ROBAM老板
Create China's new kitchen
40 th anniversary

Hangzhou Robam Appliances Co., Ltd.

2019 Semiannual Report

August 2019

Section 1: Important Notes, Contents and Definitions

The board of directors, the board of supervisors and the directors, supervisors and senior management of the Company shall guarantee that the contents of the semiannual report are authentic, accurate and complete, free from false records, misleading statements or major omissions, and shall bear individual and joint legal liabilities.

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

All directors of the Company personally attended the board meeting to review this report.

The company plans not to distribute cash dividends, not to send bonus stocks, not to convert reserved funds into share capital.

Contents

Definitions

Terms	Refers to	Definition
Company, company, Robam	Refers to	Hangzhou Robam Appliances Co., Ltd.
Mingqi	Refers to	Hangzhou Mingqi Electric Co., Ltd.
Kinde Intelligent	Refers to	Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.
This group	Refers to	Robam, Mingqi, Beijing Robam Electric Appliance Sales Co., Ltd., Shanghai Robam Electric Appliance Sales Co., Ltd. and Kinde Intelligent
Robam Group	Refers to	Hangzhou Robam Industrial Group Co., Ltd., controlling shareholder of the Company
Reporting period	Refers to	2019 semiannual
CMM	Refers to	China Market Monitor Co., Ltd., authoritative domestic home appliance market research company
AVC	Refers to	Beijing All View Cloud Data Technology Co.,Ltd.

Section 2: Company Profile and Major Financial Indicators

I. Company profile

Stock abbreviation	Robam	Stock code	002508
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	杭州老板电器股份有限公司		
Company short name in Chinese (if any)	老板电器		
Company name in foreign language (if any)	HANGZHOU ROBAM APPLIANCES CO.,LTD.		
Company short name in foreign language (if any)	ROBAM		
Legal representative of the company	Ren Jianhua		

II. Contact person and contact information

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

III. Other information

1. Contact information

Whether the Company's registered address, office address and postal code, company website and Email address changed during the reporting period

□ Applicable √ Not applicable

No change in the Company's registered address, office address and postal code, company website and Email address changed during the reporting period, as shown in 2018 annual report.

2. Information disclosure and keeping place

Whether the information disclosure and keeping place changed during the reporting period

□ Applicable √ Not applicable

No change in the name of the information disclosure newspaper selected by the Company, URL of the website designated by the CSRC to publish the semiannual report and the place for keeping the Company's annual report, as shown in 2018 annual report.

IV. Major Accounting Data and Financial Indicators

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

□Yes √No

	Reporting period	Amount for corresponding period last year	Increase / decrease this year compared to the previous year
Operating income (yuan)	3,527,413,882.96	3,496,662,565.47	0.88%
Net profits attributable to shareholders of listed companies (yuan)	670,403,994.20	660,339,506.06	1.52%
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	622,539,579.01	596,465,164.81	4.37%
Net cash flow from operating activities (yuan)	658,691,084.58	1,121,788,027.98	-41.28%
Basic EPS (yuan/share)	0.71	0.70	1.43%
Diluted EPS (yuan/share)	0.71	0.70	1.43%
Weighted average return on net assets	10.51%	12.07%	-1.56%
	End of the reporting period	End of previous year	Increase / decrease at the end of this reporting period compared to the end of the previous year
Total assets (yuan)	9,451,869,196.46	9,455,361,508.83	-0.04%
Net assets attributable to shareholders of listed companies (yuan)	5,960,135,662.02	6,045,384,387.57	-1.41%

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

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

□ Applicable √ Not applicable

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

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

□ Applicable √ Not applicable

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

VI. Non-recurring Profit and Loss Items and Amount

√ Applicable □ Not applicable

Unit: CNY

Item	Amount	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	-1,171,725.00	
Government subsidies included into the current profits and losses, except those government subsidies, which are closely related to the business of a company and enjoyed in accordance with a certain standard quota or quantity of the state	58,069,181.84	
Profits and losses from investment or management assets entrusted to others	2,894,637.83	
Income and expenditure other than those mentioned above	-1,328,772.96	
Less: Amount affected by income tax	9,538,352.16	
Amount of minority shareholders' equity affected (after tax)	1,060,554.36	
Total	47,864,415.19	--

Explain the non-recurrent profit and loss items defined by the Company according to the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses* and defined from the non-recurrent profit and loss items enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses*

□ Applicable √ Not applicable

No definition of non-recurrent profit and loss items defined and enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses* as non-recurrent profit and loss items during the reporting period.

Section 3: Business Summary

I. Main Business of the Company during Reporting Period

Does the Company need to follow the disclosure requirements of special industries

No

Dedicated to creating a new quality kitchen for millions of families, the Company takes foot in the kitchen field and focuses on the development, production, sales and comprehensive services of kitchen appliances, including range hooks, stoves, disinfection cabinets, steam ovens, ovens, dishwashers, water purifiers, water heaters, microwaves and integrated stoves. After 40 years of development and growth, the Company has become the manufacturer with the longest history, the highest market share and the largest production capacity in the Chinese kitchen appliance industry.

II. Significant Changes in Prime Assets

1. Significant Changes in Prime Assets

Prime assets	Significant changes
Equity assets	No significant change in the Company's equity assets during the reporting period
Fixed assets	No significant change in the Company's fixed assets during the reporting period
Intangible assets	No significant change in the Company's intangible assets during the reporting period
Construction in progress	No significant change in the Company's construction in progress during the reporting period

2. Major overseas assets

□ Applicable √ Not applicable

III. Analysis of Core Competitiveness

Does the Company need to follow the disclosure requirements of special industries

No

No significant change in the Company's core competitiveness during the reporting period: The Company's core competitiveness is mainly reflected in the high-end positioned the brand capacity, continuous innovative research and development capacity, comprehensive and efficient operation capacity, as shown in the 2018 annual report.

Section 4: Discussion and Analysis of Operation

I. Overview

In the first half of 2019, the international political and geopolitical situation was complicated, the domestic real estate industry was affected by the increasingly strict regulatory policy of "one policy for one city", and the kitchen appliance industry as a whole continued depression. According to the retail monitoring report published by The Yee, the sales amount of range hoods, gas stoves and disinfection cabinets, as the main kitchen appliances, was increased by -5.86%, -4.09% and -17.72% respectively.

In the face of the sluggish market, the company, as the leading enterprise in the kitchen appliance industry, established the working policy of "practicing internal skills to keep out the winter and seeking improvement in stability to promote growth" for 2019 at the end of last year, and strove to ensure the company's stable performance and steady increase of market share. During the reporting period, the company achieved the operating income of 3,527,413,882.96 yuan, an increase of 0.88%, and realized the net profits attributable to shareholders of listed companies of 670,403,994.20 yuan, an increase of 1.52%.

According to the retail monitoring report published by The Yee, the market share and market position of the retail sales of company's major product categories as of the end of June 2019 are shown in the following table:

	Range hood	Gas stoves	Built-in microwave oven	Built-in disinfection cabinet	Built-in steam oven	Built-in steam oven-oven	Built-in oven	Built-in dishwasher
Retail sales share	25.54%	23.13%	34.95%	26.58%	31.67%	17.39%	25.92%	8.00%
Market position	1	1	1	2	2	2	3	3

In the first half of 2019, the marketing sector practiced innovation for customer requirements centered on the customer, and made concerted efforts with multiple channels to ensure the company's performance growth in the face of the overall industry downturn. In terms of retail, the company, in the face of overall KA channel downturn, continued to optimize the franchised store system, strengthened the integration of multiple channels, realized the coordinated online and offline development and adhered to provide customers with quality services and actively explore the primary and secondary stock market. In terms of e-commerce, the company actively embraced the changes in customer demand for products and optimized the operating efficiency with the focus on “deepening customer operation and creating extreme efficiency”. In terms of real estate channels, benefiting from the national real estate refined decoration policy, the company continued to deepen the cooperation with the real estate developers such as Evergrande, Vanke, Country Garden and Sunac with differentiated products and high-quality brand services and continued to boost the development of strategic real estate channel customers through the central purifier system. The real estate channel sales increased 80% year-on-year. According to the monthly real estate refined decoration monitoring data published by AVC, the market share of ROBAM range hood was 37.8%, firmly ranking first in the industry. In terms of innovation, the company actively explored the new retail mode, developed the innovative channels and regional outlets and stimulated the vitality of the home decoration market through in-depth cooperation with the cabinet companies such as OPPEIN and SCHMIDT and the family decorating companies such as ikongjian, Gold Mantis and Dongyirisheng. In terms of overseas development, the company made its first appearance at the 2019 Decorex SA exhibition in South Africa, made positive progress in the development of overseas markets in Asia Pacific, Australia and New Zealand, and steadily promoted brand globalization.

In the first half of 2019, the technology sector was committed to building an innovation-oriented R&D mechanism, creating an open innovation platform, building an efficient organization and creating a first-class technical team in the industry, and made remarkable achievements in new category expansion, patent development and national standard establishment. In the first half of the year, the company applied for 274 patents, including 64 invention patents and obtained 237 patents licenses, including 8 invention patents. The range hood 27X6 and steam oven-oven C906 won the "German Red Dot Award" and "American IDEA Award", while the range hood 700X, gas stove 666B, steam ovens S228 and SZ01 won the “American IDEA Award”. Meanwhile, the company led the establishment of industry standards such as *Environment Friendly Range Hoods*, *Steam Oven-Oven*, *Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Electric Ovens*, *Zhejiang Manufacturing Standard for Dishwashers* and *Electric Steam Ovens*, in which, the *Zhejiang Manufacturing Standard for Dishwashers* won the standard innovation award. Moreover, the company actively created the second type of Chinese style steam ovens, such as SZ01 lower built-in steam oven, ST01 desktop steam oven and C906/905 steam oven-oven, to meet different customer needs with diverse product forms, inherit and carry forward China's excellent cooking and food culture, and meet the people's demand for health, nutrition and cooking efficiency of high-quality life.

In the first half of 2019, the production sector strove to build a first-class manufacturing benchmark in three directions: "comprehensively build the industry-leading supply chain system", "technology-driven comprehensive innovation", "deepen lean production and build a sustainable and efficient organization", improved the delivery consistency and timeliness and promoted supply chain collaboration projects; reduced WIP and sluggish inventory, started pull production projects, formed a systematic and scientific control system, and promoted the efficient operation capacity of production system informatization. Moreover, Maoshan Intelligent Manufacturing Park project of the company was constructed smoothly and, after its completion, it will promote the iteration of the company's intelligent and integrated high-end kitchen electric appliances and upgrading of the intelligent manufacturing, laying a solid foundation for the company's long-term development.

In the first half of 2019, the brand sector fully implemented the concept of "creating a new Chinese kitchen", creating a high-tech, high-end, professional and young brand image. The company participated in 2019 AWE and created the exhibition theme of “Robam 40 years, creating new Chinese kitchen”. Robam exclusively sponsors the CCTV column Chinese Flavor and serves as the food creator of *Chinese Restaurant 3* to transmit Chinese cooking culture; held the press conference of "Steamed flavor of China. Exploring flavor of ten cities" and offline activities such as "Lei Jiayin, a high-power player in the kitchen, is challenged to cook 100 steamed dishes", invited cooking masters and intangible cultural heritage inheritors to create a steam culture tour of "one city, one flavor and one inheritor", published *China’s Steamed Flavor Map - 100 Steamed Dishes*, *Long Volume of China's Steaming Feast*, etc and cooperated with local TV stations, print media and local transportation media (high-speed rail, airport, subway, etc.) to occupy the commanding heights of brand communication, continuously interact with consumers, enhance brand exposure, and convey brand value.

In the first half of 2019, Mingqi put forward the new strategic layout of “big business recruitment, Suning cooperation, engineering layout and home decoration integration" based on the core channel idea of "strengthening counties, piloting cities and digging towns"; with "focus on the oven, expand Shuangshui and innovate new retail of integrated stove" as the new category promotion model, the company shipped up to 14% gas heaters and purifiers in the first half of the year and won TOP10 integrated stove in online and offline activities of Jingdong 618; promoted and completed more than a thousand light blasting activities around the "monthly activities and weekly blasting" and created a new high sales volume of nationwide linkage activities in “Mingqi tenth anniversary celebration, Gratitude to regular customers”.

In the first half of 2019, the company continued to be recognized by the capital market in terms of corporate governance, internal management and shareholder returns, and won the "Best Board Award", "Best New Media Operator Award" and "Best Board Secretary Award" at the “Tianma Award - The 10th Listed Company Investor Relations Selection” of Securities Times, the 13th China listed company value selection "Top 50 SMEs Board Value", "Excellent SMEs Board Secretary", "Outstanding Board Secretary of Information Disclosure" and other awards at the 13th Chinese Listed Companies Value Appraisal.

II. Main business analysis

Overview

See “I. Overview” in “Discussion and Analysis of Operation”.

Year-on-year changes of major financial data

Unit: CNY

	Reporting period	Amount for corresponding period last year	Year-on-year increase / decrease	Reason for change
Operating income	3,527,413,882.96	3,496,662,565.47	0.88%	-
Operating cost	1,599,401,962.81	1,628,645,402.72	-1.80%	-
Selling expenses	990,044,906.61	964,745,068.44	2.62%	-
Management costs	116,171,528.77	124,693,829.53	-6.83%	-
Financial expenses	-29,604,970.87	-48,077,669.39	-38.42%	Due to the decrease of current interest income.
Income tax expenses	123,074,038.15	119,107,939.33	3.33%	-
Net cash flow from operating activities	658,691,084.58	1,121,788,027.98	-41.28%	Due to the decrease of current payment collection.
Net cash flow from investment activities	482,830,282.28	-441,770,458.03	-209.29%	Due to the maturity of financial products and recovery of investment in current period
Net cash flow from financing activities	-759,219,240.00	-711,574,618.75	6.70%	-
Net increase of cash and cash equivalents	382,418,542.61	-31,289,816.70	-1,322.18%	-

Major changes in profit composition or profit sources during the reporting period

□ Applicable √ Not applicable

There were no major changes in profit composition or profit sources during the reporting period.

Operating income composition

Unit: CNY

	Reporting period		Amount for corresponding period last year		Year-on-year increase / decrease
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	3,527,413,882.96	100%	3,496,662,565.47	100%	0.88%
By industry					
Home and kitchen & bath appliances	3,452,212,044.04	97.87%	3,394,298,971.47	97.07%	1.71%
Other	75,201,838.92	2.13%	102,363,594.00	2.93%	-26.53%
By product					
Range hood	1,883,974,091.22	53.41%	1,905,204,155.73	54.49%	-1.11%
Gas stoves	850,003,518.67	24.10%	865,060,383.59	24.74%	-1.74%
Sterilizer cabinet	246,351,583.63	6.98%	226,617,162.05	6.48%	8.71%
Steamer	116,909,353.95	3.31%	128,667,439.58	3.68%	-9.14%
Integrated stove	80,702,117.50	2.29%	0.00	0.00%	N/A
Oven	73,247,652.48	2.08%	102,160,542.02	2.92%	-28.30%
Dish-washing machine	61,326,597.24	1.74%	50,589,214.40	1.45%	21.22%
Other small home appliances	54,757,728.20	1.55%	58,023,584.46	1.66%	-16.09%
Water purifier	40,407,985.49	1.15%	45,272,776.51	1.29%	-10.75%
Steam oven-oven	27,487,524.98	0.78%	0.00	0.00%	N/A
Water heaters	10,325,410.18	0.29%	0.00	0.00%	N/A
Microwave ovens	6,718,480.50	0.19%	12,703,713.13	0.36%	-47.11%
Other	75,201,838.92	2.13%	102,363,594.00	2.93%	-26.53%
By region					
East China	1,546,877,053.21	43.85%	1,527,413,040.86	43.68%	1.27%
South China	435,621,166.26	12.35%	393,192,402.00	11.24%	10.79%
North China	428,733,427.16	12.15%	401,949,680.90	11.50%	6.66%
Central China	348,689,600.83	9.89%	325,691,194.94	9.31%	7.06%
Southeast China	286,581,351.82	8.12%	314,798,893.62	9.00%	-8.96%
Northeast China	207,137,172.65	5.87%	235,940,373.77	6.75%	-12.21%
Northwest China	178,363,060.47	5.06%	185,196,486.39	5.30%	-3.69%
East China - other	75,201,838.92	2.13%	102,363,594.00	2.93%	-26.53%
Overseas regions	20,209,211.64	0.57%	10,116,898.99	0.29%	99.76%

Industries, products or regions that account for more than 10% of the company's operating income or profit

√ Applicable □ Not applicable

Unit: CNY

	Operating income	Operating cost	Gross margin ratio	Year-on-year increase / decrease of operating income	Year-on-year increase / decrease of operating cost	Year-on-year increase / decrease of gross margin ratio
By industry						
Home and kitchen & bath appliances	3,527,413,882.96	1,599,401,962.81	54.66%	0.88%	-1.80%	2.31%
By product						
Range hood	1,883,974,091.22	781,140,530.80	58.54%	-1.11%	-5.59%	3.48%
Gas stoves	850,003,518.67	375,049,496.40	55.88%	-1.74%	-4.39%	2.24%
By region						
East China	1,546,877,053.21	702,390,471.53	54.59%	1.27%	-4.38%	5.17%
South China	435,621,166.26	203,889,819.04	53.20%	10.79%	7.66%	2.63%
North China	428,733,427.16	171,634,176.79	59.97%	6.66%	5.09%	1.01%

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

III. Non-main business analysis

□ Applicable √ Not applicable

IV. Analysis of assets and liabilities

1. Major changes in asset composition

Unit: CNY

	End of the reporting period		End of the same period last year		Proportion change	Description of major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	2,578,726,413.49	27.28%	2,549,948,329.74	29.63%	-2.35%	-
Accounts receivable	490,952,083.71	5.19%	419,798,154.58	4.88%	0.31%	-
Inventory	1,216,207,972.47	12.87%	1,237,011,412.07	14.37%	-1.50%	-
Investment properties	117,081.74	0.00%	126,068.54	0.00%	0.00%	-
Long-term equity investment	2,687,049.11	0.03%	4,470,840.99	0.05%	-0.02%	-
Fixed assets	839,262,550.21	8.88%	816,697,803.79	9.49%	-0.61%	-
Construction in progress	236,345,778.78	2.50%	65,701,351.18	0.76%	1.74%	-

2. Assets and liabilities measured with fair value

□ Applicable √ Not applicable

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

N/A

V. Analysis of investment

1. Overall situation

□ Applicable √ Not applicable

2. Significant equity investments acquired during the reporting period

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

4. Financial assets measured with fair value

□ Applicable √ Not applicable

5. Securities investments

□ Applicable √ Not applicable

The company had no securities investments in the reporting period.

6. Derivatives investment

□ Applicable √ Not applicable

The company had no derivatives investments in the reporting period.

7. Use of funds raised

□ Applicable √ Not applicable

No funds raised are used in the reporting period.

8. Major projects not funded by raised funds

□ Applicable √ Not applicable

The company had no major projects that were not funded by raised funds in the reporting period.

VI. Sales of major assets and equities

1. Sales of major assets

□ Applicable √ Not applicable

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

2. Sales of major equities

□ Applicable √ Not applicable

VII. Analysis of main holding and joint-stock companies

√ Applicable □ Not applicable

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

Unit: CNY

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hangzhou Mingqi Electric Co., Ltd.	Subsidiary	Production and sales of kitchen electric appliance products	50,000,000.00	164,055,432.76	82,905,602.49	122,272,884.50	4,763,583.23	3,578,808.97
Shanghai Robam Electric Appliance Sales Co., Ltd.	Subsidiary	Sales of kitchen electric appliance products	5,000,000.00	62,575,581.68	7,504,056.34	151,651,589.33	199,141.13	-1,764,645.58
Beijing Robam Electric Appliance Sales Co., Ltd.	Subsidiary	Sales of kitchen electric appliance products	5,000,000.00	64,556,366.03	37,582,507.37	101,723,557.06	2,130,056.76	1,529,368.85
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	Subsidiary	Production and sales of integrated kitchen products	32,653,061.00	273,865,037.19	203,044,188.29	90,517,727.14	18,745,444.72	14,311,880.56

Acquisition and disposal of subsidiaries during the reporting period

□ Applicable √ Not applicable

VIII. Structured entities controlled by the company

□ Applicable √ Not applicable

IX. Estimate of business performance for January - September 2019

It is estimated that the change rate of the net profits attributable to shareholders of listed companies in January - September 2019 ranges from 2% to 10%

X. Risks faced by the company and countermeasures

Section 5: Important Matters

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

1. General meeting of shareholders during the reporting period

Meeting session	Meeting type	Investor participation proportion	Convening date	Date of disclosure	Disclosure index
Annual general meeting of shareholders in 2018	Annual general meeting of shareholders	61.68%	May 16, 2019	May 17, 2019	cninfo *Announcement of Resolutions of 2018 Annual General Meeting of Shareholders* (Announcement No.: 2019-025)

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

□ Applicable √ Not applicable

II. Profit distribution or share capital increase from accumulation fund during the reporting period

□ Applicable √ Not applicable

The company plans not to distribute cash dividends, not to send bonus stocks, not to convert reserved funds into share capital in half a year.

III. Commitments fulfilled or not fully fulfilled by the Company's actual controller, shareholders, related parties, acquirer and other commitment parties during the reporting period

√ Applicable □ Not applicable

Commitment reason	Commitment party	Commitment type	Commitment content	Commitment time	Time limit for acceptance	Degree of performance
Share structure reform commitment						
Commitment made in the acquisition report or equity change report						

Commitment made at the time of asset restructuring						
Commitment made at the time of IPO or refinancing	Directors, supervisors and senior management directly or indirectly holding shares of the company	Commitment to restriction on sales of shares	After the expiry of the 36-month sales restriction period, the shares transferred each year during his/her tenure shall not exceed 25% of the total number of shares held directly or indirectly in the Company; the company shares directly or indirectly held shall not be transferred within six months after the resignation	November 23, 2010	Long-term	Strict performance
	Hangzhou Robam Industrial Group Co., Ltd.; Ren Jianhua	Commitment on avoiding horizontal competition	1. The Company/I and other enterprises under the control of the Company/me do not, and will not, directly or indirectly, engage in any activities that constitute horizontal competition with the existing and future business of Robam and its holding subsidiaries; 2. If any business opportunity obtained the Company/I and other enterprises under the control of the Company/me from any third party constitutes or may constitute substantial competition with the business of Robam, the Company/I will immediately notify Robam and transfer such business opportunity to Robam; 3. The Company/I and other enterprises under the control of the Company/me commit not to provide technical information, process flow, marketing channels or other trade secrets to other companies, enterprises, organizations or individuals whose business constitutes competition with the business of Robam.	November 23, 2010	Long-term	Strict performance
Equity incentive commitment						
Other commitments made to minor shareholders of the Company	Company	Dividend	The cumulative profits distributed in cash for three consecutive years shall not be less than 40% of the annual average distributable profits realized in the three years.	April 10, 2018	Three years	Strict performance
Whether the commitment is fulfilled on time			Yes			

IV. Appointment of and dismissal of accounting firms

Whether the semiannual financial report has been audited

□Yes √No

The Company's semiannual report is unaudited.

V. Statement of the board of directors and the board of supervisors on the "non-standard audit report" of the accounting firm during the reporting period

□ Applicable √ Not applicable

VI. Statement of the board of directors on the "non-standard audit report" for the previous year

□ Applicable √ Not applicable

VII. Bankruptcy reorganization

□ Applicable √ Not applicable

No bankruptcy reorganization of the Company during the reporting period.

VIII. Litigation matters

Major litigation and arbitration matters

□ Applicable √ Not applicable

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

Other litigation matters

□ Applicable √ Not applicable

IX. Media questioning

□ Applicable √ Not applicable

No common media questioning on the Company during the reporting period.

X. Punishment and rectification

□ Applicable √ Not applicable

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

XI. Credit conditions of the company, its controlling shareholders and actual controllers

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

1. Implementation of the initial restricted stock incentive plan

(1) The Company's first extraordinary general meeting of shareholders in 2015 on January 13, 2015 reviewed and adopted the *Proposal on the Initial Restricted Stock Incentive Plan (Draft) of Hangzhou Robam Appliances Co., Ltd. and its Summary* and the *Proposal on Requesting the General Meeting of Shareholders of Hangzhou Robam Appliances Co., Ltd. to Authorize the Board of Directors to Handle the Issues Related to the Company's Restricted Stock Incentive Plan*.

(2) On January 21, 2015, the Company's 15th meeting of the third Board of Directors and the 4th meeting of the third Board of Supervisors reviewed and adopted the *Proposal on Granting Restricted Stocks to Incentive Objects*.

(3) On February 13, 2015, the Company completes the registration on first granting of restricted stocks involved in the *Initial Restricted Stock Incentive Plan (Draft) of Hangzhou Robam Appliances Co., Ltd.*

(4) On January 4, 2016, the Company's 12th meeting of the third Board of Directors and the 10th meeting of the third Board of Supervisors reviewed and adopted the *Proposal on Adjusting the Number of Restricted Stocks Reserved* and the *Proposal on Issues Related to Granting Restricted Stocks Reserved to Incentive Objects*.

(5) On January 22, 2016, the Company's 13th meeting of the third Board of Directors and the 11th meeting of the third Board of Supervisors reviewed and adopted the *Proposal on First Granting of Unlocking of the Restricted Stocks in First Unlocking Period in Restricted Stock Incentive Plan*.

(6) On February 05, 2016, the Company completes the registration on granting of restricted stocks reserved involved in the *Initial Restricted Stock Incentive Plan (Draft) of Hangzhou Robam Appliances Co., Ltd.*

(7) On April 7, 2016, the Company's 14th meeting of the third Board of Directors and the 12th meeting of the third Board of Supervisors reviewed and adopted the *Proposal on the Cancellation of Partial Incentive Stock Repurchase in Initial Restricted Share Incentive Plan*.

(8) On January 23, 2017, the Company's 19th meeting of the third Board of Directors and the 16th meeting of the third Board of Supervisors reviewed and adopted the *Proposal on the Cancellation of Partial Incentive Stock Repurchase in Initial Restricted Stock Incentive Plan*, the *Proposal on First Granting of Unlocking in Second Unlocking Period in Restricted Stock Incentive Plan* and the *Proposal on Reserved Granting of Unlocking in First Unlocking Period in Restricted Stock Incentive Plan*.

(9) On February 6, 2018, the Company's 4th meeting of the fourth Board of Directors and the 4th meeting of the fourth Board of Supervisors reviewed and adopted the *Proposal on First Granting of Unlocking in Third Unlocking Period in Restricted Stock Incentive Plan* and the *Proposal on Reserved Granting of Unlocking in Second Unlocking Period in Restricted Stock Incentive Plan*.

(10) On January 21, 2019, the Company's 9th meeting of the fourth Board of Directors and the 9th meeting of the fourth Board of Supervisors reviewed and adopted the *Proposal on Reserved Granting of Unlocking in Third Unlocking Period in Restricted Stock Incentive Plan*.

XIII. Major related transactions

1. Related transactions related to daily operation

□ Applicable √ Not applicable

No related transactions related to daily operation of the Company during the reporting period, not constituting major related transactions, as shown in XII. Related parties and related transactions in Section 10.

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

□ Applicable √ Not applicable

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

3. Related transactions of joint foreign investment

□ Applicable √ Not applicable

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

4. Related claims and debts

□ Applicable √ Not applicable

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

5. Other major related transactions

□ Applicable √ Not applicable

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

XIV. Major contracts and their performance

1. Trusteeship, contracting and lease

(1) Trusteeship

□ Applicable √ Not applicable

No trusteeship of the Company during the reporting period.

(2) Contracting

□ Applicable √ Not applicable

No contracting of the Company during the reporting period.

(3) Lease

√ Applicable □ Not applicable

Lease description

① The Company as the lessor

Name of lessee	Type of leased assets	Lease income recognized in the current period	Lease income recognized in the previous period
Hangzhou Robam Industrial Group Co., Ltd.	House	14,400.00	14,400.00

② The Company as the lessee

Name of lessor	Type of leased assets	Lease fee recognized in the current period	Lease fee recognized in the previous period
Hangzhou Robam Industrial Group Co., Ltd.	House	275,012.28	275,012.28

Project bringing the profits or losses more than 10% of the total profits of the Company in the reporting period to the Company

□ Applicable √ Not applicable

No lease project bringing the profits or losses more than 10% of the total profits of the Company in the reporting period to the Company during the reporting period.

2. Major guarantee

□ Applicable √ Not applicable

No guarantee of the Company during the reporting period.

3. Other major contracts

□ Applicable √ Not applicable

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

XV. Social responsibility

1. Major environmental issues

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

Not applicable

2. Implementation of social responsibility for targeted poverty alleviation

(1) Targeted poverty alleviation planning

No targeted poverty alleviation carried out temporarily in the Company's semiannual report.

(2) Semiannual targeted poverty alleviation summary

(3) Targeted poverty alleviation effect

(4) Follow-up targeted poverty alleviation programs

XVI. Description of other important events

□ Applicable √ Not applicable

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

XVII. Major events of subsidiaries

□ Applicable √ Not applicable

Section 6: Changes in Shares and Shareholders

I. Change in shares

1. Change in shares

Unit: share

	Before this change		Increase / decrease (+, -)					After this change	
	Quantity	Proportion	New issue of shares	Share donation	Share capital increase from reserved funds	Other	Subtotal	Quantity	Proportion
I. Restricted shares	14,497,669	1.53%				-374,400	-374,400	14,123,269	1.49%
3. Other domestic holdings	14,497,669	1.53%				-374,400	-374,400	14,123,269	1.49%
Domestic natural person shareholding	14,497,669	1.53%				-374,400	-374,400	14,123,269	1.49%
II. Unrestricted shares	934,535,156	98.47%				365,625	365,625	934,900,781	98.51%
1. RMB common share	934,535,156	98.47%				365,625	365,625	934,900,781	98.51%
III. Total amount of shares	949,032,825	100.00%				-8,775	-8,775	949,024,050	100.00%

Causes for change in shares

√ Applicable □ Not applicable

(1) On January 8, 2019, the Company completed the repurchase of canceled restricted stocks and repurchased 8,775 restricted stocks of the incentive object. The total capital stocks decreased from 949,032,825 to 949,024,050.

(2) On February 18, 2019, the Company reserved to grant unlocking of the restricted stock incentive plan in the third unlocking period and the number of restricted stocks that could be unlocked and listed was 365,625, accounting for 0.0385% of the Company's total capital stock.

Approval of changes in shares

√ Applicable □ Not applicable

(1) On February 6, 2018, the Company's 4th meeting of the fourth Board of Directors and the 4th meeting of

the fourth Board of Supervisors reviewed and adopted the *Proposal on First Granting of Unlocking in Third Unlocking Period in Restricted Stock Incentive Plan* and the *Proposal on Reserved Granting of Unlocking in Second Unlocking Period in Restricted Stock Incentive Plan*.

(2) On August 22, 2018, the Company's 7th meeting of the fourth Board of Directors and the 7th meeting of the fourth Board of Supervisors reviewed and adopted the *Proposal on the Partial Repurchase of Canceled Initial Restricted Stocks in Initial Restricted Share Incentive Plan*.

(3) On January 21, 2019, the Company's 9th meeting of the fourth Board of Directors and the 9th meeting of the fourth Board of Supervisors reviewed and adopted the *Proposal on Reserved Granting of Unlocking in Third Unlocking Period in Restricted Stock Incentive Plan*.

Transfer of share changes

□ Applicable √ Not applicable

Implementation progress of share repurchase

□ Applicable √ Not applicable

Implementation progress of reducing repurchased shares by centralized competitive bidding

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in restricted shares

□ Applicable √ Not applicable

3. Securities issuance and listing

Not applicable

II. Number and shareholding of the company's shareholders

Unit: share

Total number of common shareholders at the end of the reporting period	67,606	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see Note 8)	0

Shareholding of common shareholders holding more than 5% shares or top 10 common shareholders							
Shareholder's	Shareholder	Shareholding	Number of	Increase or	Number	Number of	Pledge or freeze

name	nature	ratio	common shares held at the end of the reporting period	decrease during the reporting period	of common shares held with limited sales conditions	common shares held with unlimited sales conditions	Status of shares	Quantity
Hangzhou Robam Industrial Group Co., Ltd.	Domestic non-state legal person	49.68%	471,510,000			471,510,000		
Hong Kong Securities Clearing Co. Ltd.	Overseas legal person	9.00%	85,408,035	-15,115,749		85,408,035		
Shen Guoying	Domestic natural person	1.29%	12,240,000			12,240,000		
China Merchants Bank Co. Ltd.－Everbright PGIM Advantageous Hybrid Securities Investment Fund	Other	1.16%	10,980,236	10,980,236		10,980,236		
China Construction Bank Co., Ltd.－Anxin Value Selected Stock Securities Investment Fund	Other	1.01%	9,579,475	3,328,043		9,579,475		
Hangzhou Jinchuang Investment Co., Ltd.	Domestic non-state legal person	1.00%	9,451,985			9,451,985		
Shenzhen Guoshi Capital Management Co., Ltd. - Guoshi Capital - Robam Agent Holding Stage 2 Structured Private Equity Fund	Other	0.88%	8,311,165			8,311,165		
SSF - Six Combinations	Other	0.77%	7,306,072	7,306,072		7,306,072		
Hangzhou Yinchuang Investment Co., Ltd.	Domestic non-state legal person	0.74%	7,020,000			7,020,000		
GIC	Overseas legal person	0.68%	6,449,837	2,389,601		6,449,837		
Description of the above-mentioned shareholder association or concerted action		The actual controller of the Company's controlling shareholder Hangzhou Robam Industrial Group Co., Ltd. and the shareholder Hangzhou Jinchuang Investment Co., Ltd. is Mr. Ren Jianhua, and the natural person shareholder Shen Guo Ying is the wife of Ren Jianhua. The above shareholders have the possibility of acting in unison.						

Shareholding of top 10 common shareholders with unlimited sales conditions			
Shareholder's name	Number of common shares with unlimited sales conditions held at the end of the reporting period	Share type	
		Share type	Quantity
Hangzhou Robam Industrial Group Co., Ltd.	471,510,000	RMB common share	471,510,000
Hong Kong Securities Clearing	85,408,035	RMB common share	85,408,035

Co. Ltd.			
Shen Guoying	12,240,000	RMB common share	12,240,000
China Merchants Bank Co. Ltd. －Everbright PGIM Advantageous Hybrid Securities Investment Fund	10,980,236	RMB common share	10,980,236
China Construction Bank Co., Ltd. －Anxin Value Selected Stock Securities Investment Fund	9,579,475	RMB common share	9,579,475
Hangzhou Jinchuang Investment Co., Ltd.	9,451,985	RMB common share	9,451,985
Shenzhen Guoshi Capital Management Co., Ltd. - Guoshi Capital - Robam Agent Holding Stage 2 Structured Private Equity Fund	8,311,165	RMB common share	8,311,165
SSF - Six Combinations	7,306,072	RMB common share	7,306,072
Hangzhou Yinchuang Investment Co., Ltd.	7,020,000	RMB common share	7,020,000
GIC	6,449,837	RMB common share	6,449,837
Description of the association or concerted action between top 10 common shareholders with unlimited sales conditions, and between top 10 common shareholders with unlimited sales conditions and top 10 common shareholders	The actual controller of the Company's controlling shareholder Hangzhou Robam Industrial Group Co., Ltd. and the shareholder Hangzhou Jinchuang Investment Co., Ltd. is Mr. Ren Jianhua, and the natural person shareholder Shen Guo Ying is the wife of Ren Jianhua. The above shareholders have the possibility of acting in unison.		

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

□Yes √No

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

III. Changes in controlling shareholder or actual controller

Change of controlling shareholders during the reporting period

□ Applicable √ Not applicable

No change in controlling shareholders during the reporting period.

Changes in actual controller during the reporting period

□ Applicable √ Not applicable

No change in actual controller during the reporting period.

Section 7: Preferred Shares

□ Applicable √ Not applicable

No preferred shares of the Company during the reporting period.

Section 8: Directors, Supervisors and Senior Management

I. Equity changes of directors, supervisors and senior management

□ Applicable √ Not applicable

No equity change of the Company's directors, supervisors and senior management during the reporting period, as shown in the 2018 annual report.

II. Change of directors, supervisors and senior management

□ Applicable √ Not applicable

No change of the Company's directors, supervisors and senior management during the reporting period, as shown in the 2018 annual report.

Section 9: Corporate Bonds

Whether the Company has bonds publicly issued and listed on the stock exchange that have not expired or expired but not paid in full on the date of approval of the semiannual report

No

Section 10: Financial Report

I. Audit Report

Whether the semiannual report is audited

□Yes √No

The Company's semiannual financial report is unaudited.

II. Financial statements

Unit of statements in financial notes: CNY

1. Consolidated Balance Sheet

Unit: Hangzhou Robam Appliances Co., Ltd.

June 30, 2019

Unit: yuan

Item	June 30, 2019	December 31, 2018
Current assets:		
Monetary capital	2,578,726,413.49	2,196,706,808.35
Deposit reservation for balance		
Lending funds		
Trading financial assets		
Financial assets measured with fair value and with the changes included in current profit and loss		
Derivative financial assets		
Notes receivable	1,472,778,184.35	1,268,146,296.01
Accounts receivable	490,952,083.71	446,773,135.47
Receivables financing		
Advances to suppliers	48,706,380.11	59,485,930.70
Premiums receivables		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	87,328,253.55	70,182,460.52
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	1,216,207,972.47	1,347,112,731.03

Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	1,978,829,070.91	2,591,760,176.09
Total current assets	7,873,528,358.59	7,980,167,538.17
Non-current assets:		
Loans and advances		
Debt investment		
Available-for-sale financial assets		119,948,534.00
Other debt investments		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	2,687,049.11	2,617,851.16
Other equity instrument investments	119,948,534.00	
Other non-current financial assets		
Investment properties	117,081.74	121,575.14
Fixed assets	839,262,550.21	842,877,466.95
Construction in progress	236,345,778.78	184,440,655.49
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	190,282,031.65	193,974,179.90
Development expenditure		
Goodwill	80,589,565.84	80,589,565.84
Long-term unamortized expenses	1,446,968.60	4,933,280.77
Deferred income tax assets	97,394,605.70	39,564,040.41
Other non-current assets	10,266,672.24	6,126,821.00
Total non-current assets	1,578,340,837.87	1,475,193,970.66
Total assets	9,451,869,196.46	9,455,361,508.83
Current liabilities		
Short-term borrowing		
Borrowings from central bank		
Borrowing funds		
Trading financial liabilities		
Financial liabilities measured with fair value and with the changes included in current profit and loss		
Derivative financial liabilities		
Notes payable	453,858,650.24	411,414,985.01
Accounts payable	1,350,756,288.30	1,195,563,149.37
Advance from customers	1,114,184,967.13	1,170,088,458.14
Financial assets sold for repurchase		

Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	8,241,460.47	107,349,495.30
Tax payable	156,798,287.38	113,248,653.85
Other payables	228,982,475.40	234,490,187.04
Including: Interest payable		
Dividends payable		
Fees and commissions payable		
Dividend payable for reinsurance		
Contract liabilities		
Liabilities held for sales		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	3,312,822,128.92	3,232,154,928.71
Non-current liabilities		
Reserve fund for insurance contracts		
Long-term borrowing		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities		
Long-term payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	76,668,389.06	82,021,091.35
Deferred income tax liabilities	9,766,459.36	10,337,139.79
Other non-current liabilities		
Total non-current liabilities	86,434,848.42	92,358,231.14
Total liabilities	3,399,256,977.34	3,324,513,159.85
Owner's equity:		
Capital stock	949,024,050.00	949,024,050.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	401,799,332.67	401,689,801.42
Minus: treasury stock		3,456,989.00
Other comprehensive income		
Special reserve		
Surplus reserves	474,516,412.50	474,516,412.50
General risk preparation		
Undistributed profit	4,134,795,866.85	4,223,611,112.65
Total owners' equities attributable	5,960,135,662.02	6,045,384,387.57

to the owners of parent company		
Minority equity	92,476,557.10	85,463,961.41
Total owners' equities	6,052,612,219.12	6,130,848,348.98
Total liabilities and owners' equities	9,451,869,196.46	9,455,361,508.83

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

2. Balance sheet of parent company

Unit: yuan

Item	June 30, 2019	December 31, 2018
Current assets:		
Monetary capital	2,425,741,262.62	2,017,251,340.16
Trading financial assets		
Financial assets measured with fair value and with the changes included in current profit and loss		
Derivative financial assets		
Notes receivable	1,472,578,184.35	1,261,896,296.01
Accounts receivable	457,184,560.25	438,002,392.66
Receivables financing		
Advances to suppliers	54,947,245.23	48,995,796.40
Other receivables	66,587,170.91	64,301,240.95
Including: Interest receivable		
Dividends receivable		
Inventory	1,146,254,684.56	1,267,525,767.58
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	1,830,000,000.00	2,448,736,487.97
Total current assets	7,453,293,107.92	7,546,709,321.73
Non-current assets:		
Debt investment		
Available-for-sale financial assets		119,948,534.00
Other debt investments		
Held-to-maturity investment		
Long-term receivables		
Long-term equity investment	229,192,982.84	224,608,888.64
Other equity instrument investments	119,948,534.00	

Other non-current financial assets		
Investment properties	453,723.04	470,485.36
Fixed assets	812,032,765.31	815,345,909.65
Construction in progress	236,270,778.78	184,365,655.49
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	159,876,618.67	161,743,355.41
Development expenditure		
Goodwill		
Long-term unamortized expenses	1,446,968.60	4,933,280.77
Deferred income tax assets	96,519,807.28	38,723,474.50
Other non-current assets	10,266,672.24	6,126,821.00
Total non-current assets	1,666,008,850.76	1,556,266,404.82
Total assets	9,119,301,958.68	9,102,975,726.55
Current liabilities		
Short-term borrowing		
Trading financial liabilities		
Financial liabilities measured with fair value and with the changes included in current profit and loss		
Derivative financial liabilities		
Notes payable	453,448,650.24	409,057,910.01
Accounts payable	1,296,818,010.42	1,158,684,039.60
Advance from customers	1,044,743,117.02	1,067,652,543.09
Contract liabilities		
Payroll payable	52,779.70	88,814,022.76
Tax payable	149,939,253.77	99,200,231.67
Other payables	207,494,253.19	215,230,256.63
Including: Interest payable		
Dividends payable		
Liabilities held for sales		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	3,152,496,064.34	3,038,639,003.76
Non-current liabilities		
Long-term borrowing		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities		
Long-term payable		
Long-term payroll payable		
Estimated liabilities		

Deferred income	76,668,389.06	82,021,091.35
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	76,668,389.06	82,021,091.35
Total liabilities	3,229,164,453.40	3,120,660,095.11
Owner's equity:		
Capital stock	949,024,050.00	949,024,050.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	401,754,349.66	401,644,818.41
Minus: treasury stock		3,456,989.00
Other comprehensive income		
Special reserve		
Surplus reserves	474,516,412.50	474,516,412.50
Undistributed profit	4,064,842,693.12	4,160,587,339.53
Total owners' equities	5,890,137,505.28	5,982,315,631.44
Total liabilities and owners' equities	9,119,301,958.68	9,102,975,726.55

3. Consolidated Statement of Income

Unit: yuan

Item	2019 semiannual	2018 semiannual
I. Total operating income	3,527,413,882.96	3,496,662,565.47
Including: Operating income	3,527,413,882.96	3,496,662,565.47
Interest revenue		
Premium earned		
Fee and commission income		
II. Total operating costs	2,813,102,211.83	2,813,539,570.29
Including: Operating costs	1,599,401,962.81	1,628,645,402.72
Interest expenditure		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net reserve fund extracted for insurance contracts		
Bond insurance expense		
Reinsurance costs		
Taxes and surcharges	29,458,998.38	33,709,271.63
Selling expenses	990,044,906.61	964,745,068.44
Management costs	116,171,528.77	124,693,829.53
Research and development expenses	107,629,786.13	109,823,667.36

Financial expenses	-29,604,970.87	-48,077,669.39
Including: interest expenditure	201,831.98	
Interest revenue	30,307,927.32	48,117,978.17
Plus: other incomes	56,839,181.84	59,524,135.08
Income from investment (loss expressed with “-”)	39,858,974.49	40,770,279.62
Including: Income from investment of joint venture and cooperative enterprise	69,197.95	655,604.04
Income from derecognition of financial assets measured at amortized cost (loss expressed with “-”)		
Exchange gain (loss expressed with “-”)		
Net exposure hedging gain (loss expressed with “-”)		
Income from fair value changes (loss expressed with “-”)		
Credit impairment losses (loss expressed with “-”)	-8,952,029.23	
Assets impairment losses (loss expressed with “-”)		-8,585,478.93
Income from disposal of assets (loss expressed with “-”)	-296,672.23	62,757.28
III. Operating profits (loss expressed with “-”)	801,761,126.00	774,894,688.23
Plus: Non-operating income	1,611,946.09	5,676,533.87
Less: non-operating expenditure	2,882,444.05	1,127,717.43
IV. Total profits (total loss expressed with “-”)	800,490,628.04	779,443,504.67
Less: Income tax expenses	123,074,038.15	119,107,939.33
V. Net profits (net loss expressed with “-”)	677,416,589.89	660,335,565.34
(I) Classified by business continuity		
1. Net profits from going concern (net loss expressed with “-”)	677,416,589.89	660,335,565.34
2. Net profits from discontinuing operation (net loss expressed with “-”)		
(II) Classified by ownership		
1. Net profit attributable to owners of parent company	670,403,994.20	660,339,506.06
2. * Minority interest income	7,012,595.69	-3,940.72
VI. Net amount of other comprehensive income after tax		
Net amount of other comprehensive income after tax attributed to parent company owners		

(I) Other comprehensive income that can't be reclassified into profit and loss		
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss		
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change of other debt investments		
3. Changes in fair value through profit and loss of available-for-sale financial assets		
4. Amount of financial assets reclassified into other comprehensive income		
5. Held-to-maturity investment reclassified into available-for-sale financial assets		
6. Provision for credit impairment of other debt investments		
7. Cash flow hedging reserve		
8. Balance arising from the translation of foreign currency financial statements		
9. Others		
Net amount of other comprehensive income after tax attributed to minority shareholders		
VII. Total comprehensive income	677,416,589.89	660,335,565.34
Total comprehensive income attributed to parent company	670,403,994.20	660,339,506.06

owners		
Total comprehensive income attributed to minority shareholders	7,012,595.69	-3,940.72
VIII. Earnings per share		
(I) Basic earnings per share	0.71	0.70
(II) Diluted earnings per share	0.71	0.70

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

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

4. Income statement of parent company

Unit: yuan

Item	2019 semiannual	2018 semiannual
I. Operating income	3,259,793,326.67	3,291,884,090.12
Subtract: Operating costs	1,507,498,151.92	1,571,657,758.11
Taxes and surcharges	26,332,164.95	30,909,092.03
Selling expenses	867,885,223.87	858,436,066.98
Management costs	81,117,115.96	85,492,885.38
Research and development expenses	103,711,169.47	109,823,667.36
Financial expenses	-27,805,458.39	-47,426,377.03
Including: interest expenditure	201,831.98	
Interest revenue	28,247,326.34	47,277,406.17
Plus: other incomes	51,909,682.29	59,231,536.08
Income from investment (loss expressed with “-”)	36,964,336.66	40,770,279.62
Including: Income from investment of joint venture and cooperative enterprise	765,101.56	655,604.04
Income from derecognition of financial assets measured at amortized cost (loss expressed with “-”)		
Net exposure hedging gain (loss expressed with “-”)		
Income from fair value changes (loss expressed with “-”)		
Credit impairment losses (loss expressed with “-”)	-9,148,426.64	
Assets impairment losses (loss expressed with “-”)		-7,645,493.34
Income from disposal of assets (loss expressed with “-”)	-296,672.23	62,757.28

II. Operating profit (loss to be filled out with the minus sign "-")	780,483,878.97	775,410,076.93
Plus: Non-operating income	1,525,524.06	395,132.79
Less: non-operating expenditure	1,093,261.57	1,114,385.16
III. Total profit (total loss to be filled out with the minus sign "-")	780,916,141.46	774,690,824.56
Less: Income tax expenses	117,441,547.87	116,548,116.05
IV. Net profit (net loss to be filled out with the minus sign "-")	663,474,593.59	658,142,708.51
(I) Net profits from going concern (net loss expressed with “-”)		
(II) Net profits from discontinuing operation (net loss expressed with “-”)		
V. Net amount of other comprehensive income after tax		
(I) Other comprehensive income that can't be reclassified into profit and loss		
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss		
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change of other debt investments		
3. Changes in fair value through		

profit and loss of available-for-sale financial assets		
4. Amount of financial assets reclassified into other comprehensive income		
5. Held-to-maturity investment reclassified into available-for-sale financial assets		
6. Provision for credit impairment of other debt investments		
7. Cash flow hedging reserve		
8. Balance arising from the translation of foreign currency financial statements		
9. Others		
VI. Total comprehensive income	663,474,593.59	658,142,708.51
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Statement of Cash Flow

Unit: yuan

Item	2019 semiannual	2018 semiannual
I. Cash flow from financing activities:		
Cash from selling commodities or offering labor	3,607,783,677.83	4,289,207,480.55
Net increase of customer deposit and deposit from other banks		
Net increase of borrowings from central bank		
Net increase of borrowing funds from other financial institutions		
Cash from obtaining original insurance contract premium		
Cash received from insurance premium of original insurance contract		
Net increase of deposit and investment of insured		
Cash from interest, handling		

charges and commissions		
Net increase of borrowing funds		
Net increase of repurchase of business funds		
Net cash from acting trading securities		
Refund of tax and levies	533,442.61	136,806.08
Other cash received related to operating activities	95,145,745.57	147,143,124.04
Subtotal cash inflows from operating activities	3,703,462,866.01	4,436,487,410.67
Cash paid for selling commodities or offering labor	1,516,314,982.52	1,731,391,225.74
Net increase of customer loans and advances		
Net increase of amount due from central bank and interbank		
Cash paid for original insurance contract claims payment		
Net increase of financial assets held for trading		
Net increase of lending funds		
Cash paid for interest, handling charges and commissions		
Cash paid for policy dividend		
Cash paid to and for employees	354,764,621.08	350,023,153.85
Taxes and fees paid	402,678,055.37	392,338,495.82
Other cash paid related to operating activities	771,014,122.46	840,946,507.28
Subtotal cash outflows from operating activities	3,044,771,781.43	3,314,699,382.69
Net cash flow from operating activities	658,691,084.58	1,121,788,027.98
II. Cash flow from investment activities:		
Cash from investment withdrawal	1,718,000,000.00	1,219,875,796.46
Cash from investment income	47,573,034.00	35,783,979.45
Net cash from disposal of fixed assets, intangible assets and other long-term assets	171,800.00	62,135.92
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal cash inflows from investment activities	1,765,744,834.00	1,255,721,911.83
Cash paid for the purchase and construction of fixed assets, intangible assets and other long	151,414,551.72	67,492,369.86

term assets		
Cash paid for investment	1,126,500,000.00	1,600,000,000.00
Net cash received from reinsurance business		
Net cash paid for obtaining subsidiaries and other business units	5,000,000.00	
Other cash paid related to investment activities		30,000,000.00
Subtotal cash outflows from investment activities	1,282,914,551.72	1,697,492,369.86
Net cash flow from investment activities	482,830,282.28	-441,770,458.03
III. Cash flow from financing activities:		
Receipts from equity securities		
Including: Cash received from subsidies' absorption of minority shareholders' investment		
Cash received from borrowings		
Cash from issuance of bonds		
Other cash received related to financing activities		200,000.00
Subtotal cash inflows from financing activities		200,000.00
Cash repayments of amounts borrowed		
Cash paid for distribution of dividends or profits and for interest expenses	759,219,240.00	711,774,618.75
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities		
Subtotal cash outflows from financing activities	759,219,240.00	711,774,618.75
Net cash flow from financing activities	-759,219,240.00	-711,574,618.75
IV. Impact of exchange rate movements on cash and cash equivalents	116,415.75	267,232.10
V. Net increase of cash and cash equivalents	382,418,542.61	-31,289,816.70
Plus: Balance of cash and cash equivalents at the beginning of the period	2,177,219,858.85	2,562,788,024.38
Plus: Balance of cash and cash equivalents at the beginning of the period	2,559,638,401.46	2,531,498,207.68

6. Cash flow statement of parent company

Unit: yuan

Item	2019 semiannual	2018 semiannual
I. Cash flow from financing activities:		
Cash from selling commodities or offering labor	3,369,769,326.89	4,034,591,294.81
Refund of tax and levies		
Other cash received related to operating activities	80,284,290.10	125,906,164.99
Subtotal cash inflows from operating activities	3,450,053,616.99	4,160,497,459.80
Cash paid for selling commodities or offering labor	1,472,285,266.95	1,726,122,568.02
Cash paid to and for employees	278,362,198.01	281,546,075.14
Taxes and fees paid	361,186,090.14	353,930,726.47
Other cash paid related to operating activities	670,991,974.83	705,935,571.54
Subtotal cash outflows from operating activities	2,782,825,529.93	3,067,534,941.17
Net cash flow from operating activities	667,228,087.06	1,092,962,518.63
II. Cash flow from investment activities:		
Cash from investment withdrawal	1,500,000,000.00	1,219,875,796.46
Cash from investment income	44,678,396.17	35,783,979.45
Net cash from disposal of fixed assets, intangible assets and other long-term assets	171,800.00	62,135.92
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal cash inflows from investment activities	1,544,850,196.17	1,255,721,911.83
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	136,533,684.66	67,277,073.11
Cash paid for investment	909,500,000.00	1,600,000,000.00
Net cash paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		30,000,000.00
Subtotal cash outflows from investment activities	1,046,033,684.66	1,697,277,073.11
Net cash flow from investment activities	498,816,511.51	-441,555,161.28
III. Cash flow from financing		

activities:		
Receipts from equity securities		
Cash received from borrowings		
Cash from issuance of bonds		
Other cash received related to financing activities		200,000.00
Subtotal cash inflows from financing activities		200,000.00
Cash repayments of amounts borrowed		
Cash paid for distribution of dividends or profits and for interest expenses	759,219,240.00	711,774,618.75
Other cash paid related to financing activities		
Subtotal cash outflows from financing activities	759,219,240.00	711,774,618.75
Net cash flow from financing activities	-759,219,240.00	-711,574,618.75
IV. Impact of exchange rate movements on cash and cash equivalents	116,426.36	267,284.88
V. Net increase of cash and cash equivalents	406,941,784.93	-59,899,976.52
Plus: Balance of cash and cash equivalents at the beginning of the period	2,000,183,395.66	2,411,423,559.90
Plus: Balance of cash and cash equivalents at the beginning of the period	2,407,125,180.59	2,351,523,583.38

7. Consolidated statement of change in equity

Current amount

Unit: yuan

Item	2019 semiannual														
	Owners' equities attributable to the owners of parent company													Minority equity	Total owners' equities
	Capital stock	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk preparation	Undistributed profit	Other	Subtotal		
		Preferred stock	Perpetual bond	Others											
I. Ending balance in previous year	949,024,050.00				401,689,801.42	3,456,989.00			474,516,412.50		4,223,611,112.65		6,045,384,387.57	85,463,961.41	6,130,848,348.98
Plus: Changes in accounting policies															
Prior period error correction															
Business combination under common control															
Others															
II. Beginning balance in current year	949,024,050.00				401,689,801.42	3,456,989.00			474,516,412.50		4,223,611,112.65		6,045,384,387.57	85,463,961.41	6,130,848,348.98
III. Increase / decrease in the current period (less to					109,531.25	-3,456,989.00					-88,815,245.80		-85,248,725.55	7,012,595.69	-78,236,129.86

be filled out with the minus sign "-)															
(I) Total comprehensive income											670,403,994.20		670,403,994.20	7,012,595.69	677,416,589.89
(II) Owner's invested and decreased capital					109,531.25	-3,456,989.00							3,566,520.25		3,566,520.25
1. Common stock invested by the owner															
2. Capital invested by other equity instrument holders															
3. Amount of share-based payment included in the owner's equity					109,531.25	-3,456,989.00							3,566,520.25		3,566,520.25
4. Others															
(III) Profit distribution											-759,219,240.00		-759,219,240.00		-759,219,240.00
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk preparation															
3. Distribution of owners (or shareholders)											-759,219,240.00		-759,219,240.00		-759,219,240.00
4. Others															
(IV) Internal transfer of owner's equity															
1. Capital surplus transfer to paid-in capital (or capital stock)															
2. Earned surplus transfer to paid-in capital (or capital stock)															
3. Earned surplus covering the deficit															
4. Carryforward retained earnings in variation of defined benefit plan															
5. Carryforward retained earnings of other comprehensive income															
6. Other															
(V) Special reserve															
1. Draw in this current															
2. Use in this current															
(VI) Others															
IV. Balance at the end of current period	949,024,050.00				401,799,332.67				474,516,412.50		4,134,795,866.85		5,960,135,662.02	92,476,557.10	6,052,612,219.12

Last term amount

Unit: yuan

Item	2018 semiannual														
	Owners' equities attributable to the owners of parent company													Minority equity	Total owners' equities
	Capital stock	Other equity instruments			Capital reserve	Minus: treasury	Other comprehensive	Special rese	Surplus reserves	General risk prepar	Undistributed profit	Other	Subtotal		
		Prefe	Perpe	Oth											

		rred stock	tual bond	ers		stock	income	rve		ation					
I. Ending balance in previous year	949,032,825.00				399,598,507.63	24,153,010.00			474,516,412.50		3,461,806,065.78		5,260,800,800.91	-3,329,595.92	5,257,471,204.99
Plus: Changes in accounting policies															
Prior period error correction															
Business combination under common control															
Others															
II. Beginning balance in current year	949,032,825.00				399,598,507.63	24,153,010.00			474,516,412.50		3,461,806,065.78		5,260,800,800.91	-3,329,595.92	5,257,471,204.99
III. Increase / decrease in the current period (less to be filled out with the minus sign "-)					1,521,486.54	-20,332,210.00					-51,435,112.69		-29,581,416.15	-3,940.72	-29,585,356.87
(I) Total comprehensive income											660,339,506.06		660,339,506.06	-3,940.72	660,335,565.34
(II) Owner's invested and decreased capital					1,521,486.54	-20,332,210.00							21,853,696.54		21,853,696.54
1. Common stock invested by the owner															
2. Capital invested by other equity instrument holders															
3. Amount of					1,521,486.54	-20,332,210.00							21,853,696.54		21,853,696.54

share-based payment included in the owner's equity															
4. Others															
(III) Profit distribution											-711,774,618.75		-711,774,618.75		-711,774,618.75
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk preparation															
3. Distribution of owners (or shareholders)											-711,774,618.75		-711,774,618.75		-711,774,618.75
4. Others															
(IV) Internal transfer of owner's equity															
1. Capital surplus transfer to paid-in capital (or capital stock)															
2. Earned surplus transfer to paid-in capital (or capital stock)															
3. Earned surplus covering the deficit															

4. Carryforward retained earnings in variation of defined benefit plan															
5. Carryforward retained earnings of other comprehensive income															
6. Other															
(V) Special reserve															
1. Draw in this current															
2. Use in this current															
(VI) Others															
IV. Balance at the end of current period	949,032,825.00				401,119,994.17	3,820,800.00			474,516,412.50		3,410,370,953.09		5,231,219,384.76	-3,333,536.64	5,227,885,848.12

8. Statement of change in equity of parent company

Current amount

Unit: yuan

Item	2019 semiannual											
	Capital stock	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profit	Other	Total owners' equities
		Preferred stock	Perpetual bond	Others								
I. Ending balance in previous year	949,024,050.00				401,644,818.41	3,456,989.00			474,516,412.50	4,160,587,339.53		5,982,315,631.44
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in	949,024,				401,644,8	3,456,989.			474,516,4	4,160,5		5,982,315,63

current year	050.00				18.41	00			12.50	87,339.53		1.44
III. Increase / decrease in the current period (less to be filled out with the minus sign "-)					109,531.25	-3,456,989.00				-95,744,646.41		-92,178,126.16
(I) Total comprehensive income										663,474,593.59		663,474,593.59
(II) Owner's invested and decreased capital					109,531.25	-3,456,989.00						3,566,520.25
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity					109,531.25	-3,456,989.00						3,566,520.25
4. Others												
(III) Profit distribution										-759,219,240.00		-759,219,240.00
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)										-759,219,240.00		-759,219,240.00
3. Others												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Others												
IV. Balance at the end of current period	949,024,050.00				401,754,349.66				474,516,412.50	4,064,842,693.12		5,890,137,505.28

Last term amount

Unit: yuan

Item	2018 semiannual											
	Capital stock	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profit	Other	Total owners' equities
		Preferred stock	Perpetual bond	Others								
I. Ending balance in previous year	949,032,825.00				399,553,524.62	24,153,010.00			474,516,412.50	3,430,203,861.03		5,229,153,613.15
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in current year	949,032,825.00				399,553,524.62	24,153,010.00			474,516,412.50	3,430,203,861.03		5,229,153,613.15
III. Increase / decrease in the current period (less to be filled out with the minus sign "-")					1,521,486.54	-20,332,210.00				-53,631,910.24		-31,778,213.70
(I) Total comprehensive income										658,142,708.51		658,142,708.51
(II) Owner's invested and decreased capital					1,521,486.54	-20,332,210.00						21,853,696.54
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity					1,521,486.54	-20,332,210.00						21,853,696.54
4. Others												
(III) Profit distribution										-711,774,618.75		-711,774,618.75
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)										-711,774,618.75		-711,774,618.75

3. Others												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Others												
IV. Balance at the end of current period	949,032,825.00				401,075,011.16	3,820,800.00			474,516,412.50	3,376,571,950.79		5,197,375,399.45

III. Basic status of company

Hangzhou Robam Appliances Co., Ltd. (the "Company") is a limited liability company established by Hangzhou Robam Home Appliances & Kitchen Sanitary Co., Ltd. by means of overall change with the approval of Hangzhou Administration for Industry and Commerce, Zhejiang Province in August 2008 and now headquartered at No.592, Linping Av., Yuhang Economic Development Zone, Hangzhou, China.

The financial statements were approved by the Board of Directors of the Company on August 26, 2019.

Six subsidiaries are incorporated into the scope of consolidation of the Company in 2019. Please refer to "Interests in other entities" in Note 8 for details. The scope of consolidation is not changed in the current period compared to the previous period.

The Company and its subsidiaries are mainly engaged in the production and sales of kitchen appliances.

IV. Preparation basis of financial statements

1. Preparation basis

This company's financial statement is based on going-concern assumption and worked out according to actual transactions and matters, Accounting Standard for Business Enterprises --Basic Standard(issued by No.33 Decree of the Ministry of Finance and revised by No.76 Decree of the Ministry of Finance) issued by the Ministry of Finance, 42 special accounting standards enacted and revised on and after Feb 15, 2006, guideline for application of accounting standard for business enterprises, ASBE interpretations and other relevant regulations(hereinafter collectively referred to as "Accounting Standard for Business Enterprises") and No.15 of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public-- General Provisions of Financial Reports (revised in 2014) issued by China Securities Regulatory Commission.

According to the relevant provisions of the accounting standards for enterprises, the company's accounting is based on the accrual basis. Except for some financial instruments and investment real estate, the financial statements are based on historical cost. In case of impairment of assets, the relevant provisions shall be set aside for impairment.

2. Going concern

The Company has no events or circumstances that cause serious doubts about the going concern assumption for the 12 months from the end of the reporting period.

V. Significant accounting policy and accounting estimate

Specific accounting policy and accounting estimate:

The Company and its subsidiaries are engaged in the production and sales of kitchen appliances. The specific accounting policies and estimates developed by the Company and its subsidiaries for income recognition and other transactions according to the actual production and operation characteristics and the provisions of the relevant accounting standards for enterprises are detailed in "Income" in the notes. Statement of material accounting judgments and estimates made by the management is shown in "Material accounting judgments and estimates".

1. Statement on complying with corporate accounting standards

The Company's financial statements comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as of June 30, 2019, the semiannual business performance, cash flows and other relevant information for the year 2019. Moreover, the Company's financial statements meet the disclosure requirements for relevant financial statements and their notes in *No.15 of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public -- General Provisions of Financial Reports* revised by China Securities Regulatory Commission in all significant terms.

2. Accounting period

The accounting period of the Company is classified into annual period and interim period. The interim period refers to the reporting period shorter than a complete accounting year. The fiscal year of the Company runs from 1 January to 31 December of each calendar year.

3. Operating cycle

Normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle, which is used as the liquidity classification standard for assets and liabilities.

4. Accounting standard money

RMB is the currency in the main economic environment where the Company and its domestic subsidiaries operate, and is the accounting standard money for the Company and its domestic subsidiaries. The Company's currency used for compilation of the financial statements is RMB.

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

Business combination refers to a transaction or event that combines two or more separate businesses into one reporting entity. It is divided into business combination involving enterprises under common control and business combination not involving enterprises under common control.

(1) Business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. As for business combination under common control, the party that obtains the control right over the other enterprises participating in the combination on the combination date shall be the combining party, and the other enterprise participating in the combination shall be the combined party. Combination date means the date on which the combining party actually acquires control over the combined party.

Assets and liabilities acquired by the combining party shall be measured at the book value of the combined party on the combination date. The difference between the book value of the net assets obtained and the consideration paid for the combination (or total par value of issued shares) is adjusted against capital reserve (capital stock premium); if the capital reserve (capital stock premium) is not sufficient to absorb the difference, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combination not involving enterprises under common control

A business combination involving enterprises not under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. As for business combination not under common control, the party that obtains the control right over the other enterprises participating in the combination on the acquiring date shall be the acquirer, and the other enterprise participating in the combination shall be the acquiree. Acquiring date means the date on which the acquirer actually acquires control over the acquiree.

For the business combination not involving enterprises under common control, the combined cost includes the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the acquiring date for acquisition of the control right of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in the current profit and loss when they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities. The contingent consideration involved shall be included in the combined cost at its fair value on the acquiring date, and the consolidated goodwill shall be adjusted accordingly if new or further evidence of the existing situation on the acquiring date occurs within 12 months after the acquiring date requires adjustment of the contingent consideration. The combined costs incurred by the acquirer and the net identifiable assets acquired in the combination shall be measured at the fair value on the acquiring date. Where the cost of combination exceeds the acquirer’s interest in the fair value of the acquiree’s net identifiable assets, the difference is recognized as goodwill. Where the cost of combination is less than the acquirer’s interest in the fair value of the acquiree’s net identifiable assets, the acquirer first reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree’s net identifiable assets, the difference is included in the current profit and loss.

Where the deductible temporary difference acquired by the acquirer from the acquiree was not recognized on the acquiring date due to noncompliance with the conditions for the recognition of deferred income tax assets, relevant deferred income tax assets shall be recognized and the goodwill shall be reduced within 12 months after the acquiring date if new or further information is obtained indicating that the relevant circumstances of the acquiring date already exist and that the economic benefits arising from the deductible temporary difference of the acquiree on the acquiring date are expected to be realized. Where goodwill is insufficient to be offset, the difference shall be recognized as current profit and loss. Except above circumstances, the deferred income tax assets recognized related to the business combination are included in current profit and loss.

The merger of enterprises under different controls that is realized by steps through several times of exchange transaction shall be judged whether to belong a package deal according to the *Notice of the Ministry of Finance on Printing and Issuing No.5 Interpretation of ASBE* (CK [2012] No.19) and the criteria for “package deal” in Article 51 (see Note IV 5 (2)) of *Accounting Standard for Business Enterprises No.33 - Consolidated Financial Statements*. In case that it belongs to a package deal, each transaction shall be subject to accounting treatment according to the previous paragraphs and Note IV. 13 “Long-term equity investment” ; in case that it doesn’t belong to a package deal, the individual financial statements and the consolidated financial statements shall be distinguished and subject to the relevant accounting treatment respectively:

In the individual financial statements, the sum of the book value of the equity investment held in the acquiree before the acquiring date and newly increased investment cost on the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be subject to accounting treatment when disposing of the investment through adopting the basis for the direct disposal of relevant assets or debts (that is, except for the corresponding share in the change caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquirer calculated in accordance with the equity method, the remaining amount is transferred into the current investment gains).

In the consolidated financial statements, as for the equity interests held in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the difference between their fair values and book value shall be recorded into the investment gains for the period including the acquiring date.

Other related comprehensive gains in relation to the equity interests held in the acquiree before the acquiring date shall be subject to accounting treatment through adopting the basis for the direct disposal of relevant assets or debts (that is, except for the corresponding share in the change caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the acquirer calculated in accordance with the equity method, the remaining amount transferred into current investment gains on the acquiring date).

6. Methods for preparing consolidated financial statements

(1) Determination principle of scope of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to influence the amount of returns. The Company and all subsidiaries shall be included in the scope of consolidation. A subsidiary refers to the entity controlled by the Company.

Relevant elements involved in the above definition will be reevaluated by the Company if they are changed by the change in relevant facts and circumstances.

(2) Preparation of consolidated financial statements

The Company starts to incorporate the subsidiary into the scope of consolidation from the date of acquiring the actual control right of the net assets and the production and operation decisions of the subsidiary; and stops incorporating from the date of loss of the actual control right. For a subsidy disposed of, the business performance and cash flow prior to the date of disposal have been properly included in the consolidated income statement and consolidated cash flow statement; the opening balance of the consolidated balance sheet shall not be adjusted for the subsidiary disposed of in the current period. For a subsidiary added in the business combination not under common control, the business performance and cash flow after the acquiring date have been properly included in the consolidated income statement and consolidated cash flow statement and the opening balance and contrast number in the consolidated financial statements shall not be adjusted. For a subsidiary added in the business combination under common control and the combined party in consolidation by merger, their business performance and cash flows from the beginning of the combination period to the combination date have been properly included in the consolidated income statement and consolidated cash flow statement and the contrast number in the consolidated financial statements shall be adjusted.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For the subsidiary acquired in the business combination not under common control, its financial statements are adjusted on the basis of the fair value of the net identifiable assets on the acquiring date.

All significant current balances, transactions and unrealized profits of the Company shall be set off when the consolidated financial statements are prepared.

The portion of subsidiaries' equity and the portion of subsidiaries' current net profits and losses for the period not attributable to Company are recognized as minority interests and minority interest income and presented separately in the consolidated financial statements under equity and net profits respectively. The share of the subsidiaries' current net profits and losses attributable to the minority interests shall be presented in the consolidated income statement under minority interest income. If the minority shareholders' share of the subsidiary's losses exceeds their share of the subsidiary's initial shareholders' equity, the minority interests shall still be offset.

When the Company loses the control right over the original subsidiary due to disposal of part of the equity investment or other reasons, the residual equity shall be re-measured at its fair value on the date of losing the control right. The difference between the sum of the consideration acquired by disposal of the equity and the fair value of the residual equity, and the share of the net assets of the original subsidiary continuously calculated from the acquiring date according to the original shareholding ratio, shall be included in the investment income in the period of lose of the control right. Other comprehensive income related to the equity investment of the original subsidiary is subject to accounting treatment through adopting the basis for the direct disposal of relevant assets or debts (that is, except for the change caused by the remeasurement of the net liabilities or net assets of the defined benefit plan by the original subsidiary, the remaining amount transferred into current investment income). Subsequently, the residual equity of this part shall be further measured in accordance with the *Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investments* or *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* and other relevant provisions, as shown in Note IV. 13 "Long-term equity investment" or Note IV. 9 "Financial instruments".

For disposal of the equity investment in the subsidiary by steps through several times of transaction till loss of the control right, the Company shall distinguish whether the deals for disposal of the subsidiary's equity investment until the loss of the control right are package deals. If the terms, conditions, and economic impact of the disposal of deals relating to the equity investment in the subsidiary comply with one or more of the following cases, multiple deals shall be accounted for as a package deal: ① These deals are made simultaneously or with each other in mind; ② These deals as a whole will lead to a complete business outcome; ③ The occurrence of one deal depends on the occurrence of at least one other deal; ④ A single deal is uneconomic, but when considered together with other deals, it is economic. If they don't belong to a package deal, each deal shall be subject to accounting treatment as appropriate respectively according to the applicable principles of "disposal of part of long-term equity investment in the subsidiary before losing control rights" (see Note IV. 13. (2) ④) and "lose the control right over the original subsidiary due to disposal of part of the equity investment or other reasons" (see the preceding paragraph). If the deals for disposal of the subsidiary's equity investment until the loss of the control right belong to a package deal, the deals shall be subject to accounting treatment as a deal for disposal of subsidiary and loss of the control right; however, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment before the loss of control right is recognized as other comprehensive income in the consolidated financial statements and transferred into the current profit and loss in the period of loss of control right.

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

A joint venture arrangement is an arrangement of which two or more parties have joint control. According to the rights and obligations in the joint venture arrangement, the Company divides the joint venture arrangement into joint management and joint venture. Joint management means the joint venture arrangement in which the Company enjoys the assets and assumes the liabilities related to the arrangement. Joint venture means the joint venture arrangement in which the Company has rights only to the net assets of the arrangement.

The Company's investment in the joint venture shall be accounted by the equity method and shall be treated in accordance with the accounting policy described in Note IV. 13. (2) ② "long-term equity investment measured by employing the equity method".

When as a joint venture party, the Company confirms the following items in joint management: confirm the asset held solely and the asset held jointly as per share; confirm the liability borne solely and the liability borne jointly as per share; confirm the income from selling the enjoyed joint management output share; confirm the income from selling the joint management output as per share; confirm the expense incurred solely and the expense incurred by joint management as per share.

The company outputs or sells the asset to joint management (except the asset constitutes the business), and before the joint management sells the asset to the third party, the part belonging to other participants in the profit and loss incurred by the deal is only confirmed. In case that the asset confirms to the asset impairment loss specified in *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the Company shall confirm the full loss; in the case of the asset purchased from joint management, the Company shall confirm the part loss as per share.

8. Determining standards of cash and cash equivalents

The cash and cash equivalents represent the cash on hand, deposits readily available for payment, short-term (generally due within three months from the date of purchase), highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

9. Foreign currency transaction and foreign currency statement translation

(1) Translations denominated in foreign currencies

A foreign currency transaction of the Company is translated as bookkeeping currency amount, on initial recognition, by applying the spot exchange rate on the date of transaction (generally the middle rate of the foreign exchange rate published by the People's Bank of China on the day), but the foreign exchange transactions or transactions involving foreign exchange of the Company shall be translated into the bookkeeping currency amount at the actual exchange rate.

(2) Translation of foreign currency monetary items and non-monetary items in foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. Exchange differences arising therefrom are recognized in current profit and loss, except: ① the exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are treated according to the capitalization of borrowing costs; ② the exchange differences caused by changes in the book balance other than the amortized cost of foreign currency monetary items available for sale are charged to other comprehensive income.

Non-monetary items in foreign currency measured by the historical cost are still measured according to the bookkeeping currency amount converted by the spot rate on the transaction date. Non-monetary items in foreign currency measured by fair value are converted by the spot rate on the recognition date of the fair value. The difference between the bookkeeping currency amount after conversion and the original bookkeeping currency amount is treated as the fair value change (including exchange rate change) and charged to current profit and loss or recognized as other comprehensive income.

(3) Translation of financial statements denominated in foreign currencies

Where the overseas operations are involved in the preparation of the consolidated financial statements, for a foreign currency monetary item which constitutes a net investment in overseas operations, the exchange difference resulting from the change of exchange rate shall be recognized as other comprehensive income as the “translation differences” or shall be included in the current profit and loss on disposal of overseas operations.

Financial statements of a foreign operation are translated into RMB using the following method: the asset and liability items in the foreign currency balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the shareholder's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement are converted at the spot rate on the date of transaction. The undistributed profit at the beginning of the period is the undistributed profit at the end of the period after the translation of the previous year; the undistributed profit at the end of the period shall be calculated and presented in the items of profit distribution after translation; the difference between the asset and liability items and the total number of stockholder's equity item after translation shall be recognized as other comprehensive income as the "translation differences. Upon disposal of foreign operation and loss of control right, the Company transfers the translation differences of foreign currency statements presented in stockholder's equity in the balance sheet and relating to that foreign operation, to the current profit and loss in full or in proportion to the weight in the foreign operation.

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

The opening balance and the actual amount previous period shall be presented according to the amount after translation of the financial statements for the previous period.

On disposal of the Company's entire interest in a foreign operation or loss of control right over the foreign operation due to disposal of part of equity investment or other reasons, the Company transfers the translation differences of foreign currency statements presented in stockholder's equity in the balance sheet and relating to that foreign operation, to the current profit and loss in full.

When the proportion of the overseas operation interests held is reduced due to the disposal of part of equity investment or other reasons, but the control right of overseas operation is not lost, the converted difference of the foreign currency financial statements related to the overseas operation disposal part will belong to the minority equity, and will not be transferred into the current profit and loss. Upon disposal of part of the equity of an overseas operation as a joint venture or cooperative enterprise, the converted difference of the foreign currency statements related to the overseas operation shall be transferred to the current profit and loss according to the proportion of disposing the overseas operation.

10. Financial instruments

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

(1) Classification, recognition and measurement of financial assets

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

The financial assets are measured at fair value upon initial recognition. For the financial assets measured with fair value and with the changes included in current profit and loss, relevant transaction costs are directly charged to the current profit and loss; for other types of financial assets, relevant transaction costs are charged to initially recognized amount. For accounts receivable or notes receivable arising from selling commodities or offering labor, not containing or taking into account material financing elements, the Company shall take the amount of consideration expected to be entitled to receive as the initial recognized amount.

① Financial assets measured at the amortized cost

The Company's business model for managing financial assets at amortized cost is to collect contractual cash flows and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flow generated on a specific date is only for the payment of the principal and the interest based on the outstanding principal amount. Such financial assets are subsequently measured at the amortized cost by means of effective interest method. The gain or loss generated in amortization or impairment is charged to current profit and loss.

② Financial assets measured at fair value of which changes are recorded into other comprehensive income

The Company's business model for managing such financial assets is to collect contractual cash flows and to sell and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value and their changes are recorded into other comprehensive income, but impairment losses or gains, exchange gains and losses and interest income calculated in by effective interest method are charged to current profit and loss.

The Company designates some non-transactional equity instruments as the financial assets measured at fair value of which changes are recorded into other comprehensive income. Relevant dividends income of such financial assets are recorded into the current profit and loss and the change in the fair value is recorded into other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously recorded in other comprehensive income will be transferred from other comprehensive income to retained earnings, not included in current profit and loss.

③ FVTPL

The above financial assets measured at the amortized cost and the financial assets measured at fair value of which changes are recorded into other comprehensive income are classified as financial assets at fair value through profit or loss ("FVTPL"). In addition, in order to eliminate or significantly reduce the accounting mismatch on initial recognition, some financial assets are designated as FVTPL. Such financial assets are subsequently measured at the fair value and the change in the fair value is recorded into current profit and loss.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities, upon initial recognition, are divided into those measured with fair value and with the changes included in current profit and loss and other financial liabilities. For the financial liabilities measured with fair value and with the changes included in current profit and loss, relevant transaction costs are directly charged to the current profit and loss; for other financial liabilities, relevant transaction costs are charged to initially recognized amount.

① Financial liabilities measured with fair value and with the changes included in current profit and loss

Financial liabilities measured with fair value and with the changes included in current profit and loss, including the trading financial liabilities (including derivative instruments belonging to financial liabilities) and the financial liabilities measured with fair value and with the changes included in current profit and loss upon initial recognition.

The trading financial liabilities (including derivative instruments belonging to financial liabilities) are subsequently measured at the fair value. Except with respect to hedging, the change in the fair value is recorded into current profit and loss.

As for a financial liability measured with fair value and with the changes included in current profit and loss, the change in the fair value caused by the credit risk change of the Company is recorded into other comprehensive income and when the liability is derecognized, the accumulated change amount of the fair value caused by the credit risk change and recorded into other comprehensive income is transferred to retained earnings. The rest changes in the fair value of the derivative instruments are recorded into the current profit and loss. If the treatment of the influence of the credit risk change of such financial liability by above method will cause or enlarge the accounting mismatch in the profits and losses, all profits or losses (including the amount affected by the credit risk changes of the Company) of the financial liability will be recorded into current profit and loss.

② Other financial liabilities

The financial liabilities, other than the financial liabilities and financial guarantee contracts formed by the transfer of financial assets not conforming to the derecognition conditions or by continuing to involve in the transferred financial assets, are classified as financial liabilities measured at amortized cost, and shall be further measured at the amortized cost. Profits or losses arising from the derecognition or amortization are recorded into current profit and loss.

(3) Recognition basis and measurement method for transfer of financial assets

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

If the enterprise does neither transfer nor retain almost all risks and remuneration of the financial asset ownership, nor give up the control over the financial asset, relevant financial asset is recognized according to the degree of the transferred financial assets continued to be involved and relevant liability is recognized accordingly. The degree of the transferred financial assets continued to be involved refers to the risk level faced by the enterprise due to the financial asset value change.

If the overall transfer of the financial asset meets the de-recognition conditions, the difference of the book value of the transferred financial asset from the sum of the consideration received and the cumulative amount of the fair value changes originally included in other comprehensive income is charged to the current profit and loss.

If the partial transfer of the financial asset meets the de-recognition conditions, the book value of the transferred financial asset is distributed between the derecognized and non-derecognized part according to the relative fair value and the difference of the sum of the consideration received from transfer and the cumulative amount of the fair value changes in the derecognized part originally included in other comprehensive income from the distributed book value is charged to current profit and loss.

For the financial asset sold in the form of attached right of recourse or endorsement transfer of the held financial asset, the Company shall determine whether almost all risks and remuneration in the financial asset ownership have been transferred. If almost all risks and remuneration in the financial asset ownership have been transferred to the transferee, the Company de-recognizes the financial asset; if almost all risks and remuneration in the financial asset ownership have been reserved, the Company does not de-recognize the financial asset; if almost all risks and remuneration in the financial asset ownership are neither transferred nor reserved, the Company continues to judge whether the enterprise has reserved control over the asset and performs accounting treatm ent according to the principles in above-mentioned paragraphs.

(4) De-recognition of financial liabilities

The Company derecognizes a financial liability (or part of it) only when the present obligation is discharged. An agreement between the Company (borrower) and a lender to replace the original financial liability with a new one with substantially different terms is accounted for as the derecognition of the original financial liability and the recognition of a new financial liability. When the Company makes material alteration to the contract terms of the original financial liability (or part of it), it derecognizes the original financial liability and recognizes a new one according to the altered terms.

When a financial liability (or part of it) is derecognized, the difference between the book value of the derecognized part and the consideration paid (including non-cash asset transferred out or the liability undertaken) is charged to current profit and loss.

(5) Offset of financial assets and financial liabilities

The financial asset and financial liability are listed in the balance sheet in the form of amount after mutual offset when the Company has the legal right to offset the recognized financial asset and financial liability, may execute the legal right currently and plans to settle with net amount or realize the financial asset and pay off the financial liability simultaneously. Besides, the financial assets and financial liabilities are listed respectively in the balance sheet and not mutually offset.。

(6) Fair value determination method of financial assets and financial liabilities

Fair value refers to the price received by the market participant from sell of an asset or paid by the market participant for transfer of a liability in the orderly transaction in the date of measurement. If an active market exists for a financial instrument, the fair value of such instrument is recognized by the quotation in the active market. Quotation in the active market refers to the price easily obtained from the exchanges, brokers, trade associations and pricing services regularly and representing the actual market transaction price in the fair transaction. If an active market is not available for a financial instrument, its fair value is recognized by means of valuation techniques, including reference to the price used by the parties familiar with the situation and willing to trade in the recent market transaction and reference to the current fair value, discounted cash flow method and options pricing model of other financial instruments identical essentially. Upon valuation, the Company adopts valuation techniques applicable to the current situation and supported by sufficient available data and other information, selects input values consistent with the asset or liability characteristics considered by market participants in the transaction of related assets or liabilities, and gives priority to relevant observable input values. The Company uses non-inputable values when relevant observable input values cannot be obtained or are not practicable to obtain.

(7) Equity instruments

The equity instrument refers to the contract proving that the Company has the residual equity in the assets after deducting all liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as changes in equity, and transaction costs related to equity transactions are deducted from the equity. The Company does not recognize the fair value change of the equity instruments.

Dividends paid on the Company's equity instruments during their existence (including the "interest" generated by the instruments classified as equity instruments) shall be distributed as profits.

11. Accounts receivable

The financial assets for which the Company needs to confirm the impairment loss are the financial assets measured at the amortized cost, debt instrument investments measured at fair value of which changes are recorded into other comprehensive income, and lease receivables, mainly including notes receivable, accounts receivable, other receivables, equity investments, other equity investments and long-term receivables. In addition, for the contract assets and part of the financial guarantee contracts, the provision for impairment is withdrawn and credit impairment loss is recognized in accordance with the accounting policies mentioned in this part.

(1) Recognition of provision for impairment

On the basis of the expected credit loss, the Company shall calculate and withdraw the provision for impairment and recognize the credit impairment loss for the above items in accordance with the applicable expected credit loss measurement methods.

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

The general method for the measurement of expected credit losses is as follows: on each balance sheet date, the Company evaluates whether the credit risks of financial assets (including contract assets and other applicable items, similarly hereinafter) have increased significantly since the initial recognition. If so, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; if not, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the next 12 months. The Company takes into account all reasonable and substantiated information, including forward-looking information, in assessing expected credit loss.

For a financial instrument with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition, and chooses to measure the loss provision according to the expected credit loss in the next 12 months.

(2) Criteria for judging whether the credit risk increases significantly after the initial confirmation

If the probability of default of a financial asset in the expected duration determined on the balance sheet date is significantly higher than that in the expected duration determined upon initial recognition, the credit risk of the financial asset has significantly increased. Except for special cases, the Company determines whether the credit risk has significantly increased after initial recognition by reasonably estimating the default risk changes in the whole duration through the default risk changes in the next 12 months.

(3) Combination method to assessing expected credit risk on a combination basis

The Company makes single assessment of the credit risks for the notes receivable, accounts receivable and other receivables with significantly different credit risks and the following features, such as accounts receivable from related parties; accounts receivable in dispute with the other party or involving litigation or arbitration; accounts receivable with obvious signs that the debtor is likely to be unable to perform the repayment obligations.

In addition to the financial assets that are subject to single assessment of credit risks, the Company divides financial assets into different groups based on common risk characteristics, and evaluates credit risk on the basis of combination.

(4) Accounting treatment method of financial assets impairment

At the end of the period, the Company calculates the expected credit loss of various financial assets. If the expected credit loss is greater than the carrying amount of the current impairment provision, the difference is recognized as an impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.

(5) Recognition of credit losses on financial assets

For financial assets that are subject to single assessment of credit risks, the Company shall always measure the loss provision according to the amount equivalent to the expected credit loss within the duration.

Based on the credit risk characteristics, the financial assets without credit impairment in the single assessment are divided into different combinations:

① Recognition basis for credit risk characteristic combination

Item	Basis for recognition of combination
Combination 1 (aging combination)	Except for accounts receivable and other receivables which have been separately measured for loss provision, the Company determines loss provision based on forward-looking information and expected credit losses of a combination of the same or similar accounts receivable and other receivables that have similar credit risk characteristics and are divided by aging in previous years. Commercial acceptance is divided according to the credit risk of the

	acceptor, which is the same as the combination division of "accounts receivable"
Combination 2 (combination of financial assets with extremely low credit risk)	Banker's acceptance with extremely low credit risk
Combination 3 (combination of related parties in the consolidation scope)	Receivables of related parties

Aging analysis is based on the date of entry.

② When the credit risk assessment is implemented by combination, the Company shall measure the expected credit loss based on the expected duration and recognize the loss provision of the financial assets according to the combination structure of financial assets and similar credit risk characteristics (the cash payment on account ability of the debtor in accordance with the terms of the contract) and combined with the historical experience of default losses and current economic conditions and forward-looking information.

Accrual method of loss provisions measured by different combinations:

Item	Accrual method
Combination 1 (aging combination)	Calculate the expected credit loss according to the expected credit loss rate of accounts receivable with different aging
Combination 2 (combination of financial assets with extremely low credit risk)	The expected credit loss rate is 0 and the expected credit loss is 0
Combination 3 (combination of related parties in the consolidation scope)	The expected credit loss rate is 0 and the expected credit loss is 0

③ The expected credit loss rate of each combination is shown as follows:

Combination 1 (aging combination): expected credit loss rate

Aging	Expected credit loss rate of accounts receivable (%)	Expected credit loss rate of other receivables (%)
Within 1 year (including 1 year, the same below)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	20.00	20.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
More than 5 years	100.00	100.00

(Continued)

Aging	Accruing proportion of notes receivable (%)
Within 6 months (including 6 months)	1.00
More than 6 months:	2.00

Combination 2 (combination of financial assets with extremely low credit risk): the expected credit loss rate is 0 combined with the historical experience of default losses and current economic conditions and forward-looking information;

Combination 3 (combination of related parties): the expected credit loss rate is 0 combined with the historical experience of default losses and current economic conditions and forward-looking information;

Combination 4 (margin combination): the expected credit loss rate is 0 combined with the historical experience of default losses and current economic conditions and forward-looking information.

12. Other receivables

See accounts receivable in this note for details

13. Inventory

Does the Company need to follow the disclosure requirements of special industries

No

(1) Classification of inventories

Inventories include goods shipped in transit, merchandise inventory, raw materials, work in progress, low priced and easily worn articles and wrappage.

(2) Pricing methods for inventory obtaining and shipping

The inventories are price according to the actual cost when obtained, including purchase cost, processing cost and other costs, and are priced by the weighted average method when received and issued.

(3) Recognition of net realizable value of inventories and accrual method of falling price reserves

The net realizable value of inventories is the amount of the estimated sale price of the inventories subtracted by the estimated cost about to occur in completion, estimated selling expenses and related taxes in daily activities. The net realizable value of inventories is recognized on the basis of the unambiguous evidence and with consideration to the purpose of the inventories held and the influence of the post-balance sheet events.

The inventories are measured on the balance sheet date according to the cost of inventories or net realizable value, whichever is lower. The inventory falling price reserves are withdrawn when the net realizable value is lower than the cost. The inventory falling price reserves are withdrawn according to the difference between the cost of a single inventory item and its net realizable value.

If the influence factors writing down the inventory value before have disappeared after withdrawal of the inventory falling price reserves, resulting in the net realizable value of the inventories higher than the book value, the amount written down is recovered and written back within the originally withdrawn amount of inventory falling price reserves and the amount written back is included in current profits and losses.

(4) The perpetual inventory system is adopted for the inventories.

(5) Amortization methods of low priced and easily worn articles and wrappage

The low priced and easily worn articles and the wrappage are amortized by one-off amortization method when received.

14. Assets held for sales

If the Company recovers the book value of an asset mainly through the sale (including the non-monetary assets exchange of commercial nature, the same hereinafter) rather than continuous use of a non-current asset or disposal group, such asset is classified as an asset held for sales when meeting the following conditions simultaneously: a non-current asset or disposal group is immediately available for sales in the present condition, as is the practice of selling such asset or disposal group in a similar deal; the Company has made a resolution on the sale plan and gained definitive purchase commitments; the sale is expected to be finished within one year. The disposal group refers to a group of assets disposed of as a whole in a deal by sale or otherwise together, and liabilities directly related to those assets transferred in the deal. Where the asset group or asset group combination to which the disposal group belongs has shared the goodwill acquired in the business combination in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the disposal group shall contain the goodwill allocated to the disposal group.

Upon initial measurement or remeasurement of the non-current asset and disposal group held for sale on the balance sheet date, if the book value is higher than the net amount of the fair value minus the selling expense, the book value is written down to the net amount of the fair value minus the selling expense, the amount written down is recognized as the assets impairment loss and included in the current profit and loss. The provision for impairment of available for sale assets is withdrawn. The assets impairment loss recognized for the disposal group shall first offset the book value of goodwill in the disposal group and then offset proportionally the book value of the non-current assets in the disposal group applying the *Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations* ("held for sale criteria"). Where the net amount of the fair value of the held for sale disposal group minus the selling expense is increased on the balance sheet date, the amount written down previously should be recovered and written back in the assets impairment loss amount recognized for the non-current assets applying the held for sale criteria after classified as asset held for sales. The amount written back is recorded into current profit and loss and its book value is increased proportionally according to the proportion of the book value of the non-current assets applying the held for sale criteria, except goodwill, in the disposal group; the book value of the goodwill written down and the assets impairment loss recognized for the non-current assets applying the held for sale criteria before classified as held for sale category shall not be written back.

The depreciation or amortization is not withdrawn for the non-current assets held for sale or for those in the disposal group, and the interest and other expenses on liabilities held for sale in the disposal group continue to be recognized.

The non-current assets or disposal group, if no longer meeting the classification conditions for held for sale category, are not classified as the held for sale category and the non-current assets shall be removed from the disposal group held for sale and measured according to the lower of the following two: (1) amount after adjustment according to the depreciation, amortization, or impairment that would have been recognized if it had not been classified as held for sale category, as for the book value before classified as held for sale category; (2) recoverable amount.

15. Long-term equity investment

Long-term equity investment referred to in this part refers to the long-term equity investment in which the Company has control, joint control or significant influence over the investee. Long-term equity investment, in which the Company has no control, joint control or significant influence over the investee, is calculated as available-for-sale financial assets or FVTPL and its accounting policies are shown in Note IV. 9 "Financial instruments".

Joint control refers to the Company's common control over an arrangement in accordance with the relevant agreement, and the related activities of the arrangement can only be decided upon the unanimous consent of the parties sharing the control. Significant influence means that the company has the power to participate in the formulation of financial and operating policies of the investee, but not the power to control or jointly control the formulation of these policies together with other parties.

(1) Recognition of investment cost

For the long-term equity investment acquired through business combination under common control, the share of the book value of the owner's equity of the combining party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. Where equity securities are issued as consideration for combination, the share of the book value of the owner's equity of the combining party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment and the total par value of the issued shares is regarded as the capital stock. The difference between the initial cost of long-term equity investment and the total par value of the issued shares is adjusted against capital reserve; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be adjusted. If the Company acquires the equity of the combined party under common control by steps through several deals and finally forms business combination under common control, such deals shall be judged whether to belong to "package deal": if so, the deals shall be subject to accounting treatment as a deal to obtain the control right. If not, the share of the book value of the owner's equity of the combining party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination plus the book value of the new consideration for shares on the combination date is adjusted against capital reserve; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be adjusted. The other comprehensive income of the equity investment held before the combination date, which is accounted by the equity method or recognized for the available-for-sale financial assets, shall not be subject to accounting treatment for the time being.

For the long-term equity investment acquired through business combination not under common control, the combined cost on the acquiring date is the initial investment cost of the long-term equity investment and includes the sum of the fair values of the assets paid by the acquired, liabilities incurred or assumed and equity securities issued. If the Company acquires the equity of the acquiree by steps through several deals and finally forms business combination under common control, such deals shall be judged whether to belong to "package deal": if so, the deals shall be subject to accounting treatment as a deal to obtain the control right. If not, the sum of the book value of the equity investment held in the acquiree and newly increased investment cost shall be considered as initial cost of the long-term equity investment that calculates according to cost method. Where the equity originally held is accounted for by the equity method, other relevant comprehensive income shall not be subject to accounting treatment for the time being. If the original equity investment is an available-for-sale financial asset, the difference between its fair value and book value, as well as the change in the accumulated fair value that was originally recorded in other comprehensive income, shall be transferred to the current profit and loss.

The intermediary expenses incurred by the combining party or acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in the current profit and loss when they are incurred.

Equity investments other than long-term equity investments formed by business combination shall be initially measured at cost, which shall be recognized depending on the acquiring method of the long-term equity investments, according to the cash purchase price actually paid by the Company, fair value of equity securities issued by the Company, conventional value in the investment contract or agreement, fair value or original book value of the assets surrendered in the exchange of non-monetary assets and fair value of the long-term equity investments. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. Where the Company can exert significant influence on the investee or implement joint control but does not control the investee through additional investment, the long-term equity investment cost is the sum of the fair value of the original equity investment recognized according to the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* and the additional investment cost.

(2) Subsequent measurement and recognition methods of profits and losses

The company employs the equity method to account the long-term equity investment that the invested entity has control over (except those constituting joint operators) or has significant impact on the invested entity. Moreover, the long-term equity investment that can control the investee can be checked by the cost method in the Company's financial statements.

① Long-term equity investment checked by cost method

Under the cost method, a long-term equity investment is measured at initial investment cost and the cost of adjusting long-term equity investment is added or recovered. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

② Long-term equity investment checked by equity method

For checking by the equity method, the initial investment cost of the long-term equity investment is not adjusted if it is greater than the fair value share of the net identifiable assets of the investee in the investment; if the initial investment cost of the long-term equity investment is smaller than the fair value share of the net identifiable assets of the investee in the investment, the balance is charged to current profit and loss and the cost of the long-term equity investment is adjusted.

Under the equity method, the Company recognizes the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the investee, and adjusts the boot value of the long-term equity investment accordingly; the Company decreases the book value of the long-term equity investment accordingly in accordance with the share of the profit distribution or cash dividends declared by the investee; for changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income and profit distribution, the Company adjusts the book value of the long-term equity investment and records in the capital reserves. The share of the net profits and losses of the investee to be enjoyed shall be recognized after adjustment of the new profits of the investee on the basis of the fair value of the identifiable assets of the investee when the investment is obtained. Where the accounting policies and accounting periods adopted by the investee are inconsistent with those of the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be recognized accordingly. Where the assets invested or sold for the deals of the Company with joint ventures and cooperative enterprises do not constitute a business, the part of the unrealized internal deal profits and losses attributable to the Company is offset according to the enjoyed proportion and the profit and loss on investments are recognized on this basis. However, unrealized internal deal loss between the Company and the investee is not offset if attributable to the impairment loss of transferred assets. Where the assets invested by the Company in a joint venture or cooperative enterprise constitute a business and the investor thus acquires long-term equity investment but does not acquire the control right, the fair value of the invested business is the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business is fully recorded into the current profit and loss. Where the assets sold by the Company to a joint venture or cooperative enterprise constitute a business, the difference between the acquired consideration and the book value of the business is fully recorded into the current profit and loss. Where the assets purchased by the Company from a joint venture or cooperative enterprise constitute a business, the Company shall make accounting treatment according to the *Accounting Standards for Business Enterprises No. 20 - Business Combination* and recognize any gains or losses associated with the deal in full.

The net loss of the investee to be shared is recognized within the limit of the book value of long-term equity investment and other long-term equity substantially constituting the net investment of the investee written down to zero. Moreover, if the Company has the obligation to bear the additional loss of the investee, the estimated liabilities are recognized according to the expected obligation and charged to the current investment loss. If the investee achieves the net profits in the later periods, the Company recovers to recognize the gain sharing amount after making up for the unrecognized loss sharing amount with the gain sharing amount.

③ Acquisition of minority equity

In preparing the consolidated financial statements, the difference between the long-term equity investment increased for purchase of minority equity and the share of the net assets to be enjoyed and continuously calculated from the acquiring date (or combination date) according to the increased shareholding ratio is adjusted against capital reserve; if the capital reserve is not sufficient to absorb the difference, the retained earnings shall be adjusted.

④ Disposal of long-term equity investment

In consolidated financial statement, when the parent company disposes of part of long-term equity investment in the subsidiary before losing control rights, the difference between the disposal price and the disposal of long-term equity investment that corresponds to the net assets of the subsidiary shall be included in the stockholder's equity; when the parent company loses its control rights over the subsidiary because of the disposal of part equity investment, the accounting treatment shall be conducted according to relevant accounting policies in the Note IV. 5 (2) “Preparation of consolidated financial statements”.

On disposal of the long-term equity investment in the other circumstances, the balance between the book value of the equity disposed of and the actual price obtained is charged to current profit and loss.

Where the residual equity after disposal of the long-term equity investment measured by employing the equity method is still measured by the equity method, on disposal, the other comprehensive income originally recorded into the stockholder's equity shall be subject to accounting treatment in proportion through adopting the basis for the direct disposal of relevant assets or debts. The owner's equity recognized due to changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be carried forward into current profit and loss in proportion.

Where the residual equity after disposal of the long-term equity investment measured by employing the cost method is still measured by the cost method, the other comprehensive income recognized for accounting by using equity method or financial instrument recognition and measurement standard before acquisition of the control over the investee shall be subject to accounting treatment in proportion through adopting the basis for the direct disposal of relevant assets or debts and carried forward into current profit and loss in proportion; the changes in owners’ equity of the investee other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee recognized for accounting by using equity method shall be carried forward into current profit and loss in proportion.

When the Company loses its control rights over the investee before of the disposal of part equity investment, on preparing of individual financial statement, in case of disposed residual equity with joint control or significant impact on the investee, the Company shall calculate with equity method and adjust the residual equity with equity method since the time of obtaining; in case of the disposed residual equity being not be able to jointly control or have a significant impact on the investee, the Company shall conduct accounting treatment according to relevant regulations in Recognition and Measurement of Financial Instruments, and account the balance between the fair value on the date losing control and book value into current profit and loss. Other comprehensive income recognized for accounting by using equity method or financial instrument recognition and measurement standard before acquisition of the control over the investee shall be subject to accounting treatment through adopting the basis for the direct disposal of relevant assets or debts on loss of the control over the investee; the changes in owners' equity of the investee other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee recognized for accounting by using equity method shall be carried forward into current profit and loss. Where the residual equity after disposal is calculated by equity method, the other comprehensive income and other owner's equity are carried forward in proportion; where the residual equity after disposal is subject to accounting treatment according to the financial instrument recognition and measurement standard, the other comprehensive income and other owner's equity are carried forward in full.

Where the Company loses its joint control or significant influence over the investee due to disposal of part of equity investment, the residual equity after disposal is calculated according to the financial instrument recognition and measurement standard, and the balance between the book value and the fair value on the date of loss of the joint control or significant influence is recorded into current profit and loss. Other comprehensive income of the original equity investment recognized by the equity method shall be subject to accounting treatment through adopting the basis for the direct disposal of relevant assets or debts when the equity method is terminated. The owner's equity recognized for the changes in the owner's equity of the investee other than the net profit and loss, other comprehensive income and profit distribution is fully carried forward into the current investment income when the equity method is terminated.

If the deals for disposal of the subsidiary's equity investment by steps through several times of transaction until the loss of the control right belong to a package deal, the deals shall be subject to accounting treatment as a deal for disposal of the equity investment in the subsidiary and loss of the control right; the difference between each disposal price and the book value of the long-term equity investment corresponding to the equity disposed of before the loss of control right is recognized as other comprehensive income and then transferred into the current profit and loss in the period of loss of control right.

16. Investment properties

Measurement mode of investment properties

Cost method

Method of depreciation or amortization

Investment properties refer to the properties held for rent gain or capital gain or the both thereof, including the leased land use right, land use right held for transfer after appreciation and leased building. In addition, the vacant buildings held by the Company for operation and lease may also be presented as investment properties if the board of directors (or similar body) makes a written resolution to use them for operation and lease and the intention of holding them is not changed in the short term.

The investment properties are initially measured by cost. Subsequent expenditure related to investment properties, if the economic benefits related may flow in and the cost can be reliably measured, is included in the cost of investment properties. The other subsequent expenditure is charged to current profit and loss in occurrence.

The investment properties are subsequently measured by the Company in the cost mode and depreciated or amortized according to the policy consistent with the house, building or land use right.

See Note IV. 20 "Long-term assets impairment" for the impairment test method and accrual method of provision for impairment of investment properties.

In case of conversion of self-use property or inventory to investment property or conversion of investment property to self-use property, the book value before conversion shall be recognized as the entry value after conversion.

If an investment property is disposed of, or withdraws permanently from use and it is expected that no economic benefit will be obtained from the disposal, the investment property shall be derecognized. The income from sale, transfer, scrap or damage disposal of investment properties is included in current profits and losses after deducting the book value and related taxes.

17. Fixed assets

(1) Recognition conditions

The fixed assets refer to the tangible assets which are held for production of goods, provision of labor, lease or operating management and whose service life exceeds a fiscal year. The fixed assets can be recognized only when the economic benefits related to the fixed assets are likely to flow to the Company and when the cost of the fixed assets can be reliably measured. The fixed assets are initially measured according to the cost and the influence of the expected disposal cost factors.

(2) Depreciation method for fixed assets

The depreciation of the fixed assets is calculated and distilled by the straight-line depreciation method in the service life from the next month after reaching the expected serviceable conditions. The service life, expected net residual value and yearly depreciation of various fixed assets are as follows:

Category	Depreciation method	Depreciation life (year)	Residual rate (%)	Yearly depreciation (%)
Houses and building	Straight-line method	20.00	5.00	4.75
Machinery equipment	Straight-line method	10.00	5.00	9.50
Transportation equipment	Straight-line method	5.00	5.00	19.00
Other equipment	Straight-line method	5.00	5.00	19.00

The expected net residual value is the amount acquired by the Company from the asset disposal after deducting the expected disposal costs assuming that the expected service life of the fixed asset is expired and the fixed asset is in the expected state at the end of life.

(3) Impairment test method and accrual method of provision for impairment of fixed assets

See Note IV. 20 “Long-term assets impairment” for the impairment test method and accrual method of provision for impairment of fixed assets.

(4) Recognition basis and valuation methods of fixed assets under financing lease

Finance lease is the lease substantially transferring all risks and remuneration related to the asset ownership and its ownership may be transferred or not finally. The depreciation of the fixed assets under financing lease is calculated and withdrawn according to the depreciation policy consistent with the own fixed assets. Where it can be reasonably determined that the ownership of the leased assets can be acquired upon the expiration of the lease term, depreciation shall be calculated and withdrawn within the service life of the leased assets; where it is impossible to reasonably determine that the ownership of the leased assets can be acquired upon the expiration of the lease term, the depreciation shall be calculated and withdrawn within a shorter period of the lease term and the service life of the leased assets.

(5) Other description

Subsequent expenditure related to fixed assets, if the economic benefits related may flow in and the cost can be reliably measured, is included in the fixed asset cost and the book value of the replaced part is derecognized. The other subsequent expenditure is charged to current profit and loss upon occurrence.

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

The Company shall review the service life, estimated residual value and depreciation method of the fixed assets at least at the end of each year and handle any change as the accounting estimate change.

18. Construction in progress

The cost of the construction in progress is confirmed according to the actual engineering cost, including all construction expenditures incurred during construction, the price costs that shall be capitalized before the construction reaches the intended serviceable condition and other related costs. The construction in progress is carried forward as the fixed assets when reaching the intended serviceable condition.

See “Long-term assets impairment” for the impairment test method and accrual method of provision for impairment of construction in progress.

19. Borrowing costs

Borrowing costs include interest on borrowings, amortization at a discount or premium, auxiliary expenses as well as the balance of exchange from the foreign currency loans. The construction or production borrowing costs directly attributable to the assets meeting the capitalization conditions start capitalizing when the expenditure to acquire and the borrowing costs have occurred and the construction or production activities required to make the assets reach the usable or marketable status have started; stop capitalizing when the construction or production assets meeting the capitalization conditions reach the usable or marketable status. The other borrowing costs are recognized as costs in the period of occurrence.

The amount of the interest expenses incurred from the special borrowing actually in the current period subtracted by the interest income from the unused borrowing funds in the bank or the investment income from the temporary investment is capitalized; the capitalization amount of the general borrowing is recognized according to the weighted average of the expenditure to acquire of the accumulated expenditure to acquire exceeding the special borrowing multiplied by the general borrowing occupied. The capitalization rate is calculated and recognized according to the weighted average interest rate of the general borrowing.

The balance of exchange of the special borrowing in foreign currency is fully capitalized during the capitalization; the balance of exchange of the general borrowing in foreign currency is charged to the current profit and loss.

Assets meeting the capitalization conditions refer to the fixed assets, investment properties, inventories and other assets which can reach the intended usable or marketable status only after quite a long time of construction or production activities.

In case of abnormal interrupt of the assets meeting the capitalization conditions for more than 3 consecutive months in the construction or production process, the capitalization of the borrowing costs is suspended until the asset construction or production activities resume.

20. Intangible assets

(1) Valuation method, service life and impairment test

(1) Intangible assets

Intangible assets refer to the identifiable non -monetary assets without physical form owned or controlled by the Company.

The intangible assets are initially measured according to the cost: The expenditure related to intangible assets, if the economic benefits related may flow in the Company and the cost can be reliably measured, is included in the cost of intangible assets. The other expenditure of items is charged to current profit and loss in occurrence.

The land use right acquired is generally checked as intangible assets. The relevant land use right expenditure and building construction cost of the self-developed and constructed plants and other buildings are checked as intangible assets and fixed assets respectively. Relevant price of the purchased houses and buildings is allocated between the land use right and the buildings and that different to distribute reasonably is fully treated as the fixed assets.

The amount of the original value of intangible assets with limited service life minus the estimated residual value and accumulated amount of provision for impairment withdrawn is amortized averagely by stages by the straight-line method in the expected service life. Intangible assets with uncertain service life may not be amortized.

The service life and amortization methods of the intangible assets with limited service life are reviewed at the end of each period and any change shall be treated as the accounting estimate change. Moreover, the service life of the intangible assets with uncertain service life shall be reviewed. If there is evidence that the period of economic benefits brought by the intangible assets to the enterprise is foreseeable, the service life of the intangible assets is estimated and the intangible assets are amortized according to the amortization policy of the intangible assets with limited service life.

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

The expenditure of the Company's internal R&D projects is classified into the expenditure at the research stage and the expenditure at the development stage.

The expenditure at the research stage is charged to the current profit and loss in occurrence.

The expenditure at the development stage can be recognized as intangible assets only when meeting the following conditions and charged to the current profit and loss if not meeting the following conditions:

① Technically feasible to complete the intangible assets, so that they can be used or sold;

② It is intended to finish and use or sell the intangible assets;

③ Ways of intangible assets to generate economic benefits, including those can prove that the products generated by the intangible assets can be sold or the intangible assets themselves can be sold and prove that the intangible assets to be used internally are useful;

④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

⑤ The development expenditures of the intangible assets can be reliably measured.

If the expenditure at the research stage and the expenditure at the development stage cannot be distinguished, the

R&D expenditure incurred is fully charged to the current profit and loss.

(3) Impairment test method and accrual method of provision for impairment of intangible assets

See Note IV. 20 “Long-term assets impairment” for the impairment test method and accrual method of provision for impairment of intangible assets.

21. Long-term assets impairment

On the balance sheet date, the Company judges the impairment signs of the fixed assets, construction in progress, intangible assets with limited service life, investment properties measured through the cost method, long-term equity investments in subsidiaries, joint ventures and cooperative enterprises and other non-current non-financial assets and will estimate the recoverable amount and conduct impairment test in case of impairment signs. The goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall be subject to impairment test every year regardless of whether there are signs of impairment.

If the impairment test results show that recoverable amount of the asset is below its book value, the provision for impairment is withdrawn according to the balance and charged to the impairment loss. The recoverable amount is determined according to the higher of the net amount of the assets fair value subtracted by the disposal costs and the present value of the expected future cash flow of the assets. The assets fair value is recognized according to the sales agreement price in the fair transaction; if there is no sales agreement but there is assets active market, the fair value is recognized according to the buyer's price of the asset; if there is no sales agreement or active market, the fair value is estimated on the basis of the best information available. The disposal costs include legal expenses, related expenses of taxation and carriage expenses related to assets disposal as well as the direct expenses incurred for the assets to reach the marketable conditions. The current value of the future cash flow of an asset is determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. The provision for impairment of assets is calculated and recognized on the basis of single asset. The Company recognizes the recoverable amount of the asset group based on the asset group to which the asset belongs if the recoverable amount of the single asset is difficult to estimate. An asset group is the smallest group of assets that can generate cash inflows independently.

The book value of the goodwill separately presented in the financial statements is amortized to the asset group or asset group combination expected to benefit from the synergies of the business combination during the impairment test. If the test results show that the recoverable amount of the asset group or asset group combination containing the amortized goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the book value of goodwill amortized to the asset group or asset group combination, and then offset the book value of other assets proportionally according to the proportion of the book value of assets other than goodwill in the asset group or asset group combination.

The impairment loss of above assets will not be transferred back to the part whose value is recovered in the subsequent period once recognized.

22. Long-term unamortized expenses

Long-term unamortized expenses refer to the expenses that have occurred but shall be burdened in the reporting period and later periods with the apportionment period more than one year. The Company's long-term unamortized expenses mainly include advertising endorsement fees, decoration costs and so on. Long-term unamortized expenses are amortized by the straight-line method in the expected benefit period.

23. Employee compensation

(1) Short-term compensation accounting method

The Company's employee compensation mainly includes short-term compensation, post-employment benefits, dismission welfare and other long-term employee services and benefits. Where:

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits, etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Company shall be recognized as liabilities and is included in the current gains and losses or relevant assets cost. The non-monetary benefits are measured as per the fair value.

(2) Post-employment benefits accounting method

Post-employment benefits mainly include basic endowment insurance and unemployment insurance. The post-employment benefit plans include defined contribution plan. If a defined contribution plan is adopted, the corresponding amount payable shall be recorded into the cost of relevant assets or current profit and loss when occurred.

(3) Termination benefits accounting method

The Company puts forward compensation for an employee to terminate the labor relationship with the employee before expiry of the employee labor contract or to encourage the employee to accept the reduction voluntarily. When failing to unilaterally withdraw the dismission welfare due to termination of labor relation plan or downsizing suggestions, or when recognizing the costs related to restructuring involving payment of dimission welfare (whichever comes first), the Company recognizes the employee compensation liabilities from the dismission welfare and includes in current profit and loss. Where the dismission welfare is not expected to be fully paid within 12 months after the end of the annual reporting period, the relevant provisions on other long-term employee benefits shall apply.

(4) Other long-term employee benefits accounting method

The internal retirement plan of employees is treated according to the same principle with above dismissal welfare. The wages to be paid to the internal retirees and the social insurance premium to be paid in the period from the date when the retirees stop providing services to the normal retirement date are charged to the current profit and loss (dismissal welfare) when meeting the recognition conditions of estimated liabilities. The other long-term employee benefits that the company offers to the staffs, if meeting with the setting drawing plan, are accounted according to the setting drawing plan, while the rest are disposed of according to the setting revenue plan.

24. Estimated liabilities

The estimated liabilities are recognized when the obligation related to contingencies meets the following conditions simultaneously: (1) The obligation is the current obligation undertaken by the Company; (2) Performance of the obligation is likely to lead to the outflow of economic benefits; (3) The amount of the obligation can be reliably measured.

On the balance sheet date, the Company shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies to measure the estimated liabilities in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

When all or some of the expenses necessary for the liquidation of an estimated liabilities is expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. Besides, the amount recognized for the reimbursement shall not exceed the book value of the estimated liabilities.

25. Share-based payment

(1) share-based payment accounting method

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

① Equity-settled share-based payments

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

On each and every balance sheet date within the waiting period, the Company will make optimum estimations according to the newly-obtained subsequent information after the changes occurred in the number of employees who exercise rights so as to modify the predicted number of the equity instrument of exercising rights. The influence from above-mentioned estimations will be counted into relevant costs and expenses at the current period, and the corresponding adjustment will be made for the capital reserve.

If the fair value of the other parties' service can be reliably measured, the share-based payment settled by equities which is used for exchanging the service of other parties will be measured according to that fair value on date of acquisition. If not, but the fair value of the equity instrument can be reliably measured, the payment will be counted according to the fair value of the equity instrument on date of service acquisition, and it will be counted into relevant costs and expenses, and the equity of the shareholders will be increased correspondingly.

② Share-based payment settled by cash

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

① Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current period.

(2) Relevant accounting treatment of modification and termination for share-based payment plan

When the Company modifies the share payment plan, if the fair value of the equity instrument granted is increased after the modification, the increase in the service obtained will be correspondingly confirmed according to the increase in the fair value of equity instrument. The increase in the fair value of equity instrument means the balance between the equity instrument before modification and the equity instrument after modification on modification date. If decrease occurred in the total fair value of the equity instrument after the modification or methods which are unbeneficial to employees are adopted in the modification, accounting treatment will still continue to be made for the service obtained, and such changes will be regarded as changes that have never occurred unless the company has canceled partial or all granted equity instruments.

During the waiting period, if the granted equity instrument is canceled, the company will treat the canceled equity instrument as the accelerated exercise of power, and immediately include the balance that shall be recognized in the remaining waiting period into the current profit and loss, and simultaneously confirm the capital reserve. If the employee or other party can choose to satisfy the non-exercisable condition but not satisfied in the waiting period, then the company will treat it as cancellation of the granted equity instrument.

(3) Accounting treatment involving the share payment transaction between the company and the shareholders or the actual controller of the company

Where involves the share payment transaction between the company and the shareholders or the actual controller of the company and one of the parties of the settlement company and the service-accepting company is within the company and the other is not within the company, then the company performs the accounting treatment in the consolidated financial statements of the company according to the following provisions:

① If the settlement company settles in its own equity instrument, then it treats the equity payment transaction as the equity-settled equity payment; otherwise, it treats as the cash-settled equity payment.

If the settlement company is an investor to the service-accepting company, it shall be recognized as a long-term equity investment in the service-accepting company in accordance with the fair value of the equity instrument or the fair value of the liability it is assumed to bear on the grant date, and the capital reserve (other capital reserve) or liabilities shall be recognized at the same time.

② If the service-accepting company has no settlement obligation or confers its own equity tools on the employees of the company, then such equity payment transaction shall be treated as equity-settled equity payment; if the service-accepting company has the settlement obligation and confers the employees of the company with not its own equity instrument, then such equity payment transaction shall be treated as cash-settled equity payment;

In the case of the equity payment transaction occurs between the companies within the company, and the service-accepting company and the settlement company are not the same company, then the confirmation and measurement of the equity payment transaction shall be carried out respectively in the financial report of the service-accepting company and the settlement company, with the same analogy of the above-said principle.

26. Preferred shares, perpetual bonds and other financial instruments

(1) Distinction between perpetual bonds and preferred shares

The financial instrument such as perpetual bonds and preferred shares issued by the Company, which meets the following conditions, shall be regarded as an equity instrument:

① The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions;

② If the financial instrument that shall or may be settled with the enterprise's own equity instrument in the future is a non-derivative instrument, it does not include the contractual obligations to deliver a variable number of its own equity instruments for settlement; if it is a derivative instrument, it can only be settled by a fixed amount of cash or other financial assets in exchange for a fixed number of the Company's own equity instruments.

Except for financial instruments that can be classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

A financial instrument issued by the Company is recognized as a liability according to the fair value of the liability component if it is a compound instrument, and the amount of the balance between the amount received actually and the fair value of the liability component is recognized as "other equity instruments". Transaction costs incurred in issuing compound instruments shall be apportioned between the liability component and the equity component in proportion to the total issuance price respectively.

(2) Accounting treatment method of perpetual bonds and preferred shares

The interest, dividends, gains or losses related to perpetual bonds and preferred shares classified as financial liabilities, as well as gains or losses from redemption or refinancing, shall be recorded into current profit and loss except for the borrowing costs eligible for capitalization (see "Borrowing costs" in the note).

The issuance (including refinancing), repurchase, sales or cancellation of financial instrument such as perpetual bonds and preferred shares classified as equity instruments is handled as the equity changes, and relevant transaction costs are deducted from the equity. The distribution of equity instrument holders by the Company shall be treated as profit distribution.

The Company does not recognize the fair value change of the equity instruments.

27. Income

Does the Company need to follow the disclosure requirements of special industries

No

Accounting policies for income recognition and measurement

(1) Income from selling commodities

The income from sale of goods can be recognized only meeting the following conditions: the Company has transferred the main risks and rewards on the property in the goods to the buyer; the Company neither retains the right to continue to manage related to the property, nor effectively controls goods that have been sold; the income amount can be measured reliably; related economic benefits are likely to flow to the Company; the costs related, incurred or to be incurred can be measured reliably.

Agency mode: according to the commission sales contract signed by the company and the regional agency, the company shall recognize the income after receiving the consignment sale list or sales list summary sheet from the agency;

E-commerce: after the customer places an order, the company will deliver the goods and receive the payment. The company recognizes the income according to the time when the order is completed. The platform shall be responsible for delivery and collection of payment, and the company shall settle and recognize the income according to the sales list provided by the platform;

TV shopping: TV shopping platform informs the company of delivery according to the customer order, and the company recognizes the income according to the sales list provided by TV shopping platform;

Project type: deliver goods according to the customer order, the company recognizes the income according to the receipt form after the customer receives goods;

Distribution mode: deliver goods according to the customer order, the company recognizes the income according to the receipt form after the customer receives goods;

Export revenue from customs declaration: the revenue is recognized according to the export date on the customs declaration.

(2) Income from offering labor

The Company recognizes the income from offering labor at the balance sheet date with the percentage of completion method when the results of the labor transactions can be estimated reliably. The completion schedule of the labor transaction is recognized according to the proportion of the costs incurred in the total estimated costs.

The results of the labor transactions can be estimated reliably when ① the income amount can be measured reliably; ② related economic benefits are likely to flow to the Company; ③ the completion schedule of the labor transactions can be recognized reliably; and ④ the costs incurred or to be incurred in the transactions can be measured reliably.

If the results of the labor transactions cannot be estimated reliably, the income from offering labor is recognized according to the labor cost amount incurred and expected to be compensated, and the labor cost incurred is considered as current expenses. If the labor cost incurred is expected not to be compensated, the income is not recognized.

If the part of selling commodities and the part of offering labor can be distinguished and independently measured when the contract or agreement signed by the Company with other enterprises includes selling commodities and offering labor, the two parts shall be disposed of respectively; if they cannot be distinguished, or if they can be distinguished but cannot be independently measured, the contract shall be fully treated as the part of selling commodities.

(3) Interest revenue

The interest income amount is recognized according to the time when others use the Company's monetary capital and the effective interest rate.

Differences in income recognition accounting policies caused by different business modes for the same business

28. Government subsidies

The government subsidies refer to the monetary assets and non-monetary assets obtained by the Company from the government free of charge, excluding the capital invested by the government as an investor with the corresponding owner's equity, and are classified into asset related government subsidies and the income related government subsidies. The government subsidies acquired by the Company for acquisition or construction or for formation of long-term assets in other ways are defined as asset related government subsidies; the other government subsidies are defined as income related government subsidies. The government subsidies without subsidy objects specified in government documents are classified into income related government subsidies and asset related government subsidies in the following ways: (1) If the government documents specify the specific project targeted by subsidies, the division shall be made according to the relative proportion of the amount of expenditure forming assets and the amount of expenditure recorded into expenses in the budget of the specific project. The division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) If the purpose is only described in general terms and the specific project is not specified in the government documents, the subsidies shall be regarded as income related government subsidies. The government subsidies as the monetary assets are measured according to the amount received or receivable. The government subsidies not as the monetary assets are measured according to the fair value and measured according to the nominal amount if the fair value cannot be obtained reliably. The government subsidies measured by nominal amount are directly included in current profits and losses.

The Company shall recognize and measure the government subsidies according to the amount actually received when actually received. However, if there is evidence at the end of period that the Company can meet relevant conditions stipulated in the financial support policy and can be expected to receive the financial support fund, the government subsidies are measured according to receivables. Government subsidies measured according to receivables shall also meet the following conditions: (1) The amount of the subsidies receivable has been confirmed by the competent government departments, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no material uncertainty about the amount; (2) The government subsidies are based on the financial support projects and financial fund management measures officially issued by local financial departments and made public voluntarily in accordance with the *Regulations on Government Information Disclosure* and the management measures should be universal (any enterprise meeting the specified conditions can apply for the subsidies), rather than specific to specific enterprises; (3) In the approval document of the relevant subsidies, the time limit for the appropriation of the subsidies has been clearly promised, and the appropriation of the subsidies is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that the subsidies can be received within the specified time limit; and (4) Other relevant conditions (if any) that shall be met according to the specific situation of the Company and the subsidies.

Where the government subsidies pertinent to assets are recognized as deferred income, they are included by installments in the current profit and loss in a reasonable and systematic manner within the useful lives of the relevant assets. The income related government subsidies, if used to compensate for related costs or losses in subsequent periods, are recognized as the deferred income and charged to the current profit and loss when related costs or losses are recognized, and, if used to compensate for related costs or losses incurred, are directly charged to the current profit and loss.

Government subsidies including asset related part and income related part are subject to accounting treatment respectively by distinguishing different parts; if it is difficult to distinguish, the government subsidies shall be classified as the income related government subsidies as a whole.

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenditures.

The recognized government subsidies needing to be returned are disposed of accordingly: for those with related deferred income, the book balance of related deferred income is written down and the excess is accounted into the current profits and losses; in the other cases, they are directly accounted into the current profits and losses.

29. Deferred income tax assets and deferred income tax liabilities

(1) Current income tax

The current income tax liability (or asset) formed in the current and previous periods is measured according to the expected payable (or returnable) income tax amount calculated as per the tax law on the balance sheet date. The taxable income for calculation of the current income tax expense is calculated after corresponding adjustment to the pre-tax accounting profit in the current year according to relevant tax law.

(2) Deferred income tax assets and deferred income tax liabilities

For the temporary differences generated from the balance between the book value and tax base of some assets and liabilities as well as the balance between the book value and tax base of the items not recognized as assets and liabilities but with the tax base determinable according to tax law, the deferred income tax assets and liabilities are recognized by the balance sheet liability method.

For the taxable temporary differences related to the initial recognition of reputation and related to the initial recognition of the assets or liabilities incurred in the transaction that is not business merger and will not affect the accounting profits and income tax payable (or deductible loss) upon occurrence, relevant deferred income tax liabilities are not recognized. Moreover, for the taxable temporary difference related to the investment of the subsidiaries, associated enterprises and joint ventures, relevant deferred income tax liabilities are not recognized if the Company can control the temporary difference write-back time and the temporary difference will probably not be written back in the foreseeable future. Except for the above exceptions, the Company recognizes the deferred income tax liabilities from all other taxable temporary differences.

For the deductible temporary differences related to the initial recognition of the assets or liabilities incurred in the transaction that is not business merger and will not affect the accounting profits and income tax payable (or deductible loss) upon occurrence, relevant deferred income tax assets are not recognized. Moreover, for the deductible temporary difference related to the investment of the subsidiaries, associated enterprises and joint ventures, relevant deferred income tax assets are not recognized if it is not likely to write back the temporary difference in the foreseeable future or to obtain the income tax payable used to offset the deductible temporary difference in the future. Except for the above exceptions, the Company recognizes the deferred income tax assets by deductible temporary differences within the limit of the income tax payable that may be obtained in the future and used to offset the deductible temporary differences.

For the deductible loss and tax deduction that can be carried forward to the subsequent year, the corresponding deferred income tax assets are recognized within the limit of the future taxable income amount that is possibly obtained to deduct the deductible loss and tax deduction.

The deferred income tax assets and deferred income tax liabilities are measured on the balance sheet date according to the tax law and the applicable tax rate in the period of expected recovery of relevant assets of liquidation of relevant liabilities.

The book value of the deferred income tax assets is reviewed on the balance sheet date. If it is likely not to obtain sufficient income tax payable to deduct the interests of the deferred income tax assets in the future, the book value of the deferred income tax assets is written down. If it is likely to obtain sufficient income tax payable, the amount written down is written back.

(3) Income tax expenses

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

Except for that the current income tax and deferred income tax related to the transactions and matters recognized as other comprehensive income or directly included in the owner's equipment are included in other comprehensive income or the stockholder's equity and that the deferred income tax generated from the business combination adjusts the book value of the goodwill, the other current income tax and deferred income tax expenses or benefits are charged to current income and loss.

(4) Income tax offset

When the Company has the legal right to settle with net amount and intends to settle with net amount or obtain the assets and liquidate the liabilities simultaneously, the income tax assets and income tax liabilities of the Company in the current period are presented by the net amount after offset.

When the Company has the legal right to settle the income tax assets and income tax liabilities of the Company in the current period with net amount and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department from the same subject of tax payment or from different subjects of tax payment but the subject of tax payment involved intends to settle the current income tax assets and liabilities with the net amount or obtain the assets and liquidate the liabilities simultaneously in each future important period when the deferred income tax assets and liabilities are written back, the Company's deferred income tax assets and deferred income tax liabilities are presented by the net amount after offset.

30. Leased

(1) Accounting treatment method of operating lease

(2) Accounting treatment method of finance lease

Finance lease is the lease substantially transferring all risks and remuneration related to the asset ownership and its ownership may be transferred or not finally. The lease other than the finance lease is operating lease.

(1) Operating lease recorded by the Company as the lessee

The rental expense of operating lease is charged to relevant asset cost or current profit and loss by the straight-line method in each period of the lease term. The initial direct costs are charged to the current profit and loss. The contingent rental is charged to the current profit and loss in actual occurrence.

(2) Operating lease recorded by the Company as the lessor

The rental income of operating lease is recognized as current profit and loss by the straight-line method in each period of the lease term. The initial direct costs of large amount are capitalized in occurrence and charged to the current profit and loss according to the same basic installment with the rental income recognition in the whole lease term; the other initial direct costs of small amount are charged to the current profit and loss in occurrence. The contingent rental is charged to the current profit and loss in actual occurrence.

(3) Finance lease recorded by the Company as the lessee

Upon commencement of the lease term, the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payment is deemed as the entry value of the leased asset and the minimum lease payment is deemed as the entry value of the long-term payables, and their balance is deemed as the unrecognized finance fees. Moreover, the initial direct costs attributable to the lease project in the lease negotiation and lease contract signing process is also charged to the value of the leased asset. The balance of the minimum lease payment deducting the unrecognized finance fees is listed as the long-term liabilities and the long-term liabilities due within a year respectively.

The unrecognized finance fees of the current period are recognized by the effective interest method in the lease term. The contingent rental is charged to the current profit and loss in actual occurrence.

(4) Finance lease recorded by the Company as the lessor

Upon commencement of the lease term, the sum of the minimum lease collection on the lease commencement date and the initial direct costs is deemed as the entry value of the lease financing receivables and the non-guarantee remaining sum is recorded; the balance of the sum of minimum lease collection, initial direct costs as well as the non-guarantee remaining sum and the sum of their present value is recognized as the unrealized financing income. The balance of the lease financing receivables after deducting the unrealized financing income is listed as the long-term claims and the long-term claims due within a year respectively.

The unrealized financing income of the current period are recognized by the effective interest method in the lease term The contingent rental is charged to the current profit and loss in actual occurrence.

31. Other significant accounting policy and accounting estimate

(1) Termination of operation

Termination of operation refers to a separate component of the Company that meets one of the following conditions and has been disposed of or classified as available-for-sale: ① This component represents an independent major business or a separate major area of business; ② This component is part of an associated plan to dispose of an independent major business or a separate major area of business; ③ This component is a subsidiary acquired specifically for resale.

See Note IV. 12 “Assets held for sales and disposal group” for the accounting treatment method for termination of operation.

(2) Repurchase of shares

The gains or losses are not recognized when the consideration and transaction costs paid in the share repurchase are used to reduce the stockholder’s equity in the repurchase, transfer or cancellation of the Company’s shares.

The transferred treasury stock is recorded into the capital reserve according to the difference between the amount received actually and the carrying amount of the capital reserve; if the capital reserve is not sufficient to absorb the difference, the surplus reserve and undistributed profit are offset. The treasury stock is canceled according to the face value of the stock and the number of stocks canceled, and the capital reserve shall be offset according to the difference between the book balance and face value of the stock canceled. If the capital reserve is insufficient, the surplus reserve and undistributed profit shall be offset.

32. Significant accounting policy and accounting estimate change

(1) Changes in significant accounting policies

√ Applicable □ Not applicable

① Changes in accounting policies resulting from the implementation of new financial instrument standards

The Ministry of Finance issued the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments (2017 Revision)* (CK [2017] No.7), *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets (2017 Revision)* (CK [2017] No.8), *Accounting Standards for Business Enterprises No.24 - Hedging (2017 Revision)* (CK [2017] No.9) on March 31, 2017 and issued the *Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (2017 Revision)* (CK [2017] No.14) on May 2, 2017 (the above standards are collectively referred to as the “new financial instrument standards”), requiring the domestic listed enterprises to implement the new financial instrument standards from January 1, 2019.

After adoption of resolution of the Company’s 11th meeting of the 4th Board of Directors on August 26, 2019, the Company implements the above new financial instrument standards from January 1, 2019.

All recognized financial assets under the new financial instrument standards are subsequently measured at amortized cost or fair value. On the implementation date of the new financial instrument standards, the Company evaluates the business model of managing financial assets based on the facts and circumstances on the date, evaluates the contractual cash flow characteristics of financial assets according to the facts and circumstances on initial recognition of the financial assets and classifies the financial assets into financial assets measured at the amortized cost, financial assets measured at fair value of which changes are recorded into other comprehensive income and FVTPL. Where, when the financial assets measured at fair value of which changes are recorded into other comprehensive income are derecognized, the accumulated gains or losses previously recorded in other comprehensive income will be transferred from other comprehensive income to retained earnings, not included in current profit and loss.

Under the new financial instrument standards, the Company withdraws the provision for impairment for the financial assets measured at the amortized cost, debt instrument investments measured at fair value of which changes are recorded into other comprehensive income, lease receivables, contract assets and financial guarantee contracts based on the expected credit loss, and recognizes the credit impairment loss.

The Company retroactively applies the new financial instrument standards and does not restate if the early comparison of the financial statement data involved in the classification and measurement (including impairment) is inconsistent with the new financial instrument standards. Therefore, for the cumulative impact of the first implementation of the standards, the Company adjusts the retained earnings or other comprehensive earnings at the beginning of 2019 and the amount of other relevant items in the financial statements. The financial statements of 2018 are not restated.

The major changes and influences of the implementation of the new financial instrument standards on the Company are as follows:

—— The Company designates some non-transactional equity investments to be held on and after January 1, 2019 as the financial assets measured at fair value of which changes are recorded into other comprehensive income, and presented as other equity instrument investments.

On the first implementation date, the book value of the original financial assets is adjusted to a reconciliation statement of the book value of the new financial assets classified and measured in accordance with the new financial instrument standards.

Impact on consolidated financial statements

Item	December 31, 2018 (before change)	Reclassification	Remeasurement	January 1, 2019 (after change)
Available-for-sale financial assets (original standards)	119,948,534.00			
Less: those transferred to other equity instrument investments		119,948,534.00		
Other equity instrument investments	——			
Plus: those transferred from available-for-sale financial assets (original standards)		119,948,534.00		
Amount presented according to new financial instrument standards				119,948,534.00

Impact on the Company’s financial statements

Item	December 31, 2018 (before change)	Reclassification	Remeasurement	January 1, 2019 (after change)

Available-for-sale financial assets (original standards)	119,948,534.00			
Less: those transferred to other equity instrument investments		119,948,534.00		
Other equity instrument investments	——			
Plus: those transferred from available-for-sale financial assets (original standards)		119,948,534.00		
Amount presented according to new financial instrument standards				119,948,534.00

(2) Significant accounting estimate change

□ Applicable √ Not applicable

(3) Adjustment of relevant items in financial statements at the beginning of the first implementation year as a result of first implementation of new financial instrument standards, new income standards and new release standards

See Note 32: Significant accounting policy and accounting estimate change/(1) Changes in significant accounting policies

(4) Retrospective adjustment of early comparative data description as a result of first implementation of new financial instrument standards and new release standards

□ Applicable √ Not applicable

33. Other

Due to the inherent uncertainty of operating activities during the use of the accounting policies, the Company needs to judge, estimate and assume the book value of statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on the past experience of the Company's management and other relevant factors and will affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainty of these estimates may be different from the current estimates of the Company's management, resulting in a significant adjustment of the carrying amount of the assets or liabilities to be affected in the future.

The Company shall periodically review the aforementioned judgments, estimates and assumptions on the basis of going concern. If the accounting estimate change only affects the change period, the influence number shall be recognized in the change period; if it affects both the current and future periods of the change, the influence number shall be recognized in the current and future periods of the change.

On the balance sheet date, the Company needs to judge, estimate and assume the amount of items in the financial statements in the following important areas:

(1) Provision for bad debt

The allowance method is used for the accounting of the bad debt loss according to the accounting policies of the receivables. The impairment of receivables is based on assessing the collectability of receivables. The management shall judge and estimate the appraisal of impairment of receivables. The difference between the actual result and the original estimate will affect the book value of the receivables and the accrual or write-back of provision for bad debt of receivables during the period when the estimate is changed.

(2) Depreciation reserves for inventories

According to the inventory accounting policies, the Company measures the inventories according to the cost of inventories or net realizable value, whichever is lower, and withdraws the inventory falling price reserves for the obsolete and unmarketable inventories and the inventories with the cost higher than the net realizable value. The impairment of inventory to net realizable value is based on the evaluation of inventory m arketability and net realizable value. For appraisal of the inventory impairment, the management is required to make judgments and estimates based on conclusive evidence and taking into account such factors as the purpose of holding inventory and the impact of post-balance sheet events. The difference between the actual result and the original estimate will affect the book value of the inventory and the accrual or write-back of inventory falling price reserves during the period when the estimate is changed.

(3) Financial assets impairment

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

(4) Fair value of financial instruments

The fair value of the financial instruments that do not have active trading markets is determined by the Company through various valuation methods, including discount cash flow model analysis. During the valuation, the Company needs to estimate future cash flow, credit risk, market volatility and correlation, and select an appropriate discount rate. These relevant assumptions are uncertain, and their changes will have an impact on the fair value of financial instruments. Where an equity instrument investment or contract is quoted publicly, the Company shall not take the cost as the best estimate of its fair value.

(5) Provision for impairment of long-term assets

On the balance sheet date, the Company judges whether there is any sign of possible impairment of non-current assets other than financial assets. The intangible assets with uncertain service life, in addition to the annual impairment test, shall also be subject to the impairment test when there are signs of impairment. A non-current asset other than financial assets shall be subject to the impairment test when there is an indication that its book amount is not recoverable.

An impairment occurs when the book value of an asset or asset group is higher than the recoverable amount, i.e. the higher of the net amount of the fair value subtracted by the disposal costs and the present value of the expected future cash flow.

The net amount of the fair value subtracted by the disposal costs is recognized by reference to the sales agreement price or observable market price of a similar asset in a fair transaction subtracted by the incremental cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flows, the Company shall make important judgments about the output, selling price, related operating costs of the asset (or asset group) and discount rate used in calculating the present value. In estimating recoverable amounts, the Company will use all relevant information available, including projections of the output, selling price and related operating costs based on reasonable and supportable assumptions.

The Company shall test goodwill impairment at least annually. This requires an estimate of the present value of the future cash flows of the asset group or asset group combination that has been allocated goodwill. When estimating the present value of future cash flows, the Company needs to estimate the cash flow generated by future asset group or asset group combination, and select the appropriate discount rate to determine the present value of future cash flows.

(6) Depreciation and amortization

The Company withdraws depreciation and amortization of the investment properties, fixed assets and intangible assets by straight-line method within their service life after considering the residual value. The Company periodically reviews the service life to determine the amount of depreciation and amortization charges to be included in each reporting period. The service life is determined by the Company based on the previous experience of similar assets and the expected technical update. Depreciation and amortization costs will be adjusted for future periods in the event of significant changes in previous estimates.

(7) Deferred income tax assets

The Company recognizes deferred income tax assets according to all unutilized tax losses to the extent that the Company is likely to have sufficient taxable profits to offset losses. Therefore, the Company's management is required to estimate the time of amount of future taxable profits based on a lot of judgments and combine the tax planning strategies to determine the amount of deferred income tax assets to be recognized.

(8) Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be presented before tax needs the approval of tax authorities. The difference between the final determination result of these tax matters and the original estimated amount, if any, will affect the current income tax and deferred income tax during the final determination period.

VI. Tax

1. Main tax categories and tax rates

Tax category	Taxation basis	Tax rate
Added value tax	The output tax on taxable income shall be calculated at the rate of 13%, and the VAT shall be calculated on the difference after deducting the input tax allowed to be deducted in the current period.	13%
Urban maintenance and construction tax	7% of the turnover tax actually paid	7%
Corporate income tax	25% of the income tax payable.	25%
Education surcharge	3% of the turnover tax actually paid	3%
Surcharge for local education	1%-2% of the turnover tax actually paid	1%-2%
Land use tax	Taxable land area actually occupied (m^2) *5~10 yuan/m^2	5-10 yuan/m^2
Housing property tax	For taxation according to price, original value of taxable property * (1-30%) *1.2%, for taxation according to rent, rental income *12%.	0.84%, 12%

2. Tax preference

On November 13, 2017, the Science Technology Department of Zhejiang Province, Zhejiang Provincial

Department of Finance, Zhejiang Provincial Tax Service of State Taxation Administration and Zhejiang Local Taxation Bureau jointly issued a high-tech enterprise certificate (No. GR201,733,000,884) and the Company passed the high-tech enterprise identification for 3 years. According to relevant regulations, after passing the high-tech enterprise identification, the Company can enjoy the relevant preferential policies of the state on high-tech enterprises for three consecutive years (i.e., the income tax preference period is from January 1, 2017 to December 31, 2019), and the enterprise income tax shall be levied at the rate of 15%;

On October 3, 2018, the General Office of the People's Government of Zhejiang Province issued a document (ZZBF [2018] No. 99), stipulating that class A enterprises were fully exempted from the urban land use tax from January 1, 2018 to December 31, 2019. Robam is a class A enterprise and enjoys the preferential policy of full exemption from the urban land use tax.

3. Other

VII. Notes to items in consolidated financial statements

1. Monetary capital

Unit: yuan

Item	Ending balance	Beginning balance
Cash on hand	459,629.14	380,338.61
Bank deposit	2,559,178,772.32	2,176,839,520.24
Other monetary capital	19,088,012.03	19,486,949.50
Total	2,578,726,413.49	2,196,706,808.35

Other description

Note: Other monetary capital is guarantee deposit.

2. Notes receivable

(1) Classified presentation of notes receivable

Unit: yuan

Item	Ending balance	Beginning balance
Bank acceptance bill	895,269,110.24	994,646,272.00
Trade acceptance	577,509,074.11	273,500,024.01
Total	1,472,778,184.35	1,268,146,296.01

(2) Trade acceptance with provision for bad debt provision withdrawn by employing aging analysis

Unit: yuan

Name	Ending balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 6 months (including 6 months)	68,744,956.88	687,449.57	1.00%
More than 6 months:	519,848,537.55	10,396,970.75	2.00%
Total	588,593,494.43	11,084,420.32	--

(3) Notes receivable endorsed or discounted by the company at the end of the period and not expired yet on the balance sheet date

Unit: yuan

Item	Amount with recognition terminated at the end of the period	Amount with recognition not terminated at the end of the period
Bank acceptance bill	20,302,368.02	
Total	20,302,368.02	

3. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Accounts receivable of provision for bad debt by single item	1,311,713.82	0.25%	1,311,713.82	100.00%		3,091,619.79	0.65%	3,091,619.79	100.00%	
Where:										
Accounts receivable of provision for bad debt by combination	522,380,833.82	99.75%	31,428,750.11	6.02%	490,952,083.71	474,397,041.21	99.35%	27,623,905.74	5.82%	446,773,135.47
Where:										
Aging combination	522,380,833.82	99.75%	31,428,750.11	6.02%	490,952,083.71	474,397,041.21	99.35%	27,623,905.74	5.82%	446,773,135.47
Total	523,692,547.64	100.00%	32,740,463.93	6.25%	490,952,083.71	477,488,661.00	100.00%	30,715,525.53	6.43%	446,773,135.47

1). Provision for bad debt by combination:

Unit: yuan

Name	Ending balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year	484,560,347.99	24,228,017.40	5.00%

1~2 years	27,666,423.06	2,766,642.30	10.00%
2~3 years	5,875,823.81	1,175,164.76	20.00%
3~4 years	1,968,487.70	984,243.85	50.00%
4~5 years	175,347.31	140,277.85	80.00%
More than 5 years	2,134,403.95	2,134,403.95	100.00%
Total	522,380,833.82	31,428,750.11	--

2). Disclosure by aging

Unit: yuan

Aging	Year-end balance
Within 1 year (including 1 year)	460,332,330.59
Within 1 year	460,332,330.59
1~2 years	24,899,780.76
2~3 years	4,700,659.05
More than 3 years	1,019,313.31
3~4 years	984,243.85
4~5 years	35,069.46
Total	490,952,083.71

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

The amount of provision for bad debts was 2,024,938.40 yuan and the amount of provision for bad debts recovered or reversed was 0.00 yuan in the current period.

(3) Accounts receivable with top 5 ending balances by debtor

The total amount of accounts receivable with top 5 ending balances by debtor in the current period was 288,362,076.82 yuan, accounting for 55.06% of the total ending balance of accounts receivable. The total amount of ending balance of bad debt provision withdrawn accordingly was 14,624,364.62 yuan.

4. Advances to suppliers

(1) Presentation of advances to suppliers by aging

Unit: yuan

Aging	Year-end balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	47,009,891.82	96.52%	58,293,082.84	97.99%
1~2 years	605,946.43	1.24%	127,306.00	0.22%
2~3 years	1,090,541.86	2.24%	1,065,541.86	1.79%
Total	48,706,380.11	--	59,485,930.70	--

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

The total amount of advances to suppliers with top 5 ending balances by prepayment object in the current period was 37,779,893.38 yuan, accounting for 77.57% of the total number of ending balance of advances to suppliers.

5. Other receivables

Unit: yuan

Item	Ending balance	Beginning balance
Other receivables	87,328,253.55	70,182,460.52
Total	87,328,253.55	70,182,460.52

1) Other receivables classified by nature

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Deposit and margin	48,756,522.49	34,993,888.42
Collection by third party	29,739,414.77	30,291,539.08
Imprest	11,784,981.45	2,883,138.90
Withheld amount	4,517,505.69	2,554,065.31
Other	472,203.11	5,987,699.55
Total	95,270,627.51	76,710,331.26

2) Disclosure by aging

Unit: yuan

Aging	Ending balance
Within 1 year (including 1 year)	67,648,487.49
Within 1 year	67,648,487.49
1~2 years	17,960,856.09
2~3 years	1,100,062.62
More than 3 years	618,847.35
3~4 years	501,964.98
4~5 years	116,882.37
Total	87,328,253.55

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

The amount of provision for bad debts was 1,414,503.22 yuan and the amount of provision for bad debts recovered or reversed was 0.00 yuan in the current period.

4) Other accounts receivable with top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Ending balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
Alipay (China) Network Technology Co., Ltd.	Collection by third party	29,739,414.77	Within 1 year	31.22%	1,486,970.74

Management Committee of Hangzhou Yuhang Economic and Technical Development Zone	Margin and deposit	14,778,000.00	1-2 years	15.51%	1,477,800.00
Financial management team of Shengzhou Sanjiang Subdistrict Office	Margin and deposit	13,416,000.00	Within 1 year	14.08%	670,800.00
Hangzhou Maishang Technology Co., Ltd.	Margin and deposit	3,000,000.00	Within 1 year	3.15%	150,000.00
Liang Xiaoming	Imprest	2,577,682.68	Within 1 year	2.71%	128,884.13
Total	--	63,511,097.45	--	66.66%	3,914,454.87

6. Inventory

(1) Inventory classification

Unit: yuan

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	112,131,726.22		112,131,726.22	58,785,060.73		58,785,060.73
Work in process	47,550,168.76		47,550,168.76	42,489,335.72		42,489,335.72
Merchandise inventory	233,814,327.88		233,814,327.88	289,182,037.49		289,182,037.49
Semi-finished products shipped in transit	775,807,603.14		775,807,603.14	902,710,838.63		902,710,838.63
Low priced and easily worn articles and wrappage	46,904,146.47		46,904,146.47	53,945,458.46		53,945,458.46
Total	1,216,207,972.47		1,216,207,972.47	1,347,112,731.03		1,347,112,731.03

7. Other current assets

Unit: yuan

Item	Ending balance	Beginning balance
Bank financial products	1,978,500,000.00	2,570,000,000.00
Prepaid tax		18,854,992.34
Pending deduct VAT on purchase	329,070.91	2,905,183.75
Total	1,978,829,070.91	2,591,760,176.09

8. Long-term equity investment

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end
		Further investment	Capital reduction	Investment gains and losses	Adjustment of other comprehensive	Changes in other equity	Declared payment of cash	Provision for impairment	Others		

				recognized by the equity method	income		dividends or profits				of period
I. Cooperative enterprise											
De Dietrich Trade (Shanghai) Co., Ltd.	2,617,851.16			69,197.95						2,687,049.11	
Subtotal	2,617,851.16			69,197.95						2,687,049.11	
II. Joint venture											
Total	2,617,851.16			69,197.95						2,687,049.11	

9. Other equity instrument investments

Unit: yuan

Item	Ending balance	Beginning balance
Suzhou Industrial Park Ruican Investment Enterprise (limited partnership)	100,000,000.00	100,000,000.00
Shanghai MXCHIP Information Technology Co., Ltd.	19,948,534.00	19,948,534.00
Total	119,948,534.00	119,948,534.00

10. Investment properties

(1) Investment properties using cost measurement mode

√ Applicable □ Not applicable

Unit: yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	189,197.82			189,197.82
2. Amount increased in current period				
(1) Purchased				
(2) Transfer from inventory/fixed assets/construction in progress				
(3) Increase by business combination				
3. Amount decreased in current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	189,197.82			189,197.82
II. Accumulated depreciation and amortization				

1. Beginning balance	67,622.68			67,622.68
2. Amount increased in current period	4,493.40			4,493.40
(1) Accrual or amortization	4,493.40			4,493.40
3. Amount decreased in current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	72,116.08			72,116.08
III. Provision for impairment				
1. Beginning balance				
2. Amount increased in current period				
(1) Provision				
3. Amount decreased in current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Book value				
1. Ending book value	117,081.74			117,081.74
2. Beginning book value	121,575.14			121,575.14

11. Fixed assets

Unit: yuan

Item	Ending balance	Beginning balance
Fixed assets	839,262,550.21	842,877,466.95
Total	839,262,550.21	842,877,466.95

(1) Fixed assets

Unit: yuan

Item	Houses and building	Machinery equipment	Transportation equipment	Other equipment	Total
I. Original book value					
1. Beginning balance	679,043,141.03	492,599,119.52	19,153,855.34	71,671,959.22	1,262,468,075.11
2. Amount increased in current period	2,217,299.08	37,374,927.04	768,008.86	1,944,796.97	42,305,031.95
(1) Purchase	117,272.72	1,677,253.27	768,008.86	1,882,598.69	4,445,133.54

(2) Transfer from construction in progress	2,100,026.36	35,697,673.77		62,198.28	37,859,898.41
(3) Increase by business combination					
3. Amount decreased in current period	267,625.88	1,067,092.29			1,334,718.17
(1) Disposal or scrap		1,067,092.29			1,067,092.29
(2) Other	267,625.88				267,625.88
4. Ending balance	680,992,814.23	528,906,954.27	19,921,864.20	73,616,756.19	1,303,438,388.89
II. Accumulated depreciation					
1. Beginning balance	178,025,829.50	191,398,003.31	10,519,209.44	39,647,565.91	419,590,608.16
2. Amount increased in current period	15,640,526.19	24,083,380.03	1,298,796.64	4,178,665.07	45,201,367.93
(1) Provision	15,640,526.19	24,083,380.03	1,298,796.64	4,178,665.07	45,201,367.93
3. Amount decreased in current period		616,137.41			616,137.41
(1) Disposal or scrap		616,137.41			616,137.41
4. Ending balance	193,666,355.69	214,865,245.93	11,818,006.08	43,826,230.98	464,175,838.68
III. Provision for impairment					
1. Beginning balance					
2. Amount increased in current period					
(1) Provision					
3. Amount decreased in current period					
(1) Disposal or scrap					
4. Ending balance					
IV. Book value					
1. Ending book value	487,326,458.54	314,041,708.34	8,103,858.12	29,790,525.21	839,262,550.21
2. Beginning book value	501,017,311.53	301,201,116.21	8,634,645.90	32,024,393.31	842,877,466.95

12. Construction in progress

Unit: yuan

Item	Ending balance	Beginning balance
Construction in progress	236,345,778.78	184,440,655.49
Total	236,345,778.78	184,440,655.49

(1) Construction in progress

Unit: yuan

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Maoshan intelligent base infrastructure project	205,897,083.05		205,897,083.05	116,239,899.42		116,239,899.42
Automated assembly line	7,606,837.60		7,606,837.60	7,606,837.60		7,606,837.60
Automatic line equipment	5,086,206.90		5,086,206.90	5,086,206.90		5,086,206.90
Management software	4,191,653.38		4,191,653.38	4,163,334.80		4,163,334.80
Other sporadic projects	2,578,513.67		2,578,513.67	4,663,411.54		4,663,411.54
Riveting equipment	2,119,658.12		2,119,658.12	2,119,658.12		2,119,658.12
Project of production department 3	2,008,547.08		2,008,547.08	5,299,145.30		5,299,145.30
Project of production department 2	1,801,724.14		1,801,724.14	11,143,604.48		11,143,604.48
Cutting machine	1,435,896.56		1,435,896.56	1,435,896.56		1,435,896.56
Cleaning line	1,085,470.11		1,085,470.11	1,085,470.11		1,085,470.11
Roll forming equipment	786,324.79		786,324.79	786,324.79		786,324.79
Dispensing equipment project	713,675.21		713,675.21	713,675.21		713,675.21
Automatic line equipment for host panel polishing	521,367.50		521,367.50	521,367.50		521,367.50
Automatic polishing equipment	512,820.67		512,820.67	512,820.67		512,820.67

Outdoor elevator project	0.00		0.00	1,472,079.01		1,472,079.01
Side suction punch press	0.00		0.00	4,102,564.65		4,102,564.65
Homemade platform production line				11,238,433.60		11,238,433.60
Spraying line				3,914,529.92		3,914,529.92
Pipe installation engineering				809,090.91		809,090.91
Workshop decoration engineering				1,017,299.09		1,017,299.09
Call center project				509,005.31		509,005.31
Total	236,345,778.78		236,345,778.78	184,440,655.49		184,440,655.49

(2) Current changes in major projects under construction

Unit: yuan

Item name	Budget number	Beginning balance	Amount increased in current period	Amount carried forward to fixed assets in current period	Other decreases in current period	Ending balance	Proportion of total project input to the budget	Progress of works	Accumulated amount of interest capitalization	Including: interest capitalization funds in the current period	Interest capitalization rate in the current period	Source of funds
Maoshan intelligent base infrastructure project	549,550,000.00	116,239,899.42	89,766,175.72		108,992.09	205,897,083.05	37.47%	37.47				Other
Automated assembly line	8,900,000.00	7,606,837.60				7,606,837.60	85.47%	85.47				Other
Automatic line equipment	5,900,000.00	5,086,206.90				5,086,206.90	86.21%	86.21				Other
Management software	5,036,150.00	4,163,334.80	161,061.94	132,743.36		4,191,653.38	85.87%	85.87				Other
Other sporadic projects	5,350,200.00	4,663,411.54	264,557.48	2,349,455.35		2,578,513.67	92.11%	92.11				Other
Riveting equipment	2,480,000.00	2,119,658.12				2,119,658.12	85.47%	85.47				Other
Project of production department 3	6,167,094.00	5,299,145.30		3,290,598.22		2,008,547.08	85.93%	85.93				Other
Project of production department 2	12,926,581.00	11,143,604.48		9,341,880.34		1,801,724.14	86.21%	86.21				Other
Cutting machine	1,665,640.00	1,435,896.56				1,435,896.56	86.21%	86.21				Other
Cleaning line	1,270,000.00	1,085,470.11				1,085,470.11	85.47%	85.47				Other
Roll forming equipment	920,000.00	786,324.79				786,324.79	85.47%	85.47				Other
Dispensing	827,863.25	713,675.21				713,675.21	85.47%	85.47				Other

equipment project												
Automatic line equipment for host panel polishing	610,000.00	521,367.50				521,367.50	86.21%	86.21				Other
Automatic polishing equipment	594,872.00	512,820.67				512,820.67	86.21%	86.21				Other
Homemade platform production line	11,239,038.82	11,238,433.60	605.22	11,239,038.82			100.00%	100.00				Other
Spraying line	4,580,000.00	3,914,529.92		3,914,529.92			100.00%	100.00				Other
Outdoor elevator project	1,644,000.00	1,472,079.01		1,472,079.01			100.00%	100.00				Other
Side suction punch press	4,758,975.00	4,102,564.65		4,102,564.65			100.00%	100.00				Other
Pipe installation engineering	890,000.00	809,090.91		809,090.91			100.00%	100.00				Other
Workshop decoration engineering	1,037,645.07	1,017,299.09		1,017,299.09			100.00%	100.00				Other
Call center project	1,374,153.85	509,005.31		509,005.31			100.00%	100.00				Other
Fixed asset equipment	559,900.00	0.00	482,672.40	482,672.40			100.00%	100.00				Other
Total	628,282,112.99	184,440,655.49	90,675,072.76	38,660,957.38	108,992.09	236,345,778.78	--	--				--

13. Intangible assets

(1) Intangible assets

Unit: yuan

Item	Land use right	Patent right	Nonpatented technology	Software	Trademark	Total
I. Original book value						
1. Beginning balance	168,051,179.95	7,300,000.00		42,242,921.55	24,500,000.00	242,094,101.50
2. Amount increased in current period				2,725,964.18		2,725,964.18
(1) Purchase				1,914,547.15		1,914,547.15
(2) Internal R&D						
(3) Increase by business combination						
Transfer from construction in progress				811,417.03		811,417.03
3. Amount decreased in current period						

(1) Disposal						
4. Ending balance	168,051,179.95	7,300,000.00		44,968,885.73	24,500,000.00	244,820,065.68
II. Accumulated amortization						
1. Beginning balance	17,861,002.07	561,538.46		28,472,381.07	1,225,000.00	48,119,921.60
2. Amount increased in current period	1,678,156.15	561,538.46		2,953,417.82	1,225,000.00	6,418,112.43
(1) Provision	1,678,156.15	561,538.46		2,953,417.82	1,225,000.00	6,418,112.43
3. Amount decreased in current period						
(1) Disposal						
4. Ending balance	19,539,158.22	1,123,076.92		31,425,798.89	2,450,000.00	54,538,034.03
III. Provision for impairment						
1. Beginning balance						
2. Amount increased in current period						
(1) Provision						
3. Amount decreased in current period						
(1) Disposal						
4. Ending balance						
IV. Book value						
1. Ending book value	148,512,021.73	6,176,923.08		13,543,086.84	22,050,000.00	190,282,031.65
2. Beginning book value	150,190,177.88	6,738,461.54		13,770,540.48	23,275,000.00	193,974,179.90

14. Goodwill

(1) Original book value of goodwill

Unit: yuan

Investee name or goodwill forming matter	Beginning balance	Increase in current period		Decrease in current period		Ending balance
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	80,589,565.84					80,589,565.84

(2) Provision for impairment of goodwill

Not applicable

15. Long-term unamortized expenses

Unit: yuan

Item	Beginning balance	Amount increased in current period	Amortization amount in current period	Other decreases	Ending balance
Brand endorsement fee	4,609,402.37		3,457,053.36		1,152,349.01
Consulting fee	235,849.05		94,339.62		141,509.43
Training membership fee	88,029.35		31,069.18		56,960.17
Office allowance		27,184.47			27,184.47
Service charge		68,965.52			68,965.52
Total	4,933,280.77	96,149.99	3,582,462.16		1,446,968.60

16. Deferred income tax assets and deferred income tax liabilities

(1) Unoffset deferred income tax assets

Unit: yuan

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Recognition for provisional estimate cost	499,357,694.39	74,903,654.16	118,518,358.59	18,037,753.80
Recognition for deferred income	76,668,389.06	11,500,258.36	82,021,091.35	12,303,163.70
Provision for impairment of assets	51,767,258.20	8,644,284.73	42,817,028.98	7,321,390.08
Unrealized profit of internal transaction	9,385,633.80	2,346,408.45	6,284,756.04	1,571,189.01
Recognition for equity incentive			2,091,925.29	330,543.82
Total	637,178,975.45	97,394,605.70	251,733,160.25	39,564,040.41

(2) Unoffset deferred income tax liabilities

Unit: yuan

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation of assets appraisal for business combination not under common control	35,946,839.96	8,986,709.99	37,844,785.88	9,461,196.47
Taxable temporary differences due to the pretax deduction of fixed assets	3,118,997.48	779,749.37	3,503,773.28	875,943.32
Total	39,065,837.44	9,766,459.36	41,348,559.16	10,337,139.79

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

Unit: yuan

Item	Ending offset amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets and liabilities after offset	Beginning offset amount of deferred income tax assets and liabilities	Beginning balance of deferred income tax assets and liabilities after offset
Deferred income tax assets		97,394,605.70		
Deferred income tax liabilities		9,766,459.36		

(4) Details of unrecognized deferred income tax assets

Unit: yuan

Item	Ending balance	Beginning balance
Deductible temporary differences	6,454,297.91	21,542,361.53
Deductible loss	5,257.50	73,605.00
Total	6,459,555.41	21,615,966.53

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

Unit: yuan

Year	Ending amount	Beginning amount	Remark
2019		15,088,524.40	
2020	6,367,784.94	6,367,784.94	
2021	39,785.54	39,785.54	
2022	39,552.31	39,552.31	
2023	6,714.34	6,714.34	
2024	460.78		
Total	6,454,297.91	21,542,361.53	--

Other description:

17. Other non-current assets

Unit: yuan

Item	Ending balance	Beginning balance
Advances for equipment purchase	10,266,672.24	6,126,821.00
Total	10,266,672.24	6,126,821.00

Unit: yuan

18. Notes payable

Unit: yuan

Type	Ending balance	Beginning balance

Banker's acceptance bill	453,858,650.24	411,414,985.01
Total	453,858,650.24	411,414,985.01

19. Accounts payable

(1) Presentation of accounts payable

Unit: yuan

Item	Ending balance	Beginning balance
Payment for materials	729,004,532.93	798,811,442.97
Costs	564,755,910.52	313,379,353.95
Project payment	36,756,214.98	27,333,856.60
Payment for equipment	20,239,629.87	56,038,495.85
Total	1,350,756,288.30	1,195,563,149.37

(2) Important accounts payable with the aging more than 1 year

Other description:

As of June 30, 2019, the Company's important accounts payable with an age of more than one year was 14,314,074.23 yuan, mainly for unpaid balance payment for project warranty period.

20. Advance from customers

(1) Presentation of advance from customers

Unit: yuan

Item	Ending balance	Beginning balance
Proceeds from sale	1,114,184,967.13	1,170,088,458.14
Total	1,114,184,967.13	1,170,088,458.14

21. Payroll payable

(1) Presentation of payroll payable

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
I. Short-term compensation	102,462,299.09	247,064,330.64	342,000,596.64	7,526,033.09
II. Welfare after dismission - defined contribution plan	4,887,196.21	22,267,547.92	26,439,316.75	715,427.38
III. Dismission welfare		117,873.00	117,873.00	
Total	107,349,495.30	269,449,751.56	368,557,786.39	8,241,460.47

(2) Presentation of short-term compensation

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
1. Wages, bonuses, allowances and subsidies	98,110,801.60	202,254,173.03	293,846,369.59	6,518,605.04
2. Employee welfare expenses		11,771,507.96	11,771,507.96	
3. Social insurance premium	3,719,338.20	16,489,945.36	19,743,588.71	465,694.85
Including: medical insurance premium	3,202,053.86	14,406,245.48	17,195,250.59	413,048.75
Industrial injury insurance premium	168,342.28	517,558.89	675,174.37	10,726.80
Birth insurance premium	348,942.06	1,566,140.99	1,873,163.75	41,919.30
4. Housing fund	259,780.00	11,787,075.62	11,840,999.62	205,856.00
5. Labor union expenditure and personnel education fund	372,379.29	4,761,628.67	4,798,130.76	335,877.20
Total	102,462,299.09	247,064,330.64	342,000,596.64	7,526,033.09

(3) Presentation of defined contribution plans

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
1. Basic endowment insurance	4,717,818.43	21,514,473.24	25,543,531.85	688,759.82
2. Unemployment insurance premium	169,377.78	753,074.68	895,784.90	26,667.56
Total	4,887,196.21	22,267,547.92	26,439,316.75	715,427.38

Other description:

The Company shall participate in the endowment insurance and unemployment insurance plans set up by the government according to the regulations. According to the plans, the Company shall pay 14.00%~21.00% and 0.50%~1.00% of the basic salary respectively to the plans. In addition to the above monthly deposit fee, the Company will not undertake further payment obligations. The corresponding expenditure is charged to the current profit and loss or the costs of relevant assets in occurrence.

22. Tax payable

Unit: yuan

Item	Ending balance	Beginning balance
Added value tax	30,951,635.69	50,107,891.95
Corporate income tax	121,100,255.91	51,608,992.28
Individual income tax	686,754.73	1,907,601.56
Urban maintenance and construction tax	2,181,680.64	3,503,535.91
Housing property tax	10,889.45	2,717,027.16
Education surcharge	935,006.03	1,567,040.95
Surcharge for local education	604,478.25	915,440.20

Disabled person employment security fund	187,682.04	586,878.75
Stamp duty	139,904.64	302,283.09
Land use tax		31,962.00
Total	156,798,287.38	113,248,653.85

23. Other payables

Unit: yuan

Item	Ending balance	Beginning balance
Other payables	228,982,475.40	234,490,187.04
Total	228,982,475.40	234,490,187.04

1) Other payables listed by nature

Unit: yuan

Item	Ending balance	Beginning balance
Sales margin payable	213,232,802.53	207,277,172.48
Other	8,383,013.26	9,534,323.01
Deposit payable	6,352,408.61	8,266,061.00
Collections for others	1,014,251.00	5,955,641.55
Equity incentive repurchase obligation		3,456,989.00
Total	228,982,475.40	234,490,187.04

2) Important other payable with the aging more than 1 year

Unit: yuan

Item	Ending balance	Reasons for failure of payment or carryover
Sales margin payable	205,571,275.52	The sale is not over
Total	205,571,275.52	--

24. Deferred income

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Causes
Government subsidies	82,021,091.35		5,352,702.29	76,668,389.06	Asset related
Total	82,021,091.35		5,352,702.29	76,668,389.06	--

Projects involving government subsidies:

Unit: yuan

Liability item	Beginning balance	Amount of additional subsidy in current period	Amount included in current non-operating income	Amount included in other income in current period	Amount offsetting the cost in the current period	Other alterations	Ending balance	Asset/income related
Production and construction project of annual production of 2.25 million	30,052,414.32			1,286,890.62			28,765,523.70	Asset related

kitchen appliances								
Intelligent manufacturing, integrated standardization and new mode application project	29,669,623.74			1,982,257.55			27,687,366.19	Asset related
Construction project of kitchen appliance R&D, design and test center	14,140,102.73			1,182,583.62			12,957,519.11	Asset related
Production and construction project of annual production of 1 million kitchen appliances	4,570,409.00			571,891.98			3,998,517.02	Asset related
New-generation environmentally friendly and energy-saving kitchen appliances and production line	1,102,977.83			95,325.42			1,007,652.41	Asset related
Digital intelligent manufacturing workshop project of intelligent household appliances	900,502.44			79,713.36			820,789.08	Asset related
Recycling transformation project	635,297.13			45,805.08			589,492.05	Asset related
Project of annual production of 2.25 million digital workshops	335,798.77			51,853.02			283,945.75	Asset related
Academician expert workstation	349,389.68			23,127.84			326,261.84	Asset related
Subsidies for investment project of annual production of 150,000 range hoods	206,754.51			29,441.40			177,313.11	Asset related
Kitchen appliance R&D, design and test center project	57,821.20			3,812.40			54,008.80	Asset related
Total	82,021,091.35			5,352,702.29			76,668,389.06	Asset related

25. Capital stock

Unit: yuan

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

26. Capital reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Capital premium (capital stock premium)	400,222,714.56	1,576,618.11		401,799,332.67
Other capital surplus	1,467,086.86	109,531.25	1,576,618.11	0.00
Total	401,689,801.42	1,686,149.36	1,576,618.11	401,799,332.67

Other description, including current increase / decrease and change reasons:

Note: The restricted stock cost to be recognized in January - June 2019 in the Company's initial restricted stock incentive plan was 109,531.25 yuan.

27. Treasury stock

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Repurchase obligations recognized for issuance of restricted stock	3,456,989.00		3,456,989.00	
Total	3,456,989.00		3,456,989.00	

Other description, including current increase / decrease and change reasons:

Note: On January 22, 2019, the Company's 9th meeting of the fourth Board of Directors and the 9th meeting of the fourth Board of Supervisors reviewed and adopted the *Proposal on Reserved Granting of Unlocking in Third Unlocking Period in Restricted Stock Incentive Plan*. The grant date of the reserved restricted stock incentive determined by the Company was January 4, 2016. As of January 04, 2019, the lockup period of this reserved restricted stock had expired. The unlocking conditions for the third unlocking period have been satisfied. The 27 incentive objects who agree to meet the assessment requirements can unlock 365,625.00 restricted stocks in the third unlocking period. The restricted stocks unlocked were listed and circulated on February 18, 2019, and the repurchase obligation was reduced by 3,456,989.00 yuan. The Company's initial restricted stock incentive plan has been fully unlocked.

28. Surplus reserves

Unit: yuan

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

Description of surplus reserves, including current increase / decrease and change reasons:

Note: According to the *Company Laws* and the articles of association, the Company makes provision for legal surplus reserves at 10% of the net profit. The Company may stop drawing if the accumulative legal surplus reserves have already accounted for over 50 percent of the Company's registered capital.

The Company may withdraw discretionary surplus reserves after withdrawing the legal surplus reserves. Upon approval, the discretionary surplus reserves can be used to make up for the losses of the previous year or increase the capital stock.

29. Undistributed profit

Unit: yuan

Item	Current period	Prior period
Undistributed profit at the end of previous period before adjustment	4,223,611,112.65	3,461,806,065.78
Undistributed profits at the beginning of the period after adjustment	4,223,611,112.65	3,461,806,065.78
Plus: Net profits attributable to the owners of parent company in the current period	670,403,994.20	1,473,579,665.62
Common stock dividends payable	759,219,240.00	711,774,618.75
Undistributed profits at the end of the period	4,134,795,866.85	4,223,611,112.65

30. Operating income and operating cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	3,452,212,044.04	1,571,078,316.27	3,394,298,971.47	1,584,187,817.12
Other businesses	75,201,838.92	28,323,646.54	102,363,594.00	44,457,585.60
Total	3,527,413,882.96	1,599,401,962.81	3,496,662,565.47	1,628,645,402.72

31. Taxes and surcharges

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	16,545,646.34	17,342,827.79
Education surcharge	7,090,991.29	7,432,640.50
Housing property tax	6,285.71	2,655,060.03
Land use tax		438,294.95

Vehicle and vessel use tax	9,593.34	17,162.85
Stamp duty	1,150,321.15	868,191.86
Surcharge for local education	4,656,160.55	4,955,093.65
Total	29,458,998.38	33,709,271.63

Other description:

Note: Refer to the notes and taxes for details of various taxes and additional payment standards.

32. Selling expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Advertising and promotion expenses	315,539,234.97	332,636,379.11
Sales and service fees	287,199,474.84	270,688,704.09
Promotion fees	96,455,563.19	88,412,307.25
Employee compensation	94,393,030.18	76,367,596.61
Freight	77,729,895.46	84,366,924.08
Booth decoration fee	77,617,108.92	70,393,486.00
Other	25,982,648.71	25,811,034.10
Business entertainment expenses	7,209,763.53	7,624,654.89
Office allowance	6,268,845.59	5,345,652.51
Admission fee	1,649,341.22	3,098,329.80
Total	990,044,906.61	964,745,068.44

33. Management costs

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	54,695,776.71	56,096,409.98
Depreciation and amortization	19,729,326.75	17,569,714.07
Maintenance expense	6,479,908.47	11,845,324.50
Consulting service charge	1,095,493.56	1,011,586.62
Traveling expense	2,981,161.71	3,369,261.70
Office allowance	1,936,101.78	3,273,809.64
Rental fees	3,845,066.25	3,021,166.58
Equity incentive fee	109,531.25	1,521,486.54
Other	25,299,162.29	26,985,069.90
Total	116,171,528.77	124,693,829.53

34. Research and development expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Direct investment	49,233,260.11	54,181,636.19
Employee compensation	43,596,381.82	41,244,964.67

Depreciation and amortization	7,682,242.02	6,545,732.90
Design fee	3,116,230.90	1,490,413.91
Other expenses	4,001,671.28	6,360,919.69
Total	107,629,786.13	109,823,667.36

35. Financial expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Less: Interest revenue	30,307,927.32	48,117,978.17
Exchange gain or loss	35,598.30	-319,870.79
Interest expenditure	201,831.98	
Other	465,526.17	360,179.57
Total	-29,604,970.87	-48,077,669.39

36. Other income

Unit: yuan

Other sources of income	Amount incurred in current period	Amount incurred in previous period
Second batch of financial support funds for enterprise cultivation in 2017	45,262,300.00	
Performance award of Shanghai Hongkou District Finance Bureau	4,090,000.00	100,000.00
Intelligent manufacturing, integrated standardization and new mode application project	1,982,257.55	
Production and construction project of annual production of 2.25 million kitchen appliances	1,286,890.62	1,226,439.78
Construction project of kitchen appliance R&D, design and test center	1,182,583.62	
Supporting funds for industrial chain improvement in Hangzhou IIT special fund in 2018	958,500.00	
Production and construction project of annual production of 1 million kitchen appliances	571,891.98	571,891.98
Social insurance tax refund in 2018	533,442.61	
Subsidy funds for cloud demonstration enterprises in 2017	300,000.00	
Job subsidies and social insurance subsidies	229,477.50	292,599.00
New-generation environmentally friendly and energy-saving kitchen appliances and production line	95,325.42	95,325.42
Digital intelligent manufacturing workshop of intelligent household appliances	79,713.36	71,553.00
Third-generation commission charges of Hongkou District Tax Bureau	76,579.44	
Project of annual production of 2.25 million digital workshops	51,853.02	51,853.02
Recycling transformation project	45,805.08	41,491.24
Smart electricity subsidy	32,000.00	
Subsidies for investment project of annual production of 150,000 range hoods	29,441.40	29,441.40
Expert workstation	23,127.84	23,127.84
Patent subsidy	4,180.00	
Kitchen appliance R&D, design and test center	3,812.40	3,812.40
Patent for invention		15,000.00
Special application subsidy		252,000.00
Subsidies for R&D input and advertising in 2016		56,749,600.00
Total	56,839,181.84	59,524,135.08

37. Investment income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Investment income from purchasing financial products	39,789,776.54	32,787,830.58
Investment income from available-for-sale financial assets during the holding period		7,326,845.00
Investment income from disposal of available-for-sale financial assets		
Long-term equity investment gains measured by employing the equity method	69,197.95	655,604.04
Total	39,858,974.49	40,770,279.62

38. Credit impairment loss

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Loss on bad debts of notes receivable	-5,510,787.60	
Loss on bad debts of accounts receivable	-2,026,738.41	
Loss on bad debts of other receivables	-1,414,503.22	
Total	-8,952,029.23	

39. Assets impairment losses

Whether new income standards have been implemented

□Yes √No

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
I. Loss on bad debts		-8,585,478.93
Total		-8,585,478.93

40. Income from disposal of assets

Unit: yuan

Source of income from disposal of assets	Amount incurred in current period	Amount incurred in previous period
Income from disposal of non-current assets	-296,672.23	62,757.28

41. Non-operating income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
Government grants unrelated to the daily activities of the Company	1,230,000.00	5,249,847.36	1,230,000.00

Other	381,946.09	426,686.51	381,946.09
Total	1,611,946.09	5,676,533.87	1,611,946.09

Unit: yuan

Other description:

Subsidized project	Amount included in current non-operating income	Amount included in previous non-operating income	Asset/income related
Subsidies for mass entrepreneurship and innovation platform project in 2018	1,000,000.00		Income related
Subsidies for municipal technical standardization construction in 2018	100,000.00		Income related
Subsidies for skilled talent cultivation	70,000.00	50,000.00	Income related
Recognition awards of key enterprises	60,000.00	60,000.00	Income related
Performance award of Shanghai Hongkou District Finance Bureau		5,020,000.00	Income related
Third-generation commission charges of Hongkou District Tax Bureau		55,847.36	Income related
Mass entrepreneurship and innovation role model		50,000.00	Income related
On-site home appliance service specifications		14,000.00	Income related
Total	1,230,000.00	5,249,847.36	

42. Non-operating expenditure

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
Loss on exchange of non-monetary assets	1,171,725.00	27,611.09	1,171,725.00
External donations	1,000,000.00	1,000,000.00	1,000,000.00
Other	710,719.05	100,106.34	710,719.05
Total	2,882,444.05	1,127,717.43	2,882,444.05

Other description:

43. Income tax expenses

(1) Income tax expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	181,475,283.87	179,468,158.68
Deferred income tax expenses	-58,401,245.72	-60,360,219.35
Total	123,074,038.15	119,107,939.33

(2) Accounting profit and income tax expense adjustment process

Unit: yuan

Item	Amount incurred in current period

Total profit	800,490,628.04
Income tax expenses calculated at the appropriate/applicable tax rate	120,073,594.21
Impact of different tax rates applied on subsidiaries	2,595,535.02
Impact of income tax before adjustment	415,814.43
Impact of non-deductible costs, expenses and losses	722,405.53
Impact of temporary difference or deductible losses on unrecognized deferred income tax assets in the current period	115.20
Impact of weighted deduction of R&D costs	-734,740.62
Impact of equity incentive	1,314.38
Income tax expenses	123,074,038.15

44. Cash flow statement items

(1) Other cash received related to operating activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Income from deposit interest	30,307,927.32	48,081,953.15
Government subsidies	52,163,036.94	62,659,046.36
Deposit	3,811,603.20	19,666,990.28
Other payments	8,863,178.11	16,735,134.25
Total	95,145,745.57	147,143,124.04

(2) Other cash paid related to operating activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Sales and service fees	250,501,946.66	273,500,396.33
Advertising and promotion expenses	212,494,851.46	260,865,731.53
Other	81,682,101.67	78,979,716.67
Freight	63,243,609.00	63,365,744.98
Booth decoration fee	63,178,712.44	60,179,905.03
Technical development expense	60,213,336.23	61,712,909.58
Promotion fees	22,361,177.73	23,277,687.24
Rental fees	10,821,751.44	8,433,842.54
Intermediary consulting fee	6,516,635.83	10,630,573.38
Total	771,014,122.46	840,946,507.28

(3) Other cash paid related to investment activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Earnest money for investment		30,000,000.00
Total		30,000,000.00

45. Further information on cash flow statement

(1) Further information on cash flow statement

Unit: yuan

Further information	Current amount	Last term amount
Reconciliation from net profits to cash flows from operating activities:	--	--
Net profit	677,416,589.89	660,335,565.34
Plus: Provision for impairment of assets	8,952,029.23	8,585,478.93
Depreciation of fixed assets, oil and gas assets and productive biological assets	45,201,367.93	40,971,576.82
Amortization of intangible assets	6,418,112.43	4,556,986.64
Amortization of long-term deferred expenses	3,582,462.16	3,473,561.22
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	1,468,397.23	-62,757.28
Loss on retirement of fixed assets (gains expressed with "-")		27,611.09
Financial expenses (gains expressed with "-")	-116,415.75	267,232.10
Investment losses (gains expressed with "-")	-39,858,974.49	-40,770,279.62
Decreased in deferred income tax assets (increase expressed with "-")	-57,830,565.29	-60,360,219.35
Increase in deferred income tax liabilities (decrease expressed with "-")	-570,680.43	
Decrease in inventories (increase expressed with "-")	130,904,758.56	-124,109,202.78
Decrease in operating receivables (increase expressed with "-")	-298,690,566.84	-146,955,942.28
Increase in operating payables (decrease expressed with "-")	187,057,740.99	772,191,994.53
Other	-5,243,171.04	3,636,422.62
Net cash flow from operating activities	658,691,084.58	1,121,788,027.98
2. Significant investment and financing activities not involving cash deposit and withdrawal:	--	--
3. Net changes in cash and cash equivalents:	--	--
Ending balance of cash	2,559,638,401.46	2,531,498,207.68
Less: Beginning balance of cash	2,177,219,858.85	2,562,788,024.38
Net increase of cash and cash equivalents	382,418,542.61	-31,289,816.70

(2) Composition of cash and cash equivalents

Unit: yuan

Item	Ending balance	Beginning balance
I. Cash	2,559,638,401.46	2,177,219,858.85
Including: cash on hand	459,629.14	380,338.61
Bank deposit readily available for payment	2,559,178,772.32	2,176,839,520.24
III. Balance of cash and cash equivalents at end of period	2,559,638,401.46	2,177,219,858.85

Other description:

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

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

47. Assets with ownership or use rights restricted

Unit: yuan

Item	Ending book value	Causes for restriction
Monetary capital	19,088,012.03	Guarantee deposit
Total	19,088,012.03	--

48. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: yuan

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB
Monetary capital	--	--	
Including: USD	2,745,813.05	6.8747	18,876,640.96
Euro	350.00	7.8170	2,735.95
AUD	3.28	4.8171	15.80
Accounts receivable	--	--	
Including: USD	1,556,424.84	6.8747	10,699,953.85
Euro			
AUD	589.60	7.8170	4,608.90

49. Government subsidies

(1) Basic information of government subsidies

Unit: yuan

Type	Amount	Presented item	Amount recorded in current profit and loss
Second batch of financial support funds for enterprise cultivation in 2017	45,262,300.00	Other income	45,262,300.00
Performance award of Shanghai Hongkou District Finance Bureau	4,090,000.00	Other income	4,090,000.00
Subsidies for mass entrepreneurship and innovation platform project in 2018	1,000,000.00	Non-operating income	1,000,000.00
Supporting funds for industrial chain improvement in Hangzhou IIT special fund in 2018	958,500.00	Other income	958,500.00
Social insurance tax refund in 2018	533,442.61	Other income	533,442.61
Subsidy funds for cloud demonstration enterprises in 2017	300,000.00	Other income	300,000.00

Job subsidies and social insurance subsidies	186,916.50	Other income	186,916.50
Job subsidies and social insurance subsidies	21,622.00	Other income	21,622.00
Job subsidies and social insurance subsidies	20,939.00	Other income	20,939.00
Subsidies for municipal technical standardization construction in 2018	100,000.00	Non-operating income	100,000.00
Third-generation commission charges of Hongkou District Tax Bureau	76,579.44	Other income	76,579.44
Subsidies for skilled talent cultivation	50,000.00	Non-operating income	50,000.00
Subsidies for skilled talent cultivation	20,000.00	Non-operating income	20,000.00
Recognition awards of key enterprises	60,000.00	Non-operating income	60,000.00
Smart electricity subsidy	32,000.00	Other income	32,000.00
Patent subsidy	4,180.00	Other income	4,180.00

VIII. Consolidation scope changes

Not applicable

IX. Interests in other entities

1. Interests in a subsidiary

(1) Composition of enterprise group

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

(2) Important non-wholly owned subsidiary

Unit: yuan

Subsidiary name	Minority shareholding ratio	Current profits and losses attributable to minority shareholders	Current dividends declared to minority shareholders	Ending balance of minority equity
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	49.00%	7,012,821.47		95,809,668.83
Dize Home Appliance Trading (Shanghai) Co., Ltd.	49.00%	-225.78		-3,333,111.73

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

Unit: yuan

Subsidiary name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	212,856,487.39	61,008,549.80	273,865,037.19	61,054,389.54	9,766,459.36	70,820,848.90	186,230,007.04	54,982,900.77	241,212,907.81	49,657,712.19	10,345,778.88	60,003,491.07
Dize Home Appliance Trading (Shanghai) Co., Ltd.	5,486.41	3,817.31	9,303.72	6,811,572.56		6,811,572.56	5,842.75	3,921.75	9,764.50	6,811,572.56		6,811,572.56

Unit: yuan

Subsidiary name	Amount incurred in current period				Amount incurred in previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from financing activities	Operating income	Net profit	Total comprehensive income	Cash flow from financing activities
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	90,517,727.14	14,311,880.56	14,311,880.56	26,511,914.94				
Dize Home Appliance Trading (Shanghai) Co., Ltd.		-5,718.28	-5,718.28	-345.73		-50,102.29	-50,102.29	-3,389.42

3. Equity in joint venture arrangement or joint venture

(1) Important cooperative enterprises or joint ventures

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

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

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Cooperative enterprise:	--	--
Total book value of investment	2,687,049.11	2,617,851.16
Total number of following items by shareholding ratio	--	--
- Net profit	69,197.95	-1,197,385.79
- Total comprehensive income	69,197.95	-1,197,385.79
- Joint venture:	--	--
Total number of following items by shareholding ratio	--	--

Unit: yuan

X. Risks associated with financial instruments

The main financial instruments of the Company include accounts receivable, accounts payable, etc. The detailed description of the financial instruments is shown in Note VI. Related items. The management of the Company shall manage and monitor these risk exposures to ensure that the above risks are controlled within the limited scope.

Risk management objective and policy

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

1. Credit risk

The largest credit risk exposure that may cause financial losses of the Company on June 30, 2019 mainly comes from the loss of financial assets of the Company caused by the failure of the other party to fulfill its obligations.

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

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

The analysis of a financial asset that has suffered a single impairment includes the factors considered in judging the impairment of the financial asset.

On the balance sheet date, the Company individually determined the receivables from determined separately that the unit amount of receivables of Oriental Home Building Materials Commercial Co., Ltd. and Laox (Beijing) Commercial and Trading Co. Ltd. that have suffered impairment. Oriental Home Building Materials Commercial Co., Ltd. was insolvent; Laox (Beijing) Commercial and Trading Co. Ltd. is less likely to recover due to its business adjustment; the Company has withdrawn the provision for bad debt in full.

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

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

2. Liquidity risk:

When managing liquidity risks, the Company shall maintain sufficient cash and cash equivalents as deemed by the management and monitor them to meet the Company's operational needs and reduce the impact of cash flow fluctuations.

3. Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate movement. The foreign exchange risk borne by the Company is mainly related to USD (which shall be modified according to the actual situation), and the main business activities of the Company are denominated and settled in RMB. On June 30, 2019, the Company's assets and liabilities were RMB balance, except that the assets or liabilities mentioned in the following table were foreign currency balance. The foreign exchange risks arising from the assets and liabilities of such foreign currency balance may have an impact on the Company's business performance.

Item	Closing balance	Opening balance
Monetary capital		
Including: USD	2,745,813.05	2,812,009.15
Euro	350.00	3.78
AUD	3.28	3.27
Accounts receivable		
Including: USD	1,556,424.84	1,544,658.61
Euro	589.60	
AUD	30.00	30.00

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

XI. Fair value disclosure

Not applicable

XII. Related parties and related transactions

1. Parent company of the Company

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

Parent company of the Company: the final controller of the Company is Ren Jianhua

2. Subsidiaries of the Company

See Note 1. Interests in a subsidiary for the details of the subsidiaries.

3. Cooperative enterprises and joint ventures

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

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

Name of cooperative enterprise or joint venture	Relationship with the Company
De Dietrich Trade (Shanghai) Co., Ltd.	Cooperative enterprise

Other description

4. Situation of other related parties

Name of other related parties	Relationship of other related parties with the Company
Hangzhou Amblem Kitchen Ware Co., Ltd.	Controlled by the same parent company
Hangzhou Yuhang Robam Gas Station Co., Ltd.	Controlled by the same parent company
Hangzhou Nbond Nonwoven Co., Ltd.	Controlled by the same parent company
Hangzhou Yuhang Matt Spray Painting Factory	Controlled by the sister of the actual controller
Garden Hotel Hangzhou	Greatly influenced by the parent company
Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	Controlled by the same parent company
Shaoxing Kinde Electric Appliance Co., Ltd.	Other shareholders of subsidiaries controlled by the company

Other description

5. Related transaction

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

Purchase of goods/acceptance of services

Unit: yuan

Related party	Related transaction content	Amount incurred in current period	Approved transaction quota	Whether the transaction quota is exceeded	Amount incurred in previous period
Hangzhou Yuhang Matt Spray Painting Factory	Paint processing	5,504,169.36		No	5,613,662.24
Hangzhou Amblem Kitchen Ware Co., Ltd.	Display panels, booths and cabinets	1,697,016.55		No	3,648,378.90
Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	Material	1,746,291.56		No	932,164.48
Hangzhou Yuhang Robam Gas Station Co., Ltd.	Fuel	565,621.34		No	1,660,547.31
Garden Hotel Hangzhou	Conference service			No	958.49

Selling commodities/offering labor

Unit: yuan

Related party	Related transaction content	Amount incurred in current period	Amount incurred in previous period
Hangzhou Amblem Kitchen Ware Co., Ltd.	Sales of kitchen electric appliance products	5,836,683.25	6,122,603.15
De Dietrich Trade (Shanghai) Co., Ltd.	Sales of kitchen electric appliance products		1,924,894.92
Hangzhou Nbond Nonwoven Co., Ltd.	Sales of kitchen electric appliance products	724.14	307.69

(2) Related-party lease

The Company as the lessor:

Unit: yuan

Name of lessee	Type of leased assets	Lease income recognized in the current period	Lease income recognized in the previous period
Hangzhou Robam Industrial Group Co., Ltd.	House	14,400.00	14,400.00

The Company as the lessee:

Unit: yuan

Name of lessor	Type of leased assets	Lease fee recognized in the current period	Lease fee recognized in the previous period
Hangzhou Robam Industrial Group Co., Ltd.	House	275,012.28	275,012.28

6. Accounts receivable and payable by related parties

(1) Receivables

Unit: yuan

Item name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable					
	Shaoxing Kinde Electric Appliance Co., Ltd.			5,847,688.80	292,384.44
	Hangzhou Amblem Kitchen Ware Co., Ltd.	2,435,912.33	124,782.87		

(2) Payables

Unit: yuan

Item name	Related party	Ending book balance	Beginning book balance
Accounts payable			
	Hangzhou Yuhang Matt Spray Painting Factory	3,627,878.50	4,224,367.40
	Hangzhou Yuhang Robam Gas Station Co., Ltd.	1,291,034.96	1,238,869.31
	Hangzhou Amblem Kitchen Ware Co., Ltd.	683,600.21	916,666.81
	Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	1,091,272.24	148,644.89
Other payables			
	Hangzhou Yuhang Matt Spray Painting Factory	200,000.00	200,000.00

7. Related party commitment

8. Other

XIII. Share-based payment

1. Overall status of share-based payment

√ Applicable □ Not applicable

Unit: yuan

Total amount of equity instruments granted by the company during the current period	0.00
Total amount of equity instruments exercised by the company during the current period	109,531.25

Total amount of equity instruments invalidated by the company during the current period	0.00

Other description

The Company's second meeting of the third Board of Supervisors on September 9, 2014 reviewed and adopted the *Proposal on the Initial Restricted Stock Incentive Plan (Draft)* (hereinafter referred to as the "plan" or "plan draft"). The number of restricted stocks to be granted under the plan was 4.5million, and the actual number of restricted stocks granted was 4.48 million, accounting for 1.40% of the total 320 million stocks of the Company on the announcement date of the plan draft abstract. Where, 4.07 million stocks were planned to the granted in the first time and 4.05 million stocks were granted actually, accounting for 1.27% of the total stocks of the Company on the announcement date of the plan draft abstract; 430,000 stocks were reserved, accounting for 0.13% of the total stocks of the Company on the announcement date of the plan draft abstract and 9.60% of the total restricted stocks granted this time. The reserved part will be granted within one year after the first grant date of the plan.

The plan shall be valid for up to five years from the date of the initial grant of restricted stocks.

(1) The incentive object shall be locked up within 12 months from the date of receiving the restricted stocks. During the lockup period, the restricted stocks granted to the incentive object under the plan are locked and non-transferable;

(2) Upon the expiration of 12 months from the date of the initial grant of the incentive plan, the restricted stock first granted under this plan shall be unlocked by the incentive object in three times over the next 36 months. During the unlocking period, if the unlocking conditions stipulated in this plan are satisfied, the incentive object may apply for unlocking in three times: the first unlocking period is the first year after the expiration of the lockup period and the incentive object may apply for unlocking 30% of the total number of restricted stocks granted; the second unlocking period is the second year after the expiration of the lockup period and the incentive object may apply for unlocking 40% of the total number of restricted stocks granted; the third unlocking period is the third year after the expiration of the lockup period and the incentive object may apply for unlocking 30% of the total number of restricted stocks granted. Upon the expiration of 12 months from the date of the corresponding grant date, the restricted stocks reserved shall be unlocked by the incentive object in three times over the next 36 months. The first unlocking period is the first year after the expiration of the lockup period and the incentive object may apply for unlocking 30% of the total number of restricted stocks granted; the second unlocking period is the second year after the expiration of the lockup period and the incentive object may apply for unlocking 40% of the total number of restricted stocks granted; the third unlocking period is the third year after the expiration of the lockup period and the incentive object may apply for unlocking 30% of the total number of restricted stocks granted.

The incentive objects of the plan are the Company's directors, middle and senior management, as well as the core business (technical) personnel identified by the Company. The price of restricted stock granted to incentive objects for the first time is 15.16 yuan per stock.

For the restricted stock granted in the plan for the first time, the performance conditions of the incentive object for each application for the unlocking of the underlying stocks are as follows:

(1) Taking the net profit in 2013 as a fixed basic number, the net profit growth rate of the Company in 2014, 2015 and 2016 shall be no less than 30%, 65% and 110% respectively;

(2) The return on equity in 2014, 2015 and 2016 shall be no less than 20%;

(3) During the lockup period, the net profits attributable to shareholders of listed companies and the net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses shall not be negative and not be lower than the average level of the last three fiscal years before the grant date.

For the restricted stock reserved to grant in the plan, the performance conditions of the incentive object for each application for the unlocking of the underlying stocks are as follows:

(1) Taking the net profit in 2013 as a fixed basic number, the net profit growth rate of the Company in 2015, 2016 and 2017 shall be no less than 65%, 110% and 160% respectively;

(2) The return on equity in 2015, 2016 and 2017 shall be no less than 20%;

(3) During the lockup period, the net profits attributable to shareholders of listed companies and the net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses shall not be negative and not be lower than the average level of the last three fiscal years before the grant date. The above indexes of net profit growth rate and return on equity are calculated based on the net profit after deducting non-recurring profits and losses. The net profits and net assets each year refer to the net profits attributable to shareholders of listed companies and net assets attributable to shareholders of listed companies. If the Company conducts public offering or non-public offering and other behaviors affecting the Company's net assets, the newly increased net assets and the net profits generated from such net assets shall not be subject to the assessment calculation of the year and the next year. In case of capital surplus transfer to capital stock, distribution of stock dividends, stock split or drawing back, stock allotment or dividend distribution of the Company in the period from the announcement date of the plan to completion of the restricted stock registration by the incentive object, the grant price and quantity of the restricted stocks will be adjusted accordingly.

On January 4, 2016, the Company's 12th meeting of the third Board of Directors reviewed and adopted the *Proposal on Granting Reserved Restricted Stocks to Incentive Objects*. On January 4, 2016, 645,000 reserved restricted stocks were granted to 29 incentive objects, at the grant price of 21.25 yuan per stock.

In this equity incentive plan, the fair value on the grant date was recognized in stages as the administrative expenses for each year according to the unlocking ratio during the waiting period, where, the administrative expenses were 109,500 yuan from January to June 2019.

2. Equity-settled share-based payments

□ Applicable √ Not applicable

3. Share-based payment settled by cash

□ Applicable √ Not applicable

4. Modification and termination of share-based payment

5. Other

XIV. Commitment and contingencies

1. Important commitment issues

Important commitments on balance sheet date

1. Major commitment issues

The Company had no major commitment issues to be disclosed as of June 30, 2019.

2. Contingencies

The Company had no other significant contingencies to be disclosed as of June 30, 2019.

2. Contingencies

(1) Important contingencies on balance sheet date

The Company had no post-balance sheet events to be disclosed as of June 30, 2019.

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

The Company has no important contingencies to be disclosed.

3. Other

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

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Where:										
Accounts receivable of provision for bad debt by combination	483,696,102.62	100.00%	26,511,542.37	5.48%	457,184,560.25	461,115,475.92	100.00%	23,113,083.26	5.01%	438,002,392.66
Where:										
Aging combination	460,276,971.62	95.16%	26,511,542.37	5.76%	433,765,429.25	409,499,536.92	88.81%	23,113,083.26	5.64%	386,386,453.66
Accounts from related parties in the consolidation scope	23,419,131.00	4.84%			23,419,131.00	51,615,939.00	11.19%			51,615,939.00
Total	483,696,102.62	100.00%	26,511,542.37	5.48%	457,184,560.25	461,115,475.92	100.00%	23,113,083.26	5.01%	438,002,392.66

1) Receivables with provision for bad debt provision withdrawn by employing aging analysis

Unit: yuan

Name	Ending balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year	430,598,216.00	21,529,910.80	5.00%
1~2 years	22,964,703.57	2,296,470.36	10.00%
2~3 years	3,891,870.70	778,374.14	20.00%
3~4 years	1,792,623.19	896,311.59	50.00%
4~5 years	95,413.40	76,330.72	80.00%
More than 5 years	934,144.76	934,144.76	100.00%
Total	460,276,971.62	26,511,542.37	--

2) Disclosure by aging

Unit: yuan

Aging	Ending balance
Within 1 year (including 1 year)	432,487,436.20
1~2 years	20,668,233.21
2~3 years	3,113,496.56
More than 3 years	915,394.28
3~4 years	896,311.60
4~5 years	19,082.68
Total	457,184,560.25

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

Provision for bad debts in current period:

The amount of provision for bad debts was 3,398,459.11 yuan and the amount of provision for bad debts recovered or reversed was 0.00 yuan in the current period.

(3) Accounts receivable with top 5 ending balances by debtor

The total amount of accounts receivable with top 5 ending balances by debtor in the current period was 269,822,786.64 yuan, accounting for 55.78% of the total ending balance of accounts receivable. The total amount of ending balance of bad debt provision withdrawn accordingly was 13,683,232.06 yuan.

2. Other receivables

Unit: yuan

Item	Ending balance	Beginning balance
Other receivables	66,587,170.91	64,301,240.95
Total	66,587,170.91	64,301,240.95

1) Other receivables classified by nature

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Collection by third party	29,739,414.77	30,291,539.08
Deposit and margin	30,438,085.65	29,692,522.35
Associated contact	4,064,000.00	4,064,000.00
Imprest	7,164,851.45	1,239,473.08
Withheld amount	4,213,981.30	2,232,820.64
Other	410,173.41	5,986,841.54
Total	76,030,506.58	73,507,196.69

2) Disclosure by aging

Unit: yuan

Aging	Ending balance
Within 1 year (including 1 year)	48,269,430.16
1~2 years	17,307,526.04
2~3 years	684,532.48
More than 3 years	325,682.22
3~4 years	265,524.23
4~5 years	60,157.99
Total	66,587,170.90

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

Provision for bad debts in current period:

The amount of provision for bad debts was 237,379.94 yuan and the amount of provision for bad debts recovered or reversed was 0.00 yuan in the current period.

5) Other accounts receivable with top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Ending balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
Alipay (China) Network Technology Co., Ltd.	Collection by third party	29,739,414.77	Within 1 year	39.12%	1,486,970.74
Management	Margin and deposit	14,778,000.00	1-2 years	19.44%	1,477,800.00

Committee of Hangzhou Yuhang Economic and Technical Development Zone					
Dize Home Appliance Trading (Shanghai) Co., Ltd.	Other	4,064,000.00	More than 5 years	5.35%	4,064,000.00
Hangzhou Maishang Technology Co., Ltd.	Margin and deposit	3,000,000.00	Within 1 year	3.95%	150,000.00
Liang Xiaoming	Imprest	2,577,682.68	Within 1 year	3.39%	128,884.13
Total	--	54,159,097.45	--	71.23%	7,307,654.87

3. Long-term equity investment

Unit: yuan

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	246,905,933.73	20,400,000.00	226,505,933.73	242,391,037.48	20,400,000.00	221,991,037.48
Investment in associated enterprises and joint enterprises	2,687,049.11		2,687,049.11	2,617,851.16		2,617,851.16
Total	249,592,982.84	20,400,000.00	229,192,982.84	245,008,888.64	20,400,000.00	224,608,888.64

(1) Investment in subsidiaries

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period				Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Provision for impairment	Others		
Shengzhou Kinde Intelligent Kitchen Electric Co., Ltd.	162,320,000.00					162,320,000.00	
Hangzhou Mingqi Electric Co., Ltd.	51,892,142.06	9,638.75				51,901,780.81	
Dize Home Appliance Trading (Shanghai) Co., Ltd.	625,642.50	5,257.50				630,900.00	20,400,000.00
Shanghai Robam Electric Appliance Sales Co., Ltd.	5,838,272.10					5,838,272.10	
Beijing Robam Electric Appliance Sales Co., Ltd.	1,314,980.82	4,500,000.00				5,814,980.82	

Total	221,991,037.48	4,514,896.25				226,505,933.73	20,400,000.00

(2) Investment in associated enterprises and joint enterprises

Unit: yuan

Invested entity	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Others		
I. Cooperative enterprise											
De Dietrich Trade (Shanghai) Co., Ltd.	2,617,851.16			69,197.95						2,687,049.11	
Subtotal	2,617,851.16			69,197.95						2,687,049.11	
II. Joint venture											
Total	2,617,851.16			69,197.95						2,687,049.11	

(3) Other description

4. Operating income and operating cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	3,187,683,518.21	1,477,699,188.18	3,195,476,651.47	1,528,626,555.40
Other businesses	72,109,808.46	29,798,963.74	96,407,438.65	43,031,202.71
Total	3,259,793,326.67	1,507,498,151.92	3,291,884,090.12	1,571,657,758.11

5. Investment income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Investment income from purchasing financial products	36,895,138.71	32,787,830.58
Investment income from available-for-sale financial assets during the holding period		7,326,845.00
Investment income from disposal of available-for-sale financial assets		
Long-term equity investment gains measured by employing the equity method	69,197.95	655,604.04
Total	36,964,336.66	40,770,279.62

6. Other

XVI. Further information

1. Current non-recurring gain and loss statement

√ Applicable □ Not applicable

Unit: yuan

Item	Amount	Description
Profit and loss on disposal of non-current assets	-1,171,725.00	
Government subsidies included into the current profits and losses, except those government subsidies, which are closely related to the business of a company and enjoyed in accordance with a certain standard quota or quantity of the state	58,069,181.84	
Profits and losses from investment or management assets entrusted to others	2,894,637.83	
Income and expenditure other than those mentioned above	-1,328,772.96	
Less: Amount affected by income tax	9,538,352.16	
Amount of minority shareholders' equity affected	1,060,554.36	
Total	47,864,415.19	--

Explain the non-recurrent profit and loss items defined by the Company according to the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses* and defined from the non-recurrent profit and loss items enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses.*

□ Applicable √ Not applicable

2. Return on net assets and earnings per share

Reporting profit	Weighted average return on net assets	Earnings Per Share	
		Basic EPS (yuan/share)	Diluted EPS (yuan/share)
Net profit attributable to common shareholders of the company	10.51%	0.71	0.71
Net profit attributable to common shareholders of the company after deduction of non-recurring profits and losses	9.76%	0.66	0.66

Section 11: Reference file directory

I. Financial statements containing signatures of the legal representative, the head of accounting work, and the head of accounting body with seals.

II. Original copies of the documents and announcement of the company published on the newspaper designated by the CSRC in the reporting period.

III. 2019 semiannual report of the company signed by the legal representative.

IV. Other relevant information.

V. Reference files kept at: board office.