost			
At 1 January 2023 and 31 December 2023	1,854,749.80	1,577,375.00	3,432,124.80
Accumulated depreciation			
At 1 January 2023	599,702.50	202,227.60	801,930.10
Charge for the year	37,095.00	242,673.12	279,768.12
At 31 December 2023	636,797.50	444,900.72	1,081,698.22
Carrying amount			
At 1 January 2023	1,255,047.30	1,375,147.40	2,630,194.70
At 31 December 2023	1,217,952.30	1,132,474.28	2,350,426.58
Expected useful life	50 years	6.5 year	
Residual amortisation years	33.8 years	5.67 year	

As at 31 December 2023 and 2022, the Company has no intangible assets with limited ownership.

9. LONG-TERM PREPAID EXPENSES

	Leased plant renovation project RMB
Cost	
At 1 January 2023	3,078,050.01
Additions	4,684,690.00
At 31 December 2023	7,762,740.01
Accumulated amortisation	
At 1 January 2023	2,538,101.39
Charge for the year	289,460.89
At 31 December 2023	2,827,562.28
Carrying amount	
At 1 January 2023	539,948.62
At 31 December 2023	4,935,177.73

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

10. OTHER NON-CURRENT ASSETS

	31/12/2023 RMB	31/12/2022 RMB
Prepayment for construction equipment	-	3,229,432.60

11. PROVISION FOR IMPAIRMENT OF ASSETS

	31/12/2022 RMB	Provision RMB	Write-off RMB	31/12/2023 RMB
Provision for expected credit losses	8,986,496.71	-	-	8,986,496.71
Provision for decline in value of inventories	2,613,059.68	5,170,414.64	-	7,783,474.32
Provision for impairment of fixed assets	26,126,048.95	-	(1,573,052.80)	24,552,996.15
Provision for impairment of construction in progress	3,275,508.00	-	(3,275,508.00)	-
Total	41,001,113.34	5,170,414.64	(4,848,560.80)	41,322,967.18

12. SHORT-TERM BORROWINGS

	31/12/2023 RMB	31/12/2022 RMB
Mortgage loan (Note 1)	8,000,000.00	8,000,000.00
Guaranteed loan (Note 2)	10,000,000.00	4,500,000.00
Total	18,000,000.00	12,500,000.00

Note 1: As at 31 December 2023, the Company's short-term loan of RMB8,000,000.00 (31 December 2022: RMB8,000,000.00) is a loan secured by property. The interest rate of the aforesaid loan is 3.00%-5.50% per annum.

Note 2: As at 31 December 2023, the Company's short-term loan of RMB10,000,000.00 (31 December 2022: RMB4,500,000.00) is a guaranteed loan, of which the guarantor is Jiangsu Changzhou Hi-Tech Credits Financing Guarantee Co., Ltd. The interest rate of the aforesaid loan is 4.10%-4.59% per annum.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

13. CONTRACT LIABILITIES

	31/12/2023 RMB	31/12/2022 RMB
Advance from related parties	68,104,213.58	12,255,993.22
Advance from third parties	2,236,483.92	2,427,344.38
Total	70,340,697.50	14,683,337.60

The Company accounts the advance from customers based on the sales contract as contract liabilities, and the relevant contract liabilities are recognised as revenue from sales when the control of the goods is transferred to the customers.

The carrying amount of contract liabilities at 31 December 2022 was RMB14,683,337.60, which has been recognised as revenue in the year. Carrying amount of contract liabilities at 31 December 2023 is RMB70,340,697.50, which is expected to be recognised as revenue in 2024.

14. EMPLOYEE BENEFITS PAYABLE

Item	31/12/2022 RMB	Accruals RMB	Payments RMB	31/12/2023 RMB
Wages, bonuses, allowances and subsidies	6,703,151.80	35,337,735.27	35,011,326.34	7,029,560.73
Social insurance	-	2,528,302.19	2,528,302.19	-
Including: Medical insurance	-	2,132,030.10	2,132,030.10	-
Work injury insurance	-	183,908.21	183,908.21	-
Maternity insurance	-	212,363.88	212,363.88	-
Housing funds	232,141.00	5,333,861.71	5,333,861.71	232,141.00
Defined contribution plan (Note)	-	6,892,122.04	6,892,122.04	-
Pension insurance	-	6,617,861.28	6,617,861.28	-
Unemployment insurance	-	274,260.76	274,260.76	-
Labour union funds	-	168,293.52	168,293.52	-
Total	6,935,292.80	50,260,314.73	49,933,905.80	7,261,701.73

Note: Defined contribution plan

The Company participates in pension insurance and unemployment insurance plans established by the government authorities pursuant to the relevant laws and regulations. According to such plans, the Company is required to contribute 19% and 0.5% of employee's basic salary respectively to such plans. Besides the aforesaid monthly contributions, the Company no longer undertakes further payment obligation. Relevant expenditures are included in profit or loss for the period or cost of related assets.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

14. EMPLOYEE BENEFITS PAYABLE - continued

In 2023, the Company should contribute RMB6,617,861.28 and RMB274,260.76 (2022: RMB3,119,974.32 and RMB102,522.04) to pension insurance and unemployment insurance plans respectively. The relevant fees have been paid as at 31 December 2023.

15. TAXES PAYABLE

Item	31/12/2022 RMB	Accruals RMB	Payments RMB	Reclassification RMB	31/12/2023 RMB
Value added tax	(147,700.86)	378,040.32	1,106,127.32	(878,496.12)	2,708.26
Disability insurance fund	101,278.98	98,400.00	101,278.98		98,400.00
Individual income tax	49,279.46	380,126.66	371,812.42		57,593.70
House property tax	49,153.68	196,614.72	196,614.72		49,153.68
Stamp duty	24,842.15	85,273.68	92,921.68		17,194.15
Land use tax	13,332.00	53,328.00	53,328.00		13,332.00
City maintenance and construction tax and education surcharge	-	325.00	-	-	325.00
31/12/2022 Reclassification	147,700.86	-	-	147,700.86	-
Total	237,886.27	1,192,108.38	1,922,083.12	(730,795.26)	238,706.79

16. OTHER CURRENT LIABILITIES

	31/12/2023 RMB	31/12/2022 RMB
Accrued petty expense	448,132.79	3,417,504.63

17. PAID-IN CAPITAL

The registered capital of the Company is USD76,500,000.00, and the paid-in capital is USD75,000,000.00, which has not been fully paid up by 31 December 2023. The contributions from investors according to articles of association of the Company are as follows:

	31/12/2023			31/12/2022		
	USD	Proportion %	Equivalent to RMB	USD	Proportion %	Equivalent to RMB
	-	-	-			
Reliance Lithium Werks B.V	75,000,000.00	100	509,446,364.80	75,000,000.00	100	509,446,364.80
	75,000,000.00	100	509,446,364.80	75,000,000.00	100	509,446,364.80

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

18. ACCUMULATED LOSSES

	2023 RMB	2022 RMB
Accumulated losses at the beginning of the year	(363,228,758.50)	(361,834,524.55)
Add: Net loss for the year	(33,006,654.91)	(1,394,233.95)
Accumulated losses at the end of the year	(396,235,413.41)	(363,228,758.50)

19. OPERATING INCOME

	2023 RMB	2022 RMB
Principal operating income	156,034,209.77	175,836,906.68
Other operating income	353,230.10	299,376.37
Total	156,387,439.87	176,136,283.05

(1) The Company's operating income is recognised at a certain point in time.

(2) Performance obligation

The Company's main business activities are sales of energy storage batteries. Usually, there is only one performance business in the contract for the sale of commodities, and the consideration of the products sold is determined in accordance with the fixed price agreed in the sales contract. The Company recognises revenue at the point when control of the relevant commodity is transferred to the customer.

20. OPERATING COSTS

	2023 RMB	2022 RMB
Principal operating costs	140,195,067.29	163,739,032.66
Other operating costs	46,404.89	36,583.45
Total	140,241,472.18	163,775,616.11

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

21. TAXES AND LEVIES

Categories	2023 RMB	2022 RMB
House property tax	196,614.72	255,829.76
Disability insurance fund	97,120.94	96,000.00
Stamp duty	92,011.04	77,303.22
Land use tax	53,328.00	53,328.00
Total	439,074.70	482,460.98

22. ADMINISTRATIVE EXPENSES

Item	2023 RMB	2022 RMB
Salary	19,018,540.67	6,913,647.07
Other expenses	2,243,239.94	472,712.04
Social insurance	1,838,320.36	1,138,123.78
Bonus	1,835,962.17	1,217,210.06
Rental fee	1,740,479.97	1,551,295.38
Repair expense	1,148,478.08	127,633.22
Office expenses	775,748.43	664,489.48
Depreciation expense	731,607.89	34,802.62
Housing funds	634,068.47	637,820.96
Overtime payment	586,617.94	618,247.86
Service fee	523,610.88	231,000.12
Business entertainment expenses	494,837.42	331,320.35
Employee welfare fund	460,729.60	278,296.21
Consulting fee	328,554.14	179,336.48
Travel expenses	198,729.54	40,565.11
Labour protection fee	165,940.50	155,761.18
Recruitment fee	162,517.74	46,578.87
Transportation charge	162,415.90	38,467.10
Attorney fee	136,603.76	53,584.90
Training fee	133,103.00	16,925.00
Conference fee	110,095.29	32,850.96
Utility bill	108,244.09	190,267.26
Communication charge	83,884.27	118,164.44
Car expenses	63,558.01	33,242.99
Insurance expenses	43,623.74	56,279.52
Other taxes	-	20,999.14
Total	33,729,511.80	15,199,622.10

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

23. FINANCIAL EXPENSES

	2023 RMB	2022 RMB
Interest expenses	688,369.89	632,494.70
Less: Interest income	(3,956.33)	(3,050.78)
Foreign exchange gains or losses	831,774.95	(4,972,547.75)
Service charge	175,703.41	58,694.94
	1,691,891.92	(4,284,408.89)

24. IMPAIRMENT LOSSES OF ASSETS

	2023 RMB	2022 RMB
Provision for decline in value of inventories	5,170,414.64	1,602,157.71

25. LOSSES ON DISPOSAL OF ASSETS

	2023 RMB	2022 RMB
Losses on disposal of assets	(8,118,740.37)	-

26. INCOME TAX EXPENSES

	2023 RMB	2022 RMB
Current tax expenses	-	-
Deferred tax expenses	-	-
	-	-

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

26. INCOME TAX EXPENSES - continued

Reconciliation of income tax expenses to accounting loss is as follows:

	2023 RMB	2022 RMB
Accounting loss	(33,006,654.91)	(1,394,233.95)
Income tax expenses calculated at 25% (2022: 25%)	(8,251,663.73)	(348,558.49)
Effect of non-deductible expenses	66,414.48	63,644.08
Effect of unrecognised deductible losses and deductible temporary differences	8,185,249.25	284,914.41
Income tax expenses	-	-

Details of deferred tax assets not recognised:

	31/12/2023 RMB	31/12/2022 RMB
Deductible losses	90,472,435.84	139,397,361.51
Deductible temporary differences	44,598,475.18	41,001,113.34
Total	135,070,911.02	180,398,474.85

Note: As it is uncertain whether sufficient taxable income will be available in the future, no deferred tax assets are recognised.

Deductible losses, for which deferred tax assets are not recognised, will mature in the following years:

	31/12/2023 RMB	31/12/2022 RMB
2023	-	78,047,202.69
2024	15,369,688.95	15,369,688.95
2025	9,315,351.96	9,315,351.96
2026	36,514,349.19	36,514,349.19
2027	129,410.58	150,768.72
2028	29,143,635.16	-
Total	90,472,435.84	139,397,361.51

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VII. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS - continued

27. SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

	2023 RMB	2022 RMB
(1) Reconciliation of net loss to cash flows from operating activities		
Net loss	(33,006,654.91)	(1,394,233.95)
Add: Provision for impairment of assets	5,170,414.64	1,602,157.71
Depreciation of fixed assets	7,014,810.50	5,880,938.86
Amortisation of intangible assets	279,768.12	219,099.84
Amortisation of long-term prepaid expenses	289,460.89	931,671.98
Increase in deferred expenses	(63,168.24)	
Losses from disposal of fixed assets, intangible assets and other long-term assets	8,118,740.37	697,465.41
Financial expenses	657,889.16	586,373.30
Decrease (increase) in inventories	1,054,138.06	(46,168,067.78)
(Increase) Decrease in operating receivables	(20,422,730.89)	27,656,337.14
Increase in operating payables	53,308,276.71	26,065,377.98
Net cash flow from operating activities	22,400,944.41	16,077,120.49
(2) Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	903,276.90	8,975,057.78
Less: Opening balance of cash and cash equivalents	8,975,057.78	2,373,242.38
Net (decrease) increase in cash and cash equivalents	(8,071,780.88)	6,601,815.40

28. CASH AND CASH EQUIVALENTS

	31/12/2023 RMB	31/12/2022 RMB
Cash		
Including: Cash on hand	22,906.17	-
Bank deposits that are readily available for payment	880,370.73	8,975,057.78
Balance of cash and cash equivalents	903,276.90	8,975,057.78

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related party where a control relationship exists:

Name	Place of registration	Business nature	Shareholding proportion	Proportion of voting rights
RELIANCE LITHIUM WERKS B.V.	Holland	Investment and management	100%	100%

The Company's ultimate holding company is RELIANCE INDUSTRIES LIMITED.

(2) Other related parties having transactions with the Company where a control relationship does not exist:

Before acquisition

Related party	Related party relationship
LITHIUM WERKS B.V.	Parent company
LITHIUM WERKS GROUP B.V.	Controlled by the same parent company
LITHIUM WERKS, INC.	Controlled by the same parent company

After acquisition

Related party	Related party relationship
RELIANCE LITHIUM WERKS USA LLC	Controlled by the same parent company

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Significant transactions between the Company and related parties in the current year

(a) Sales

	2023 RMB	2022 RMB
Sales of goods		
RELIANCE LITHIUM WERKS USA LLC	60,642,481.47	58,105,841.15
RELIANCE LITHIUM WERKS B.V.	57,834,986.90	36,622,404.97
LITHIUM WERKS GROUP B.V.	-	26,951,641.94
LITHIUM WERKS, INC.	-	6,740,353.57
	118,477,468.37	128,420,241.63

(4) Balances due to/from related parties

	31/12/2023 RMB	31/12/2022 RMB
Accounts receivable		
RELIANCE LITHIUM WERKS USA LLC	86,883,653.81	51,367,908.40
Total	86,883,653.81	51,367,908.40
Contract liabilities		
RELIANCE LITHIUM WERKS B.V.	64,848,192.02	12,255,993.22
RELIANCE LITHIUM WERKS USA LLC	3,256,021.56	-
Total	68,104,213.58	12,255,993.22

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include cash and bank balances, accounts receivable, other receivables, short-term borrowings, accounts payable and other payables, etc. Details of these financial instruments are disclosed in Note VII. Risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the risks are monitored at a certain level.

Financial assets	31/12/2023 RMB	31/12/2022 RMB
Cash and bank balances	903,276.90	8,975,057.78
Accounts receivable	88,691,221.88	57,649,657.14
Other receivables	553,525.95	1,537,034.97

Financial liabilities	31/12/2023 RMB	31/12/2022 RMB
Short-term borrowings	18,000,000.00	12,500,000.00
Accounts payable	30,479,469.11	31,072,714.63
Other payables	2,697,360.23	297,251.90

The Company adopts sensitivity analysis technique to analyse how profit or loss for the period and owners' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following is based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Company's operation performance, and maximise the benefits of the investors. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyse the Company's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – continued

1. Risk management objectives and policies - continued

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with USD. Part of the Company's purchases and sales are denominated in USD, while the Company's other principal activities are denominated and settled in RMB. As at 31 December 2023, the balances of the Company's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Company's performance.

	31/12/2023 RMB	31/12/2022 RMB
Assets and liabilities in USD		
Cash and cash equivalents	675,867.99	2,930,360.42
Accounts receivable	86,887,790.11	57,649,657.14
Accounts payable	9,686,775.97	15,769,185.38

The Company closely monitors the effects of changes in the foreign exchange rates on the Company's currency risk exposures and does not take any measures to hedge currency risk exposures.

Sensitivity analysis on currency risk

Where all other variables are held constant, reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on profit or loss for the period and owners' equity:

		2023		2022	
Item	Change in exchange rate	Effect on total profit RMB	Effect on owners' equity RMB	Effect on total profit RMB	Effect on owners' equity RMB
USD	Appreciation of 5% against RMB	3,893,844.11	3,893,844.11	2,240,541.61	2,240,541.61
USD	Depreciation of 5% against RMB	(3,893,844.11)	(3,893,844.11)	(2,240,541.61)	(2,240,541.61)

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.2 Interest rate risk

The Company's risk of changes in fair value of financial instruments caused by changes in interest rates is mainly related to fixed-rate borrowings. The Company pays close attention to the impact of interest rate changes on the Company's interest rate risk. Currently, the Company has not taken any measures to avoid interest rate risk.

1.2 Credit risk

As at 31 December 2023, the Company's maximum exposure to credit risk that will cause a financial loss to the Company is due to the counterparty's failure to discharge an obligation, including:

- The carrying amount of the respective recognised financial assets as stated in the balance sheet.

In order to minimise the credit risk, the Company has assigned special personnel responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Company's risk exposure is spread across multiple contracting parties and customers, so the Company has no significant credit concentration risk.

1.3 Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Company's management closely monitors the liquidity position and expects to have adequate sources of financing to fund the Company's operations, so the Company's management believes that the Company is not exposed to significant liquidity risk.

Lithium Werks China Manufacturing Co., Ltd.
Notes to Financial Statements for the year ended 31 December 2023
IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.3 Liquidity risk - continued

The following is the maturity analysis for financial liabilities held by the Company which is based on undiscounted remaining contractual obligations:

	31/12/2023				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	RMB	RMB	RMB	RMB	RMB
Accounts payable	30,479,469.11	-	-	-	30,479,469.11
Other payables	2,697,360.23	-	-	-	2,697,360.23
Short-term borrowings	18,547,484.25	-	-	-	18,547,484.25
Total	51,724,313.59	-	-	-	51,724,313.59

X. FAIR VALUE

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost in the financial statements approximate their fair values.

XI. CONTINGENCIES

As at the balance sheet date, the Company has no significant contingencies.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Company has no significant events subsequent to the balance sheet date that need to be disclosed.

* * *END OF THE FINANCIAL STATEMENTS* * *