

Hainan Jingliang Holdings Company Limited

Semi-annual Financial Report 2018

(Unaudited)

August 2018

Consolidated Balance Sheet

June 30st, 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Ending Balance | Beginning Balance |
|--|--------|-------------------------|-------------------------|
| Current assets: | | | |
| Currency fund | VI. 1 | 997,708,704.36 | 1,014,438,663.43 |
| Financial assets that are measured at fair value and whose changes are included in the current profit and loss | VI. 2 | 151,016,163.70 | 176,699,298.60 |
| Derivative financial assets | VI. 2 | | |
| Notes receivable | | | |
| Accounts receivable | VI. 3 | 124,688,536.30 | 75,165,127.11 |
| Prepayment | VI. 4 | 1,024,213,762.34 | 912,843,489.70 |
| Interest receivable | VI. 5 | 2,486,224.44 | 2,657,591.11 |
| Dividends receivable | | | |
| Other receivables | VI. 6 | 84,491,856.13 | 73,064,548.76 |
| Inventory | VI. 7 | 1,620,402,879.95 | 1,393,958,764.07 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | 26,000,000.00 | 51,000,000.00 |
| Other current assets | VI.8 | 120,423,422.45 | 165,867,238.70 |
| Total Current Assets | | 4,151,431,549.67 | 3,865,694,721.48 |
| Non-current assets: | | | |
| Available-for-sale financial assets | VI. 9 | 20,000,000.00 | 20,000,000.00 |
| Held-to-maturity investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | VI. 10 | 181,521,226.84 | 174,589,701.74 |
| Investment real estate | VI. 11 | 34,201,977.22 | 35,008,852.62 |
| Fixed assets | VI. 12 | 1,307,005,344.62 | 1,333,410,146.38 |
| Project under construction | VI. 13 | 8,295,319.20 | 12,737,673.01 |
| Engineering material | | | |
| Disposal of fixed assets | | | |
| Productive biological asset | | | |
| Oil and gas assets | | | |
| Intangible assets | VI. 14 | 390,606,624.41 | 398,844,032.07 |
| Development expenditure | | | |
| Business reputation | VI. 15 | 191,394,422.51 | 191,394,422.51 |
| Long-term unamortized expenses | VI. 16 | 33,966,862.42 | 33,247,595.28 |
| Deferred income tax assets | | 16,008,406.42 | 14,179,072.07 |
| Other non-current assets | VI. 17 | | 3,277,634.07 |
| Total Non-Current Assets | | 2,183,000,183.64 | 2,216,689,129.75 |
| Total Assets | | 6,334,431,733.31 | 6,082,383,851.23 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department: Liu Quanli

Consolidated Balance Sheet (Continued)

June 30st, 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Ending Balance | Beginning Balance |
|--|--------|-------------------------|-------------------------|
| Current liabilities: | | | |
| Short-term borrowing | VI. 19 | 1,997,563,754.51 | 2,007,171,362.73 |
| Financial assets that are measured at fair value and whose changes are included in the current profit and loss | | | |
| Derivative financial assets | | | |
| Notes payable | VI. 20 | 36,397,048.50 | 83,154,229.20 |
| Accounts payable | VI. 21 | 517,639,840.02 | 317,538,928.27 |
| Account collected in advance | VI. 22 | 435,944,894.64 | 212,124,147.38 |
| Employee pay payable | VI. 23 | 10,649,864.10 | 30,762,031.53 |
| Tax payable | VI. 24 | 24,816,384.90 | 36,855,139.18 |
| Interest payable | VI. 25 | 87,407,153.40 | 86,064,211.31 |
| Dividends payable | VI. 26 | 11,197,317.01 | 3,397,317.01 |
| Other payables | VI. 27 | 319,965,994.13 | 451,938,294.35 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | VI. 28 | 25,996,671.50 | 90,215,292.43 |
| Total Current Liability | | 3,467,578,922.71 | 3,319,220,953.39 |
| Non-current liability: | | | |
| Long-term loan | | | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual capital securities | | | |
| Long-term account payable | | 801,625.20 | 801,625.20 |
| Long-term employee pay payable | VI. 29 | 34,257,600.00 | 26,791,209.91 |
| Special accounts payable | | | |
| Anticipation liabilities | | | |
| Deferred income | VI. 30 | 78,116,092.49 | 78,961,972.67 |
| Deferred income tax liabilities | | 62,159,221.91 | 56,185,676.15 |
| Other non-current liabilities | | | |
| Total Non-Current Liabilities | | 175,334,539.60 | 162,740,483.93 |
| Total Liabilities | | 3,642,913,462.31 | 3,481,961,437.32 |
| Stockholder's Equity | | | |
| Capital stock | VI. 31 | 685,790,364.00 | 685,790,364.00 |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual capital securities | | | |
| Share capital | VI. 32 | 1,592,541,582.73 | 1,592,541,582.73 |
| Minus: Treasury stock | | | |
| Other comprehensive incomes | | 185,407.75 | |
| Special reserves | | | |
| Surplus reserves | VI. 33 | 122,122,436.98 | 122,122,436.98 |
| Undistributed profit | VI. 34 | -239,192,704.66 | -299,111,700.34 |
| The total shareholders' equity that owned by the parent company | | 2,161,447,086.80 | 2,101,342,683.37 |
| Minority stockholder's interest | | 530,071,184.20 | 499,079,730.54 |
| Total Shareholder's Equity | | 2,691,518,271.00 | 2,600,422,413.91 |
| Total Liabilities and Stockholders' Equity | | 6,334,431,733.31 | 6,082,383,851.23 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department: Liu Quanli

Consolidated Statement of Income
Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Amount of Current Period | Amount of Prior Period |
|---|--------|--------------------------|-------------------------|
| I Gross Revenue | | 3,639,625,979.41 | 3,282,562,276.93 |
| Including: Operating income | VI. 35 | 3,639,625,979.41 | 3,282,562,276.93 |
| II Total Operating Cost | | 3,560,386,950.24 | 3,157,274,295.32 |
| Including: Operating cost | VI. 35 | 3,335,328,124.32 | 2,908,282,336.30 |
| Taxes and surcharges | VI. 36 | 14,312,146.36 | 26,067,303.45 |
| Selling expense | VI. 37 | 91,626,009.36 | 93,023,609.48 |
| Administration expense | VI. 38 | 84,098,773.10 | 123,478,822.43 |
| Financial expense | VI. 39 | 35,504,316.84 | 11,660,856.31 |
| Assets impairment loss | VI. 40 | -482,419.74 | -5,238,632.65 |
| Plus: Fair value variable income (the loss shall be filled in with "-") | VI. 41 | 13,890,967.44 | -8,753,227.45 |
| Income from investment (the loss shall be filled in with "-") | VI. 42 | 10,912,613.02 | 9,498,909.30 |
| Including: the investment income of joint venture and cooperative enterprise | | | |
| Asset disposal income (the loss shall be filled in with "-") | | -188,288.18 | 48,902.93 |
| Other incomes | | 749,863.20 | 749,863.20 |
| III Operating Profit (the loss shall be filled in with "-") | | 104,042,609.63 | 126,033,663.46 |
| Plus: Non-business income | VI. 43 | 14,564,851.32 | 8,802,291.40 |
| Minus: Non-business expenditure | VI. 44 | 9,620,172.31 | 3,539,484.80 |
| IV Total Profit (the total loss shall be filled in with "-") | | 109,548,923.66 | 131,345,732.99 |
| Minus: Income tax expense | VI. 45 | 34,990,271.41 | 31,427,816.24 |
| V Net Profit (the net loss shall be filled in with "-") | | 74,558,652.25 | 99,917,916.75 |
| i Classification according to the Business Continuity: | | | |
| 1. Continuous operating net profit (the net loss shall be filled in with "-") | | 74,558,652.25 | 99,917,916.75 |
| 2. Discontinued operating net profit (the net loss shall be filled in with "-") | | | |
| i i Classification according to the Attribution of the Ownership: | | | |

| | | | |
|--|--|----------------------|----------------------|
| 1. Minority interest income (the net loss shall be filled in with "-") | | 14,639,656.57 | 40,248,784.90 |
| 2. The net profit that attributed to the parent company's shareholders (the net loss shall be filled in with "-") | | 59,918,995.68 | 59,669,131.85 |
| VI After-Tax Net Amount of Other Comprehensive Incomes | | 185,407.75 | |
| The after-tax net amount of other comprehensive incomes that attributed to the shareholders of the parent company | | 185,407.75 | |
| i Other comprehensive incomes that cannot be reclassified into the profit and loss | | | |
| 1. Remeasure the variations in net liabilities or net assets of a defined benefit plan | | | |
| 2. The share of other comprehensive incomes that can not be reclassified into the profit and loss by the units of investment under the equity method | | | |
| ii Other comprehensive incomes that will be reclassified into the profit and loss | | 185,407.75 | |
| 1. The share of other comprehensive incomes that will be reclassified into the profit and loss by the units of investment under the equity method | | | |
| 2. The variable profit and loss of fair value for available-for-sale financial assets | | | |
| 3. The reclassification of held-to-maturity investment is the profit or loss of available-for-sale financial assets | | | |
| 4. The effective part of the profit and loss of a cash-flow hedge | | | |
| 5. Translation difference of financial statements in foreign currency | | 185,407.75 | |
| 6. Others | | | |
| The after-tax net amount of other comprehensive incomes that attributed to minority shareholders | | | |
| VII Total Comprehensive Income | | 74,744,060.00 | 99,917,916.75 |
| Total comprehensive income that attributed to the shareholders of the parent company | | 60,104,403.43 | 59,669,131.85 |
| Total comprehensive income that attributed to minority shareholders | | 14,639,656.57 | 40,248,784.90 |
| VIII Earnings per Share: | | | |
| i Basic EPS | | 0.09 | 0.09 |
| ii Diluted EPS | | 0.09 | 0.09 |
| On July 31, 2017, the company was combined under the control of the same subject. The net profit of the combined party before combination is RMB117,422,986.25, and the net profit attributed to the parent company is RMB92,264,243.46. | | | |

Legal representative: Wang Guofeng

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Consolidated Statement of Cash Flow

Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Amount of Current Period | Amount of Prior Period |
|--|--------|--------------------------|-------------------------|
| I Cash Flow Generated During the Operating Activities: | | | |
| Cash received from selling goods and providing services | | 4,489,940,451.03 | 3,352,482,912.28 |
| Refund of tax and levies | | 7,687,755.45 | 6,319,336.87 |
| Cash received relating to other operating activities | VI. 46 | 923,614,901.14 | 236,261,498.44 |
| Sub-Total of Cash Inflow from Operating Activities | | 5,421,243,107.62 | 3,595,063,747.59 |
| Cash paid for purchasing goods and receiving labor services | | 4,152,499,375.46 | 3,455,099,491.41 |
| Cash paid to employee and for employee | | 143,081,894.04 | 242,435,816.28 |
| Tax payments | | 105,936,471.03 | 203,309,451.52 |
| Other cash payments related to business activities | VI. 46 | 974,030,824.21 | 383,711,567.19 |
| Sub-Total of Cash Outflows from Operating Activities | | 5,375,548,564.74 | 4,284,556,326.40 |
| Net Amount of Cash Flow Generated During the Operating Activities | | 45,694,542.88 | -689,492,578.81 |
| II Cash Flow Generated During the Investment Activities: | | | |
| Cash received from recouping the capital outlay | | 1,327,344,274.34 | 618,925,983.12 |
| Cash received from the returns on investments | | 21,669,125.78 | 17,862,136.76 |
| Net cash received from the disposal of fixed assets, intangible assets and other long term assets recovery | | 868,775.86 | 43,631,106.80 |
| Net cash received from the disposal of subsidiaries and other business entities | | | |
| Other cash received relating to investing activities | VI. 46 | 118,000,000.00 | 95,300,139.13 |
| Sub-Total of Cash Inflow from Investment Activities | | 1,467,882,175.98 | 775,719,365.81 |
| Cash paid for the construction of fixed assets, intangible assets and other long term assets | | 30,521,020.31 | 16,262,083.92 |

| | | | |
|---|--------|-------------------------|-------------------------|
| Cash paid for investment | | 1,288,516,008.52 | 273,150,000.00 |
| Net cash received from the payment of subsidiaries and other business entities | | 7,954,985.00 | 208,604,900.00 |
| Other cash paid relating to investment activities | VI. 46 | 85,000,000.00 | 114,800,000.00 |
| Sub-Total of Cash Outflows from Investment Activities | | 1,411,992,013.83 | 612,816,983.92 |
| Net Amount of Cash Flow Generated During the Investment Activities | | 55,890,162.15 | 162,902,381.89 |
| III Cash Flow Generated During the Financial Activities: | | | |
| Cash received by absorbing investment | | 38,582,500.00 | 13,000,000.00 |
| Including: Cash received by absorbing the investments of minority shareholders by the subsidiaries. | | | |
| Cash received from obtaining the loans | | 1,087,306,254.51 | 956,757,725.27 |
| Cash received from the issuance of bonds | | | |
| Other cash received relating to the financial activities | VI. 46 | | 51,529,000.00 |
| Sub-Total of Cash Inflows from Financial Activities | | 1,125,888,754.51 | 1,021,286,725.27 |
| Cash paid for the repayments of debts | | 1,094,921,869.63 | 377,534,732.20 |
| Cash paid for the distribution of dividends, profits, or cash payments for interests | | 75,755,529.11 | 55,867,411.98 |
| Including: the dividends and profits that paid by the subsidiaries to the minority shareholders | | | |
| Other cash paid relating to the financial activities | VI. 54 | 73,647,073.24 | 1,720,000.00 |
| Sub-Total of Cash Outflows from Financial Activities | | 1,244,324,471.98 | 435,122,144.18 |
| Net Amount of Cash Flow Generated During the Financial Activities | | -118,435,717.47 | 586,164,581.09 |
| IV Effect of Exchange Rate Movement on Cash and Cash Equivalents | | 121,053.37 | -313,249.84 |
| V Net Additional Amount of Cash and Cash Equivalents | | -16,729,959.07 | 59,261,134.33 |
| Plus: the balance of cash and cash equivalents in the beginning of the period | | 1,014,438,663.43 | 510,477,847.81 |
| VI Balance of Cash and Cash Equivalents in the End of the Period | | 997,708,704.36 | 569,738,982.14 |

Legal representative: Wang Guofeng

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB[illegible]

| | | | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|--|------------|--|----------------|--|-----------------|------------------|----------------|------------------|
| 3. The amount of share-based payment that included in the stockholder's equity | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | |
| iii Distribution of Profits | | | | | | | | | | | | | -15,648,202.91 | -15,648,202.91 |
| 1. Withdraw surplus reserves | | | | | | | | | | | | | | |
| 2. Withdraw general risk preparation | | | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | | -15,648,202.91 | -15,648,202.91 |
| 4. Others | | | | | | | | | | | | | | |
| iv Internal Transfer of Shareholders' Equity | | | | | | | | | | | | | | |
| 1. Capital reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | | | | |
| 2. Surplus reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | | | | |
| 3. Surplus reserves cover losses | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | |
| V Special Reserves | | | | | | | | | | | | | | |
| 1. Withdrawal of current period | | | | | | | | | | | | | | |
| 2. Usage of current period | | | | | | | | | | | | | | |
| VI Others | | | | | | | | | | | | | | |
| IV Balance at the End of this Year | 685,790,364.00 | | | | 1,592,541,582.73 | | 185,407.75 | | 122,122,436.98 | | -239,192,704.66 | 2,161,447,086.80 | 530,071,184.20 | 2,691,518,271.00 |

Legal representative: Wang Guofeng

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Jan.-Jun. 2018**Monetary Unit: RMB**[illegible]

| | | | | | | | | | | | | | |
|--|----------------|--|--|--|---------------|--|--|--|----------------|-----------------|----------------|------------------|------------------|
| 3. The amount of share-based payment that included in the stockholder's equity | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| iii Distribution of Profits | | | | | | | | | | | | -16,604,582.00 | -16,604,582.00 |
| 1. Withdraw surplus reserves | | | | | | | | | | | | | |
| 2. Withdraw general risk preparation | | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | -16,604,582.00 | -16,604,582.00 |
| 4. Others | | | | | | | | | | | | | |
| iv Internal Transfer of Shareholders' Equity | | | | | | | | | | | | | |
| 1. Capital reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | | | |
| 2. Surplus reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | | | |
| 3. Surplus reserves cover losses | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| V Special Reserves | | | | | | | | | | | | | |
| 1. Withdrawal of current period | | | | | | | | | | | | | |
| 2. Usage of current period | | | | | | | | | | | | | |
| VI Others | | | | | | | | | | | | | |
| IV Balance at the End of this Year | 426,745,404.00 | | | | 68,953,998.07 | | | | 122,122,436.98 | -369,045,735.85 | 248,776,103.20 | 1,198,174,054.39 | 1,446,950,157.59 |

Legal representative: Wang Guofeng

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Balance Sheet

June 30st, 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Ending Balance | Beginning Balance |
|--|-------|-------------------------|-------------------------|
| Current assets: | | | |
| Currency fund | | 16,693,650.05 | 15,360,177.32 |
| Financial assets that are measured at fair value and whose changes are included in the current profit and loss | | | |
| Derivative financial assets | | | |
| Notes receivable | | | |
| Accounts receivable | XV.1 | 106,626.00 | 109,389.00 |
| Prepayment | | 18,080.00 | |
| Interest receivable | | | |
| Dividends receivable | | | |
| Other receivables | XV. 2 | 57,938,008.74 | 60,576,292.62 |
| Inventory | | 4,824,035.45 | 4,824,035.45 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 1,878,319.77 | 2,905,667.38 |
| Total Current Assets | | 81,458,720.01 | 83,775,561.77 |
| Non-current assets: | | | |
| Available-for-sale financial assets | | 20,000,000.00 | 20,000,000.00 |
| Held-to-maturity investment | | | |
| Long-term receivables | | | |
| Long-term equity investment | XV. 3 | 2,375,639,964.05 | 2,336,639,964.05 |
| Investment real estate | | 5,930,012.63 | 6,081,230.93 |
| Fixed assets | | 3,433,605.52 | 3,589,144.87 |
| Project under construction | | | |
| Engineering material | | | |
| Disposal of fixed assets | | | |
| Productive biological asset | | | |
| Oil and gas assets | | | |
| Intangible assets | | | |
| Development expenditure | | | |
| Business reputation | | | |
| Long-term unamortized expenses | | | |
| Deferred income tax assets | | | |
| Other non-current assets | | | |
| Total Non-Current Assets | | 2,405,003,582.20 | 2,366,310,339.85 |
| Total Assets | | 2,486,462,302.21 | 2,450,085,901.62 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department:Liu Quanli

Balance Sheet (Continued)

June 30st, 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Ending Balance | Beginning Balance |
|--|-------|-------------------------|-------------------------|
| Current liabilities: | | | |
| Short-term borrowing | | | |
| Financial assets that are measured at fair value and whose changes are included in the current profit and loss | | | |
| Derivative financial assets | | | |
| Notes payable | | | |
| Accounts payable | | 2,482,949.70 | 2,482,949.70 |
| Account collected in advance | | 38,896.41 | 38,896.41 |
| Employee pay payable | | 339,428.29 | 2,017,684.57 |
| Tax payable | | 950,785.89 | 2,557,993.95 |
| Interest payable | | 78,475,805.80 | 82,468,756.03 |
| Dividends payable | | 3,213,302.88 | 3,213,302.88 |
| Other payables | | 420,958,272.68 | 363,827,970.43 |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | | |
| Total Current Liability | | 506,459,441.65 | 456,607,553.97 |
| Non-current liability: | | | |
| Long-term loan | | | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual capital securities | | | |
| Long-term account payable | | | |
| Long-term employee pay payable | | | |
| Special accounts payable | | | |
| Anticipation liabilities | | | |
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-Current Liabilities | | | |
| Total Liabilities | | 506,459,441.65 | 456,607,553.97 |
| Stockholder's Equity | | | |
| Capital stock | | 685,790,364.00 | 685,790,364.00 |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual capital securities | | | |
| Share capital | | 2,173,387,468.71 | 2,173,387,468.71 |
| Minus: Treasury stock | | | |
| Other comprehensive incomes | | | |
| Special reserves | | | |
| Surplus reserves | | 109,487,064.39 | 109,487,064.39 |
| Undistributed profit | | -988,662,036.54 | -975,186,549.45 |
| Total Shareholder's Equity | | 1,980,002,860.56 | 1,993,478,347.65 |
| Total Liabilities and Stockholders' Equity | | 2,486,462,302.21 | 2,450,085,901.62 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department: Liu Quanli

Statement of Income
Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Amount of Current Period | Amount of Prior Period |
|--|-------|--------------------------|------------------------|
| I Operating Income | XV. 4 | | 2,857.14 |
| Minus: Operating cost | XV. 4 | 151,218.30 | 151,218.30 |
| Taxes and surcharges | | 1,014,351.16 | 67,528.32 |
| Selling expense | | | |
| Administration expense | | 6,013,659.30 | 7,823,134.52 |
| Financial expense | | 6,395,406.74 | 2,014,415.03 |
| Assets impairment loss | | -99,248.41 | -5,617,876.12 |
| Plus: Fair value variable income (the loss shall be filled in with "-") | | | |
| Income from investment (the loss shall be filled in with "-") | XV. 5 | | 74,891,105.95 |
| Including: the investment income of joint venture and cooperative enterprise | | | -928,894.05 |
| Asset disposal income (the loss shall be filled in with "-") | | | |
| Other incomes | | | |
| II Operating Profit (the loss shall be filled in with "-") | | -13,475,387.09 | 70,455,543.04 |
| Plus: Non-business income | | | 920.00 |
| Minus: Non-business expenditure | | 100.00 | 811,971.93 |
| III Total Profit (the total loss shall be filled in with "-") | | -13,475,487.09 | 69,644,491.11 |
| Minus: Income tax expense | | | |
| IV Net Profit (the net loss shall be filled in with "-") | | -13,475,487.09 | 69,644,491.11 |
| i Continuous operating net profit (the net loss shall be filled in with "-") | | -13,475,487.09 | 69,644,491.11 |
| ii Discontinued operating net profit (the net loss shall be filled in with "-") | | | |
| V After-Tax Net Amount of Other Comprehensive Incomes | | | |
| i Other comprehensive incomes that cannot be reclassified into the profit and loss | | | |
| 1. Remeasure the variations in net liabilities or net assets of a defined benefit plan | | | |
| 2. The share of other comprehensive incomes that can not be reclassified into the profit and loss by the units of investment under the equity method | | | |
| ii Other comprehensive incomes that will be reclassified into the profit and loss | | | |
| 1. The share of other comprehensive incomes that will be reclassified into the profit and loss by the units of investment under the equity method | | | |
| 2. The variable profit and loss of fair value for available-for-sale financial assets | | | |
| 3. The reclassification of held-to-maturity investment is the profit or loss of available-for-sale financial assets | | | |
| 4. The effective part of the profit and loss of a cash-flow hedge | | | |
| 5. Translation difference of financial statements in foreign currency | | | |
| 6. Others | | | |
| VI Total Comprehensive Income | | -13,475,487.09 | 69,644,491.11 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department: Liu Quanli

Statement of Cash Flow
Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Notes | Amount of Current Period | Amount of Prior Period |
|--|-------|--------------------------|------------------------|
| I Cash Flow Generated During the Operating Activities: | | | |
| Cash received from selling goods and providing services | | 750.00 | |
| Refund of tax and levies | | 7,478,871.23 | 15,082,818.77 |
| Cash received relating to other operating activities | | | |
| Sub-Total of Cash Inflow from Operating Activities | | 7,479,621.23 | 15,082,818.77 |
| Cash paid for purchasing goods and receiving labor services | | 12,526.92 | |
| Cash paid to employee and for employee | | 5,523,002.62 | 2,803,476.91 |
| Tax payments | | 5,608,734.95 | 26,529,602.12 |
| Other cash payments related to business activities | | 12,218,236.66 | 5,574,741.83 |
| Sub-Total of Cash Outflows from Operating Activities | | 23,362,501.15 | 34,907,820.86 |
| Net Amount of Cash Flow Generated During the Operating Activities | | -15,882,879.92 | -19,825,002.09 |
| II Cash Flow Generated During the Investment Activities: | | | |
| Cash received from recouping the capital outlay | | | 10,000,000.00 |
| Cash received from the returns on investments | | | |
| Net cash received from the disposal of fixed assets, intangible assets and other long term assets recovery | | -34,427.35 | 35,000,000.00 |
| Other cash received relating to investing activities | | | 49,136.10 |
| Sub-Total of Cash Inflow from Investment Activities | | -34,427.35 | 45,049,136.10 |
| Cash paid for the construction of fixed assets, intangible assets and other long term assets | | | |
| Cash paid for investment | | 39,000,000.00 | |
| Other cash paid relating to investment activities | | | |
| Sub-Total of Cash Outflows from Investment Activities | | 39,000,000.00 | |
| Net Amount of Cash Flow Generated During the Investment Activities | | -39,034,427.35 | 45,049,136.10 |
| III Cash Flow Generated During the Financial Activities: | | | |
| Cash received by absorbing investment | | | |
| Cash received from obtaining the loans | | 75,900,000.00 | 29,000,000.00 |
| Cash received from the issuance of bonds | | | |
| Other cash received relating to the financial activities | | | |
| Sub-Total of Cash Inflows from Financial Activities | | 75,900,000.00 | 29,000,000.00 |
| Cash paid for the repayments of debts | | 16,000,000.00 | 78,049,598.52 |
| Cash paid for the distribution of dividends, profits, or cash payments for interests | | 3,649,220.00 | 1,659,125.50 |
| Other cash paid relating to the financial activities | | | 1,720,000.00 |
| Sub-Total of Cash Outflows from Financial Activities | | 19,649,220.00 | 81,428,724.02 |
| Net Amount of Cash Flow Generated During the Financial Activities | | 56,250,780.00 | -52,428,724.02 |
| IV Effect of Exchange Rate Movement on Cash and Cash Equivalents | | | |
| V Net Additional Amount of Cash and Cash Equivalents | | 1,333,472.73 | -27,204,590.01 |
| Plus: the balance of cash and cash equivalents in the beginning of the period | | 15,360,177.32 | 33,952,786.37 |
| VI Balance of Cash and Cash Equivalents in the End of the Period | | 16,693,650.05 | 6,748,196.36 |

Legal representative: Wang Guofeng Principal in charge of accounting: Guan Ying Head of the accounting department: Liu Quanli

Statement of Changes in Stockholder's Equity

Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Items | Amount of Current Period | | | | | | | | | | |
|--|--------------------------|--------------------------|------------------------------------|--------|------------------|-----------------------------|-----------------------------------|---------------------|----------------|-------------------------|-------------------------------|
| | Capital Stock | Other Equity Instruments | | | Capital Surplus | Minus: Treasury Stock | Other Comprehensive Incomes | Special Reserves | Earned Surplus | Undistributed Profit | Total Stockholder's Equity |
| | | Preferred Shares | Perpetual Capital Securities | Others | | | | | | | |
| I Balance at the End of Last Year | 685,790,364.00 | | | | 2,173,387,468.71 | | | | 109,487,064.39 | -975,186,549.45 | 1,993,478,347.65 |
| Plus: changes in accounting policies | | | | | | | | | | | |
| Prior period errors correction | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II Balance at the Beginning of this Year | 685,790,364.00 | | | | 2,173,387,468.71 | | | | 109,487,064.39 | -975,186,549.45 | 1,993,478,347.65 |
| III Amount of Changes in Increase and Decrease of this Period (the decrease shall be filled in with "-") | | | | | | | | | | -13,475,487.09 | -13,475,487.09 |
| i Total Comprehensive Income | | | | | | | | | | -13,475,487.09 | -13,475,487.09 |
| ii Shareholder Investment and Capital Reduction | | | | | | | | | | | |
| 1. The common stock invested by the shareholders | | | | | | | | | | | |
| 2. The assets invested by other equity instrument holders | | | | | | | | | | | |
| 3. The amount of share-based payment that included in the stockholder's equity | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| iii Distribution of Profits | | | | | | | | | | | |
| 1. Withdraw surplus reserves | | | | | | | | | | | |
| 2. Withdraw general risk preparation | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| iv Internal Transfer of Shareholders' Equity | | | | | | | | | | | |
| 1. Capital reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | |
| 2. Surplus reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | |
| 3. Surplus reserves cover losses | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| V Special Reserves | | | | | | | | | | | |
| 1. Withdrawal of current period | | | | | | | | | | | |
| 2、 Usage of current period | | | | | | | | | | | |
| VI Others | | | | | | | | | | | |
| IV Balance at the End of this Year | 685,790,364.00 | | | | 2,173,387,468.71 | | | | 109,487,064.39 | -988,662,036.54 | 1,980,002,860.56 |

Legal representative: Wang Guofengi

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Statement of Changes in Stockholder's Equity (Continued)
Jan.-Jun. 2018

Preparation Unit: Hainan Jingliang Holdings Co., Ltd.

Monetary Unit: RMB

| Preparation Unit: Hanan Singhang Holdings Co., Ltd. | | | | | | | | | | | |
|--|----------------|--------------------------|------------------------------|--------|-----------------------|-----------------------|-----------------------------|------------------|----------------|----------------------|----------------------------|
| Items | Capital Stock | Other Equity Instruments | | | Amount of Last Period | | | | | | |
| | | Preferred Shares | Perpetual Capital Securities | Others | Capital Surplus | Minus: Treasury Stock | Other Comprehensive Incomes | Special Reserves | Earned Surplus | Undistributed Profit | Total Stockholder's Equity |
| I Balance at the End of Last Year | 426,745,404.00 | | | | 546,201,098.01 | | | | 109,487,064.39 | -1,024,796,255.19 | 57,637,311.21 |
| Plus: changes in accounting policies | | | | | | | | | | | |
| Prior period errors correction | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II Balance at the Beginning of this Year | 426,745,404.00 | | | | 546,201,098.01 | | | | 109,487,064.39 | -1,024,796,255.19 | 57,637,311.21 |
| III Amount of Changes in Increase and Decrease of this Period (the decrease shall be filled in with "-") | | | | | | | | | | 69,644,491.11 | 69,644,491.11 |
| i Total Comprehensive Income | | | | | | | | | | 69,644,491.11 | 69,644,491.11 |
| ii Shareholder Investment and Capital Reduction | | | | | | | | | | | |
| 1. The common stock invested by the shareholders | | | | | | | | | | | |
| 2. The assets invested by other equity instrument holders | | | | | | | | | | | |
| 3. The amount of share-based payment that included in the stockholder's equity | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| iii Distribution of Profits | | | | | | | | | | | |
| 1. Withdraw surplus reserves | | | | | | | | | | | |
| 2. Withdraw general risk preparation | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| iv Internal Transfer of Shareholders' Equity | | | | | | | | | | | |
| 1. Capital reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | |
| 2. Surplus reserves are transferred to paid-in capital (or capital stock) | | | | | | | | | | | |
| 3. Surplus reserves cover losses | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| V Special Reserves | | | | | | | | | | | |
| 1. Withdrawal of current period | | | | | | | | | | | |
| 2. Usage of current period | | | | | | | | | | | |
| VI Others | | | | | | | | | | | |
| IV Balance at the End of this Year | 426,745,404.00 | | | | 546,201,098.01 | | | | 109,487,064.39 | -955,151,764.08 | 127,281,802.32 |

Legal representative: Wang Guofeng

Principal in charge of accounting: Guan Ying

Head of the accounting department: Liu Quanli

Hainan Jingliang Holdings Co., Ltd.**Notes to June 30, 2018 Financial Statements**

(Unless otherwise specified, the unit of amount is CNY)

I. Basic Situation of the Company**(I) Place of Registration, Organizational Form and Headquarters Address**

Hainan Jingliang Holdings Co., Ltd. is a company limited by shares re-incorporated from Hainan Pearl River Industrial Development Holdings Co., Ltd. on January 11, 1992 approved by Hainan Provincial People's Government Office (1992) No. 1 Letter and People's Bank of China Hainan Branch (1992) No. 6 Document. When re-incorporated, the Company issued a total of 81,880,000 shares, including 60,793,600 shares converted from the original company's net assets and 21,086,400 newly-issued shares, and the company name was Hainan Pearl River Industrial Development Holdings Co., Ltd. The business license registration number of the Company was 20128455-6, and the parent company Guangzhou Pearl River Industrial Development Holdings Co., Ltd. held 36,393,600 shares, accounting for 44.45%. Approved by the People's Bank of China Securities Regulatory Office (1992) No. 83 Document, 21,086,400 additional shares were listed for trading on the Shenzhen Stock Exchange in December 1992. The industry involved is real estate.

On March 25, 1993, Hainan Shareholding System Experiment Leading Group Office (1993) No. 028 Letter and People's Bank of China Shenzhen Special Economic Zone Branch (1993) No. 099 Reply, the Company increased its original share capital to 139,196,000 shares by allotting 5 shares and donating 2 shares per 10 shares. At the end of 1993, the controlling shareholder Guangzhou Pearl River Industrial Development Holdings Co., Ltd. held 48,969,120 shares, accounting for 35.18%.

In 1994, it increased its original share capital to 278,392,000 shares by allotting 10 shares per 10 shares. The controlling shareholder Guangzhou Pearl River Industrial Development Holdings Co., Ltd. held 97,938,240 shares, accounting for 35.18%.

In 1995, approved by Shenzhen Securities Office (1995) No. 45 and (1995) No. 12 Documents, 50,000,000 B shares was issued. After the issuance of B shares, it increased its share capital to 377,650,800 shares by allotting 1.5 shares per 10 shares. The parent company Guangzhou Pearl River Industrial Development Holdings Co., Ltd. held 112,628,976 shares, accounting for 29.82%.

In 1999, Guangzhou Pearl River Industrial Development Holdings Co., Ltd. transferred 112,628,976 shares to Beijing Wanfa Real Estate Development Co., Ltd. After the equity transfer was completed in June 1999, Beijing Wanfa Real Estate Development Co., Ltd. held 112,628,976 shares in the Company, accounting for 29.82% of the total number of shares in the Company and making it become the controlling shareholder of the Company.

On January 10, 2000, the Company's name was changed to Hainan Pearl River Holdings Co., Ltd., and Industrial and Commercial Administration Bureau of Hainan Province replaced the Business License for Legal Person.

On August 17, 2006, the Company implemented the split-share reform plan. The Company increased a total of 49,094,604 shares to all shareholders by donating 1.3 shares per 10 shares. The original holders of non-tradable shares transferred the increased shares to the holders of tradable A shares. Beijing Wanfa Real Estate Development Co., Ltd. paid a price to the holders of non-tradable shares who did not express their opinions clearly for such shares. The total share capital was increased to 426,745,404 shares. The original controlling shareholder Beijing Wanfa Real Estate Development Co., Ltd. held 107,993,698 shares, accounting for 25.31%. In 2007, the holders of non-tradable shares repaid a price for 3,289,780 non-tradable shares. In 2009, the holders of non-tradable shares repaid a price for 1,196,000 non-tradable shares.

On September 2, 2016, the original controlling shareholder Beijing Wanfa Real Estate Development Co., Ltd. transferred its 112,479,478 shares to Beijing Grain Group Co., Ltd.. After the equity transfer was completed in September 2016, Beijing Grain Group Co., Ltd. held 112,479,478 shares in the Company, accounting for 26.36% of the total number of shares. In November 2016, Beijing Grain Group Co., Ltd. decided to increase its shareholding to 123,561,963 shares through

concentrated bidding in the secondary market based on its confidence in the major assets reorganization targets and the Company's future development, accounting for 28.95% of the total number of shares and making it become the largest shareholder of the Company.

The Company determined that July 31, 2017 was the delivery date of major assets according to the major assets reorganization plan and the delivery agreement. On September 14, 2017, pursuant to the resolution of the Company's second extraordinary general meeting of shareholders held on November 18, 2016 and the approval of (2017) No. 1391 *Reply on the Issuance of Shares Made by Hainan Pearl River Holdings Co., Ltd. to Beijing Grain Group Co., Ltd., etc. for Purchase of Assets and Raising of Supporting Funds* issued by the China Securities Regulatory Commission on July 28, 2017: 1) The Company issued 210,079,552 shares to the original shareholders of Beijing Jingliang Food Co., Ltd. for purchase of assets on the basis of transaction price difference between assets proposed to be placed in and out (the transaction price difference is 1,699.5436 million). The nominal value per share was CNY 1.00 and the issue price was CNY 8.09 per share. 2) The Company's private placement of additional 48,965,408 shares to BGG was the supporting funds raised from the purchase of assets through issuance of shares. The nominal value per share issued by the Company was CNY 1.00 and the issue price was CNY 8.82 per share. After this issuance, the registered capital was CNY 685,790,364.00 and the share capital was CNY 685,790,364.00, accounting for 42.06% of the total number of shares and making it became the Company's largest shareholder. Shareholder BGG subscribed its shares with monetary funds.

On March 10, 2018, the Company completed the procedures for business registration of changes such as company name, legal representative, registered capital and business scope, and obtained the *Business License for Legal Person* approved and replaced by the Industrial and Commercial Administration Bureau of Hainan Province. The relevant information after changes is listed as follows:

Company Name: Hainan Jingliang Holdings Co., Ltd.

Unified Social Credit Code: 914600002012845568

Company Type: Company Limited by Shares (listed, state-controlled)

Registered Address: Floor 29, Dihao Building, Zhujiang Plaza, Binhai Avenue, Haikou City, China

Office Address: Floor 29, Dihao Building, Zhujiang Plaza, Binhai Avenue, Haikou City, China

Legal Representative: Wang Guofeng

Registered Capital: CNY 685,790,364

Date of Establishment: March 22, 1988

Business Period: from March 22, 1988 to September 20, 2025

The parent company is Beijing Grain Group Co., Ltd.

(II) Company's Business Nature and Major Business Activities

1. Business Scope

The industry where the Company is involved is manufacturing-agricultural and sideline food processing industry. Its business scope mainly includes: production and sales of food, beverages, oils and fats, oil plants and their by-products, vegetable protein and its products, organic fertilizers, microbial fertilizers, and agricultural fertilizers; land consolidation, soil rehabilitation; comprehensive agricultural development, animal husbandry and aquaculture, production and sales of agricultural equipment; computer network technology, investment in communications projects, research and development and application of high-tech products; investment and consulting of environmental protection projects; animation, graphic design, goods and technology import and export trade; lease of self-owned houses. (The general business items may be managed independently, and the licensed business items shall be managed with the relevant permits or approval documents) (The projects requiring legal approval shall be subject to the approval by the relevant department before the business activities are carried out).

2. Business Nature and Major Business Activities

The company and its subsidiaries are mainly engaged in the processing, production and sales of food, agricultural and sideline products, oils and fats, oil plant and snack food.

3. Basic Organizational Structure

Company's basic organizational structure: The General Meeting of Shareholders is the Company's highest authority, the Board of Directors is the executive body of the General Meeting of Shareholders, the Board of Supervisors is the Company's internal supervisory body, and the General Manager is responsible for the Company's daily operations and management. The company has Board of Directors Office, Board of Supervisors Office, Comprehensive Affairs Department, Securities Affairs Department, Strategic Investment Department, Finance Department (Settlement Center), Internal Risk Control Department, Human Resources Department, Party Affairs Department and Discipline Inspection & Supervision Department.

On May 6, 2010, Hainan Pearl River Holdings Co., Ltd. Beijing Investment Advisory Branch was established, and its unified social credit code was 91110107554875351W. Address: Room 5078, Building 3, No. 3, Xijing Road, Badachu Hi-Tech Park, Shijingshan District, Beijing. Its business scope includes investment consulting, hotel investment and management; procurement and leasing of construction equipment; sales of building materials, hardware and electrical equipment, furniture, plastics, daily necessities, leather products, rubber products, feed, packaged seeds requiring no repacking, grains, beans, potatoes, flowers, grass and ornamental plants, fertilizers, non-metallic ores, metal products, metallic ores and metal materials; import and export of goods; research and development and application of high-tech products. ("1. No funds can be publicly raised without the approval of the relevant department; 2. No trading activities in securities products and financial derivatives can be publicly conducted; 3. No loans can be granted; 4. No guarantees can be provided for other companies than the invested company; 5. The investor shall not be promised that the investment principal will not be lost or the minimum income; The projects requiring legal approval shall be subject to the approval by the relevant department before the business activities are carried out.)

On October 22, 2012, Hainan Pearl River Holdings Co., Ltd. Heilongjiang Branch was established, and its unified social credit code was 91230110598492651P. Address: No. 34, Nongxiao Street, Xiangfang District, Harbin City. Business scope: industrial investment, hotel investment and management, procurement and leasing of construction equipment, indoor and outdoor decoration, high-tech project investment, computer network investment, investment in communications projects, development and application of high-tech products and investment in environmental protection projects. (The projects requiring administrative licensing and approval shall be operated with relevant permits) (The projects requiring legal approval shall be subject to the approval by the relevant department before the business activities are carried out). On December 9, 2017, in order to optimize capital structure, reduce cost of operation and management, and improve management efficiency, the Company reviewed and passed the *Proposal on Cancellation of Hainan Pearl River Holdings Co., Ltd. Heilongjiang Branch* at the 22nd meeting of its 8th Board of Directors to agree to cancel its Heilongjiang Branch and authorize its management to handle related cancellation procedures. As of the date of this report, the Company has completed related procedures for business cancellation of Heilongjiang Branch.

(III) Approval and Issuance of Financial Reports

This financial statement was approved and issued by the Board of Directors of the Company on August 15, 2018.

(IV) Scope of Consolidated Financial Statements

A total of 20 subsidiaries were included in the consolidation scope of the Company. For details, see VIII Equity in Other Entities in the Notes.

II. Preparation Basis of Financial Statements

1. Preparation Basis

The Company's financial statements should be prepared based on the going-concern assumption and actual occurrence of transactions and events in accordance with the Accounting Standards for Business Enterprises and their application guide and interpretation as well as other relevant regulations promulgated by the Ministry of Finance (collectively referred to as Accounting Standards for Business Enterprises). In addition, the Company also discloses relevant financial information in accordance with the *Rules for Disclosure, Preparation and Presentation of Information by Companies That Offer Securities Publicly No. 15 - General Provisions on Financial Reports* (revised in 2014) issued by the China Securities Regulatory Commission.

According to the relevant provisions of the Accounting Standards for Business Enterprises the Company's accounting is based on the accrual basis. Except for certain financial instruments, these financial statements are based on historical costs. Non-current assets held for sale should be valued based on the lower between the fair value less estimated expenses and the original book value when they meet the conditions for holding for sale. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant regulations.

2. Going Concern

The financial statements are presented on a going-concern basis, and the Company has the going-concern capability for at least 12 months from the end of the report period.

III. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statement prepared by the Company complies with the requirements of the Accounting Standards for Business Enterprises, and reflect the Company's consolidation and the parent company's financial position as of June 30, 2018, the Company's consolidation and the parent company's operating results, consolidation and cash flow from January to June 2018 and other relevant information truly and completely.

IV. Important Accounting Policies and Accounting Estimates

1. Accounting Periods

The Company's accounting periods are divided into annual accounting periods and interim accounting periods. An interim accounting period is a report period shorter than a complete fiscal year. The Company's fiscal year shall adopt the calendar year, that is, from January 1 to December 31 every year.

2. Business Cycle

The Company uses 12 months as a business cycle and as a standard for the liquidity categorization of assets and liabilities.

3. Bookkeeping Base Currency

The Company uses Renminbi as the bookkeeping base currency.

The Company's overseas subsidiary, BGG (Singapore) International Trading Co., Ltd. determines the United States dollar as its bookkeeping base currency according to the currency used in the main economic environment where it operates.

4. Accounting Treatment Methods for Business Combination under the Same Control and Not Under the Same Control

Business combination refers to a transaction or event in which two or more separate companies are combined to form a single reporting entity. Business combination are divided into ones under the same control and ones not under the same control.

(1) Business combination under the same control

A business combination under the same control means that the participating companies are ultimately controlled by the same party or parties before and after the business combination and such control is not temporary. In a business combination under the same control, the party that obtains control over other participating companies on the combining date is the combining party, and the other participating companies are the combined parties. The combining date refers to the date on which the combining party obtains control over the combined party actually.

Assets and liabilities acquired by the combining party shall be measured at the book value of the combining party in the combined party on the combining date. The difference in book value between the net assets obtained by the combining party and the consideration paid for combination (or the total par value of issued shares shall be adjusted into the capital reserve (share premium); if the capital reserve (share premium) is insufficient to offset it, it shall be adjusted into the retained earnings.

The direct expenses incurred by the combining party for business combination shall be recorded into the current profit and loss as incurred.

(2) Business combination not under the same control

A business combination not under the same control means that the participating companies are not controlled by the same party or parties before and after the business combination. In a business combination not under the same control, the party

that obtains control over other participating companies on the purchasing date is the purchasing party, and the other participating companies are the purchased parties. The purchasing date refers to the date on which the purchasing party obtains control over the purchased party actually.

For a business combination not under the same control, the combination cost includes the assets paid by the purchasing party on the purchasing date to obtain control over the purchased party, the liabilities incurred or undertaken and the fair value of issued equity securities, intermediary fees incurred by the business combination for auditing, legal services, assessment and consulting as well as other administrative expenses are recorded into the current profit and loss as incurred. The transaction cost of equity securities or debt securities issued by the purchasing party as a consideration for combination is recorded into the initial recognition cost of equity securities or debt securities. The contingent consideration involved is included into the combination cost based on its fair value at the purchasing date. If the contingent consideration needs to be adjusted in case of any new or further evidence of existing circumstances on the purchasing date within 12 months after the purchasing date, the consolidated goodwill shall be adjusted accordingly. The combination cost incurred and the net identifiable assets obtained by the purchasing party in the combination shall be measured at the fair value at the purchasing date. The excess of the combination cost over the fair value of net identifiable assets obtained by the purchased party on the purchasing date shall be recognized as goodwill. If the combination cost is less than the fair value of net identifiable assets obtained by the purchasing party in the combination, the fair value of net identifiable assets, liabilities and contingent liabilities obtained by the purchasing party and the combination cost shall be reviewed first. If the combination cost is still less than the fair value of net identifiable assets obtained by the purchasing party in the combination, the difference shall be recorded into the current profit and loss.

If any deductible temporary differences obtained by the purchasing party from the purchased party are not recognized because they do not meet the conditions for recognition of deferred income tax assets on the purchase date and if any new or further information indicating that the relevant circumstances as of the purchasing date have already existed is obtained within 12 months after the purchasing date and it is expected that the economic benefits brought by such deductible temporary differences can be achieved, they shall be recognized as relevant deferred income tax assets, and the goodwill shall also be reduced. If the goodwill is insufficient to offset, the differences shall be recognized as the current profit and loss; except for the above circumstances, the recognized deferred income tax assets related to the business combination shall be recorded into the current profit and loss.

For a business combination not under the same control achieved through step-by-step implementation of multiple transactions, these multiple transactions shall be determined for a "package deal" according to the *Notice of the Ministry of Finance on Issuing No. 5 Interpretations on Accounting Standards for Business Enterprises* ([2012] No. 19) and the judgment standards for "package deal" in Article 51 of the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements* (see IV, 5 (2) in the Notes). In case of a "package deal", its accounting treatment shall be made according to the descriptions in the preceding paragraphs of this section and IV, 13 Long-term Equity Investment. If it is not a "package deal", related accounting treatment shall be made based on the distinction between individual financial statements and consolidated financial statements:

In the individual financial statements, the sum of book value of the equity investment held in the purchased party prior to the purchasing date and new investment cost on the purchasing date shall be taken as the initial cost of such investment; where the equity investment held in the purchased party prior to the purchasing date involves other comprehensive income, the other comprehensive income related to the disposal of such investment shall be accounted on the same basis as that of direct disposal of relevant assets or liabilities by the purchased party (that is, except for the corresponding changes accounted by the equity method and resulting from re-measurement of net liabilities or net assets for defined benefit plans by the purchased party, the remainder shall be transferred into the current investment income).

In the consolidated financial statements, the equity investment held in the purchased party prior to the purchasing date shall be re-measured at the fair value of such equity on the purchasing date, and the difference between its fair value and its book value shall be recorded into the current investment income; where the equity investment held in the purchased party prior to

the purchasing date involves other comprehensive income, the other comprehensive income related to the disposal of such investment shall be accounted on the same basis as that of direct disposal of relevant assets or liabilities by the purchased party (that is, except for the corresponding changes accounted by the equity method and resulting from re-measurement of net liabilities or net assets for defined benefit plans by the purchased party, the remainder shall be transferred into the current investment income).

5. Preparation Basis of Consolidated Financial Statements

(1) Principle of determining the scope of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the investee, gets variable return by participating in related activities of the investee and has the ability to influence the amount of the return by its power over the investee. The scope of consolidation includes the Company and all its subsidiaries. Subsidiaries are those entities controlled by the Company.

The Company will conduct a reassessment once the changes in relevant facts and circumstances have caused changes in the relevant factors involved in the above definition of control.

(2) Preparation methods of consolidated financial statements

From the date of obtaining actual control of net assets and production and business decisions of its subsidiary, the Company begins to include this subsidiary in the scope of consolidation; and the Company ceases to include it in the scope of consolidation from the date of loss of actual control. For subsidiaries disposed, the operating results and cash flows before the disposal date have been appropriately included into the consolidated income statement and the consolidated cash flow statement; for subsidiaries disposed during the current period, the opening balance of the consolidated balance sheet is not be adjusted. For subsidiaries added by business combination not under the same control, the operating results and cash flows after the purchasing date have been appropriately included into the consolidated income statement and the consolidated cash flow statement, while the opening balance and comparison of the consolidated balance sheet is not be adjusted. For subsidiaries added by business combination under the same control, the operating results and cash flows from the beginning of the current period to the combining date have been appropriately included into the consolidated income statement and the consolidated cash flow statement, while the comparison of the consolidated balance sheet is adjusted.

If the accounting policies or accounting periods adopted by the subsidiaries are inconsistent with those adopted by the Company when preparing the consolidated financial statements, necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the Company's accounting policies and accounting periods. For subsidiaries acquired by business combination not under the same control, their financial statements are adjusted based on the fair value of net identifiable assets on the purchasing date.

All significant balances, transactions and unrealized profits within the Company shall be offset when the consolidated financial statements are prepared.

The subsidiary's shareholders' equity and current net profit and loss not owned by the Company shall be separately presented as Minority Equity and Minority Interest Income under shareholders' equity and net profit items in the consolidated financial statements. The minority equity in the current net profit and loss of the subsidiary shall be presented as Minority Equity under the net profit item in the consolidated income statement. If the subsidiary's loss shared by minority shareholders exceeds its initial shareholders' equity shared by minority shareholders, the minority equity shall still be offset.

When the control over the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be re-measured based on its fair value on the date of loss of control. The difference between the sum of consideration obtained by disposal of the equity and fair value of the remaining equity and the original subsidiary's net assets that would have been calculated at the original shareholding ratio from the purchasing date shall be included into the investment income for the current period of loss of control. Other comprehensive income related to the original subsidiary's equity investment shall be accounted on the same basis as that of direct disposal of relevant assets or liabilities by the purchased party as of the date of loss of control (that is, except for the changes resulting from re-measurement of net liabilities or net assets for defined benefit plans by the original subsidiary the remainder shall be transferred into the current

investment income). Subsequently, the remaining equity shall be measured in accordance with relevant regulations such as *Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment* and *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and for more details, see IV, 13 Long-term Equity Investment or IV, 9 Financial Instruments in the Notes.

If the Company disposes the equity investment in a subsidiary through multiple transactions until it loses control, it needs to distinguish whether all these transactions through which the Company disposes the equity investment in the subsidiary until it loses control belong to a package deal. Where the terms, conditions and economic impact of all transactions for disposal of the equity investment in the subsidiary are consistent with one or more of the following circumstances, it usually indicates that all these transactions should be accounted as a package deal: ① These transactions are established at the same time or in consideration of mutual influence; ② These transactions can achieve a complete business outcome as a whole ; ③ The occurrence of a transaction depends on the occurrence of at least one other transaction; ④ A transaction alone is not economical, but when other transactions are considered together, it is economical. If these transactions do not belong to a package deal, each of them should be accounted, as the case may be, based on the applicable principles of Partial Disposal of Long-Term Equity Investment in the Subsidiary without Loss of Control (for details, see IV, 13, (2) ④ in the Notes) and Loss of Control over the Original Subsidiary Due To Partial Disposal of Equity Investment or Other Reasons (see the previous paragraph). If all these transactions through which the Company disposes the equity investment in the subsidiary until it loses control belong to a package deal, they shall be accounted as a deal for disposal of the equity investment in the subsidiary until the loss of control; however, the difference in share of the net assets of the subsidiary corresponding to each disposal of investment and each disposal of consideration before the loss of control shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred into the current profit and loss on the date of loss of control.

6. Classification of Joint Arrangements and Accounting Methods for Joint Operations

Joint Arrangement refers to an arrangement that is jointly controlled by two or more parties. The Company classifies joint arrangements into joint operations and joint ventures based on the rights and commitments it has enjoyed in joint arrangements. Joint Operation refers to a joint arrangement where the Company enjoys its relevant assets and bears its relevant liabilities. Joint Venture refers to a joint arrangement where the Company only enjoys rights to its relevant net assets.

The Company's investment in joint ventures shall be accounted by the equity method, and shall be treated for accounting in accordance with the accounting policies described in IV, 13(2) ② Long-term Equity Investment Accounted by the Equity Method in the Notes.

As a party to joint operations, the Company shall confirm the assets and liabilities that it holds or assumes alone, assets and liabilities that it holds or assumes jointly according to its share, income generated from sales of the joint operating products that it shares, revenue generated from sales of the joint operations according to its share, expenses incurred by it alone and expenses incurred in the joint operations based on its share.

When the Company, as a party to joint operations, invests or sells assets (these assets does not constitute a business, the same below) to, or purchase assets from a joint operation, the Company shall only confirm the portion of profit and loss arising from this transaction that belongs to other parties to such joint operation before such assets are sold to a third party.

If such assets meet the assets impairment loss stipulated in the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, etc., where the Company invests or sell assets to a joint operation, it shall fully confirm the loss; where the Company purchases assets from a joint operation, it shall confirm the loss according to its share.

7. Determination Standards for Cash and Cash Equivalents

The Company's cash and cash equivalents include cash on hand, deposits that can be used for payment at any time and short-term (usually due within three months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Translation of Foreign Currency Transactions and Foreign Currency Statements**(1) Translation methods for foreign currency transactions**

Any of the Company's foreign currency transaction shall be translated into its bookkeeping base currency at the time of initial recognition at the spot exchange rate on the transaction date. However, any foreign currency exchange business or any transaction involving foreign currency exchange of the Company shall be translated into its bookkeeping base currency at the actual exchange rate.

(2) Translation methods for foreign currency monetary items and foreign currency non-monetary items

At the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All resulting exchange differences, with an exception that the exchange differences arising from specific foreign currency borrowings related to the purchase and construction of assets that meet the conditions for capitalization are treated based on the principle of capitalization of borrowing costs and that the exchange differences arising from changes in book balances other than amortized costs for available-for-sale foreign currency monetary items are included in other comprehensive income, shall be recorded into the current profit and loss.

Non-monetary foreign currency items measured at historical cost shall be still measured at the bookkeeping base currency amount translated at the spot exchange rate on the transaction date. Non-monetary foreign currency items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The difference between the translated bookkeeping base currency amount and the original bookkeeping base currency amount shall be treated as fair value changes (including changes in exchange rate) and recorded into the current profit and loss or recognized as other comprehensive income.

(3) Translation methods of foreign currency financial statements

In the preparation of consolidated financial statements involving foreign operations, if any foreign currency monetary item constitutes a net investment in foreign operations in essence, the currency translation difference arising from changes in exchange rate shall be recognized into other comprehensive income as "difference on translation of foreign currency financial statements", and shall be recorded into the current profit and loss at the time of disposal of foreign operations.

The foreign currency financial statements of foreign operations shall be translated into RMB ones by the following methods: asset and liability items in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; except for "undistributed profits" in the owner's equity items, other items shall be translated at the spot exchange rate at the time of occurrence; Income and expense items in the income statement shall be translated based on the transaction date. The undistributed profits at the beginning of the year are the translated undistributed profit at the end of the previous year; the undistributed profits at the end of the year are calculated and presented item by item according to the distribution of translated profits; the difference between the asset items and the sum of liabilities items and shareholders' equity items after translation shall be recognized into the other comprehensive income as difference on translation of foreign currency financial statements. When foreign operations are disposed and the control over them is lost, the differences on translation of foreign currency financial statements related to the foreign operations that are presented under the shareholders' equity items in the balance sheet shall be transferred into the current profit and loss, either in whole or in proportion to the disposal of such foreign operations.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be translated at the current average exchange rate on the date of occurrence of cash flows. The impact of changes in exchange rate on cash shall be treated as a reconciling item and presented separately in the cash flow statement.

The opening balance and actual amount in the previous period shall be presented at the translated amount of financial statements for the previous period.

When the control over foreign operations is lost due to disposal of the entire owner's equity of the Company in foreign operations, disposal of part of the equity investment or other reasons, the differences on translation of foreign currency financial statements related to the foreign operations that are presented under the shareholders' equity items in the balance sheet and assigned to the parent company shall be transferred into the current profit and loss.

When the disposal of part of the equity investment or other reasons result in a reduction in the proportion of the equity in foreign operations without loss of control over foreign operations, the difference on translation of foreign currency financial statements related to the disposed foreign operations will be attributed to the minority equity and will not be transferred into the current profit and loss. When disposing partial equity in overseas operations as associated enterprises or joint ventures, the differences on translation of foreign currency financial statements related to the foreign operations shall be transferred into the current profit and loss in proportion to the disposal of such foreign operations.

9. Financial Instruments

When the Company becomes a party to a financial instrument contract, it recognizes a financial asset or financial liability. Financial assets and liabilities are measured at fair value at the time of initial recognition. For financial assets and liabilities that are measured at fair value and whose changes are recorded into the current profit and loss, relevant transaction costs are directly recorded into the current profit and loss; for other financial assets and liabilities, relevant transaction costs are recorded in the initial recognition amount.

(1) Determination methods for financial assets and liabilities

Fair value refers to the price that a market participant needs to pay for selling an asset or transferring a liability in an orderly transaction occurring on the measurement date. The Company measures the fair values of financial assets and financial liabilities at the prices in major markets. In the absence of major markets, the fair values of financial assets and financial liabilities are measured at the prices in most favorable markets by using applicable valuation techniques supported by sufficient available data and other information. Input values used in fair value measurement are divided into three levels, that is, first-level input values are the unadjusted prices quoted in the active market for the same assets or liabilities that can be obtained on the measurement date; second-level input values are the directly or indirectly observable ones of the relevant assets or liabilities in addition to first-level input values; third-level input values are the unobservable ones of the relevant assets or liabilities. The Company prefers to use the first-level input values, and finally use the third-level input values. The level of a fair value measurement result is determined by the lowest level of the input value that is of great significance to the overall fair value measurement.

(2) Classification, recognition and measurement of financial assets

The regular purchase and sale of financial assets shall be recognized for accounting and derecognition on the transaction date basis. Financial assets are divided into financial assets that are measured at fair value and whose changes are recorded into the current profit and loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

① Financial assets that are measured at fair value and whose changes are recorded into the current profit and loss

They include trading financial assets and designated financial assets that are measured at fair value and whose changes are recorded into the current profit and loss.

Trading financial assets refer to those financial assets that meet one of the following conditions: A. the purpose of obtaining such financial asset is for sale in the short term; B. as part of an identifiable financial instrument portfolio that is subject to centralized management, and there is objective evidence to prove that the Company has recently managed the portfolio by using a short-term profit method; C. derivatives excluding those derivatives designated as effective hedging instruments, derivatives under financial guarantee contracts and derivatives that are linked to investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and must be settled by delivery of these equity instruments.

Only when one of the following conditions is met, financial assets can be designated as financial assets that are measured at fair value and whose changes are recorded into the current profit and loss at the time of initial recognition: A. this designation can eliminate or significantly reduce the inconsistencies in the recognition or measurement of relevant gains or losses due to the different measurement basis for financial assets; B. the formal written documents on risk management or investment strategies have stated that the portfolio of financial assets or the portfolio of financial assets and financial liabilities in which the financial assets are located is managed, evaluated and reported to key management personnel on a fair value basis;

Financial assets that are measured at fair value and whose changes are recorded into the current profit and loss are subsequently measured at fair value. Gains or losses arising from fair value changes and any dividends and interest income related to such financial assets shall be recorded into the current profit or loss.

② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturity dates, fixed or determinable recovery costs and that the Company has clear intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost by the effective interest method. Gains or losses arising from derecognition, impairment and amortization are recorded into the current profit and loss.

Effective interest method refers to the calculation method for the amortized cost and the interest income or expenses for each period according to the actual interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). Actual interest rate refers to the interest rate used for translation of future cash flow of a financial asset or financial liability during the expected duration or applicable shorter period into its current book value.

When calculating the actual interest rate, the Company may estimate the future cash flow on the basis of all contract terms of a financial asset or financial liability (regardless of future credit losses), in consideration of all fees, transaction costs and discounts or premiums paid or received by the parties to a financial asset or liability contract as part of the actual interest rate.

③ Loans and receivables

Loans and receivables refer to non-derivative financial assets that are not quoted in an active market and have fixed or determinable recovery costs. The financial assets classified by the Company as loans and receivables include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost by the effective interest method. Gains or losses arising from derecognition, impairment and amortization are recorded into the current profit and loss.

④ Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets designated as available for sale at the time of initial recognition and other financial assets other than those that are measured at fair value and whose changes are recorded into the current profit and loss, loans and receivables and held-to-maturity investments.

The final cost of available-for-sale debt instrument investment is determined by the amortized cost method, which is equal to the amount of the initial recognition amount minus the repaid principal, plus or minus the accumulated amount formed by amortization of the difference between initial recognition amount and due amount by the effective interest method, deducting the amount of impairment loss that has occurred. The final cost of an available-for-sale investment in equity instruments is its initial acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from fair value changes, except that impairment losses and currency translation differences of foreign currency monetary financial assets related to amortized costs shall be recorded into the current profit and loss, are recognized into other comprehensive income, and then are transferred and recorded into the current profit and loss when these available-for-sale financial assets are derecognized. However, investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and derivative financial assets that are linked to these equity instruments and must be settled by delivery of these equity instruments are subsequently measured at cost.

The interest obtained during the period when the available-for-sale financial assets are held and the cash dividends declared by the investee shall be included into the investment income.

(3) Impairment of financial assets

The Company may check the book values of financial assets other than financial assets that are measured at fair value and whose changes are recorded into the current profit and loss at each balance sheet date. If there is objective evidence to prove that these financial assets are impaired, the Company should make provisions for impairment.

The Company conducts separate impairment tests on financial assets of individual significant amount, and performs impairment tests for financial assets of no individual significant amount separately or in a portfolio of financial assets with similar credit risk characteristics. Financial assets that have not been impaired shall be included in the portfolio of financial assets with similar credit risk characteristics for individual impairment tests whether they have individual significant amounts or not. Financial assets that have been individually recognized for impairment losses shall not be included in the portfolio of financial assets with similar credit risk characteristics for impairment tests.

① Impairment of held-to-maturity investments, loans and receivables

The book values of financial assets measured at cost or amortized cost are written down to the present values of estimated future cash flows. The write-down amount is recognized as impairment loss and included into the current profit and loss. After the Company recognizes the impairment loss on a financial asset, if there is objective evidence to prove that the value of such financial asset has been restored and is objectively related to the matters occurring after the loss is recognized, the previously recognized impairment loss will be reversed. The book value of such financial asset after the reverse shall not exceed its amortized cost at the reverse date under the assumption that no provision for impairment is made.

② Impairment of available-for-sale financial assets

When there are comprehensive related factors to prove that the decline in the fair value of an available-for-sale investment in equity instruments is serious or other-than-temporary, it indicates that such available-for-sale investment in equity instruments has been impaired. Among them, “serious decline” refers to the cumulative decline in fair value by over 20%; “other-than-temporary decline” refers to the continuous decline in fair value for more than 12 months. The basis for determining the period of continuous decline is:

- a. Serious financial difficulties occurring to the issuer or the debtor;
- b. The debtor violates the terms of the contract, such as default or overdue payment of interest or principal;
- c. The creditor makes concessions to the debtor who has financial difficulties due to economic or legal considerations;
- d. The debtor is likely to close down or perform other financial restructuring;
- e. Due to the significant financial difficulties of the issuer, the financial assets cannot continue to be traded in an active market;
- f. It is impossible to identify whether the cash flow of an asset in a group of financial assets has been reduced, but based on an overall assessment of the open data, it is found that the estimated future cash flows of this group of financial assets have been reduced and measurable since the initial recognition. For examples, the debtor’s ability to pay for this group of financial assets deteriorates gradually, or the unemployment rate in the country or region where the debtor is located increases, the price of the collateral in its area drops significantly, and the industry where it belongs is in recession;
- g. There are major adverse changes in the technology, market or legal environment where the issuer of such equity instrument operates, so that the equity instrument investor may not be able to recover the investment cost;
- h. The fair value of such investment in equity instruments has suffered a serious or other-than-temporary decline;
- i. Other objective evidence proving that the financial asset has been impaired:

When an available-for-sale financial asset is impaired, the accumulated loss that has been originally recorded into other comprehensive income due to a decline in fair value shall be transferred and recorded into the current profit and loss. The accumulated loss transferred is equal to the amount of the initial acquisition cost of such asset deducting the recovered principal and amortized amount, the current fair value and the impairment loss that had been included into the profit and loss.

After the Company recognizes an impairment loss, if there is objective evidence to prove that the value of such financial asset has been restored and is objectively related to the matters occurring after the loss is recognized, the previously recognized impairment loss will be reversed, and the impairment loss of the available-for-sale investment in equity instruments will be reversed and recognized as other comprehensive income, and the impairment loss of available-for-sale debt instrument will be reversed and recorded into the current profit and loss.

The impairment losses of investments in equity instruments that are not quoted in an active market and whose fair value

cannot be reliably measured or derivative financial assets that are linked to these equity instruments and must be settled by delivery of these equity instruments are not reversed.

(4) Recognition basis and measurement methods for transfer of financial assets

A financial asset that meets one of the following conditions is derecognized: ① the contractual right to receive the cash flow of such financial asset is terminated; ② this financial asset has been transferred, and almost all the risks and rewards of its ownership are transferred to the transferee; ③ this financial asset has been transferred. Although the Company neither transfers nor retains almost all the risks and rewards of ownership of this financial asset, it has given up control of it.

If the Company neither transfers nor retains almost all the risks and rewards of ownership of a financial asset, and does not give up control of it, it shall recognize the relevant financial asset in accordance with the degree of continuous involvement in the transferred financial asset, and shall recognize the relevant liability accordingly. The degree of continuous involvement in the transferred financial asset refers to the level of risk that the Company faces when the value of such financial asset changes.

If the overall transfer of a financial asset meets the conditions for derecognition, the difference between the book value of such transferred financial asset and the sum of consideration received due to the transfer and cumulated amount of fair value changes originally recorded into other comprehensive income shall be recorded into the current profit and loss.

If the partial transfer of a financial asset meets the conditions for derecognition, the book value of such transferred financial asset shall be apportioned between its derecognized part and recognized part according to their relative fair values, and the difference between the sum of consideration received due to the transfer and accumulated amount of fair value changes that have been originally recorded into other comprehensive income and shall be apportioned to the derecognized part and the aforesaid book value is recorded into the current profit and loss.

If the Company transfers any financial asset sold with recourse or its own financial asset with endorsement, it must determine whether almost all the risks and rewards of ownership of such financial asset have been transferred. If almost all the risks and rewards of ownership of such financial asset has been transferred to the transferee, the financial asset is derecognized; if all the risks and rewards of ownership of such financial asset are retained, the financial asset is not derecognized; If all the risks and rewards of ownership of such financial asset are neither transferred nor retained, it shall continue to determine whether the Company retains control over such asset, and shall conduct accounting treatment based on the principles described in the preceding paragraphs.

(5) Classification and measurement of financial liabilities

Financial liabilities are divided into financial liabilities that are measured at fair value and whose changes are recorded into the current profit and loss and other financial liabilities. Financial liabilities are measured at fair value at the time of initial recognition. For financial liabilities that are measured at fair value and whose changes are recorded into the current profit and loss, relevant transaction costs are directly recorded into the current profit and loss; for other financial liabilities, relevant transaction costs are recorded in the initial recognition amount.

① Financial liabilities that are measured at fair value and whose changes are recorded into the current profit and loss

The classification conditions for trading financial liabilities and those financial liabilities that are designated to be measured at fair value at initial recognition and whose changes are recorded into the current profit and loss and for trading financial assets and those financial assets that are designated to be measured at fair value at initial recognition and whose changes are recorded into the current profit and loss are consistent.

Financial liabilities that are measured at fair value and whose changes are recorded into the current profit and loss are subsequently measured at fair value. Gains or losses arising from fair value changes and any dividends and interest income related to such financial liabilities shall be recorded into the current profit or loss.

② Other financial liabilities

The derivative financial assets that are linked to the investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured and must be settled by delivery of these equity instruments are

subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost by the effective interest method. Gains or losses arising from derecognition or amortization will be recorded into the current profit and loss.

③ Financial guarantee contracts and loan commitments

Any financial guarantee contract not for a financial liability that is measured at fair value and whose changes are recorded into the current profit and loss or any commitment not for a loan at an interest rate which is lower than the market interest rate, that is measured at fair value and whose changes are recorded into the profit and loss, shall be initially recognized at fair value, and shall be subsequently measured at the higher between the amount recognized in accordance with the *Accounting Standards for Business Enterprises No. 13 Contingencies* and the initial recognition amount deducting the accumulated amortization amount determined in accordance with the principles of the *Accounting Standards for Business Enterprises No. 14 - Revenues*.

(6) Derecognition of financial liabilities

If all or part of the current obligations of a financial liability has been relieved, all or part of such financial liability shall be derecognized. When the Company (the debtor) and its creditor enter into an agreement to replace the existing financial liabilities with new ones and there are substantial differences in terms between the existing financial liabilities and new ones, the existing financial liabilities should be derecognized and new ones shall be recognized at the same time.

If a financial liability is derecognized in whole or in part, the difference between the book value of the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) should be recorded into the current profit and loss.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value on the date of signing of the relevant contract, and are subsequently measured at fair value. Except for derivatives that are designated as highly effective hedging instruments and that any gains or losses arising from their fair value changes are recognized and recorded into the profit and loss according to the nature of hedging relationship and the requirements of hedge accounting, the fair value changes of other derivatives are recorded into the current profit and loss

For any hybrid instruments containing embedded derivatives not designed as financial assets or financial liabilities that are measured at fair value and whose changes are recorded into the current profit and loss, there is no close relationship between these embedded derivatives and their master contracts in terms of economic characteristics and risks. Moreover, for separately existing instruments as with embedded derivatives and in accordance with the definition of derivatives, the embedded derivatives are split from the hybrid instruments and treated as separate derivative financial instruments. If it is not possible to measure the embedded derivatives separately at the time of acquisition or on the subsequent balance sheet date, the entire hybrid instrument shall be designated as a financial asset or financial liability that is measured at its fair value and whose changes are charged to profit or loss for the current period.

(8) Offset of financial assets and financial liabilities

When the Company has the statutory right to offset a recognized financial asset and a recognized financial liability, is currently able to implement such statutory right and plans to conduct netting settlement or realization of such financial asset and liquidation of such financial liability, such financial asset and financial liability shall be presented in the balance sheet at the amount after offset by each other. In addition, financial assets and financial liabilities shall be separately presented in the balance sheet and not be offset by each other.

(9) Equity instruments

Equity instruments refer to contracts that demonstrate the ownership of the Company's remaining equity in the assets deducting all liabilities. The Company's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be treated as changes in equity. The Company does not recognize the fair value changes of any equity instrument. Transaction costs related to equity transactions are deducted from equity.

The Company conducts various allocations to holders of equity instruments (excluding stock dividends) to reduce shareholders' equity. The Company does not recognize the amount of fair value changes of any equity instrument.

10. Receivables

The Company regards the following conditions as the confirmation standard for the bad debt losses of receivables: the cancellation of debtors, bankruptcy, insolvency, inability to pay off debts, serious cash flow shortages, serious natural disasters, etc., leading to production suspension and failure to pay off debts for a foreseeable time; The overdue debt-units have not fulfilled their debt-service obligations for over 5 years; other solid evidence shows that it is unlikely that they will indeed be recoverable or recoverable.

The allowance method is adopted for the possible bad debt losses, and the impairment test is conducted at the end of the year either by itself or in combination, and provision for bad debts is accrued and recorded in the current profit and loss. However, receivables (including dividends receivable) between the internal units of the Group, public maintenance funds and house sale funds deposited in the housing fund management center, deposit deposits and margin deposits, and backup deposits formed by employee borrowings of the unit, etc. shall not be included into bad debts. For those receivables with conclusive evidence that they cannot be recovered, they will be written off as bad-debt losses after being approved by the company according to the prescribed procedures, and the bad-debt provisions drawn off will be written off.

1. Individual accounts receivable with significant amount and bad debt provision

| | |
|---|---|
| Judgment basis or amount standard of single item amount | Receivables with a single amount exceeding 10 million yuan or a single amount exceeding 5% of the total amount of the relevant accounts are considered as significant receivables |
| Severe single amount and withdrawal method for single provision for bad debts | Provision for bad debts based on the difference between the present value of its future cash flow and its book value |

2. Bad debt provision accounts receivable by portfolio

| Basis to determine the portfolio | |
|---|---|
| Account aging portfolio | The aging of accounts receivable is divided into portfolio according to credit risk characteristics |
| Receivables (including dividends receivable) between the ultimate controlling party and its subordinate units | According to relationship with receivables and transaction partners |
| Depositing public maintenance funds and house sales funds from the Housing Fund Management Center | According to the nature of receivables |
| Deposit/Margin Portfolio | According to the nature of receivables |
| The loan balance formed by the employee's borrowing | According to the affiliation of the accounts receivable with the transaction object |
| Withdrawal method for provision for bad debts by portfolio | |
| Account aging portfolio | Aggregate bad debt provision according to account age analysis |
| Receivables (including dividends receivable) between the ultimate controlling party and its subordinate units | No bad debts |
| Depositing public maintenance funds and house sales funds from the Housing Fund Management Center | No bad debts |
| Deposit/Margin Portfolio | No bad debts |
| The loan balance formed by the employee's borrowing | No bad debts |

(1) The proportion of bad debt provisions for accounts receivable using aging analysis method is as follows:

| Account Age | Accounts receivable ratio (%) | Other receivable ratio (%) |
|---|--------------------------------------|-----------------------------------|
| Within the credit period | 0 | 0 |
| Within 1 year (credit period to 1 year) | 2 | 2 |
| 1-2 years | 5 | 5 |
| 2-3 years | 20 | 20 |
| 3-4 years | 50 | 50 |
| 4-5 years | 80 | 80 |
| More than 5 years | 100 | 100 |

(2) The proportion of bad debt provisions for accounts receivable using other methods:

| Portfolio name | Bad debt provision ratio (%) |
|---|-------------------------------------|
| Receivables (including dividends receivable) between the ultimate controlling party and its subordinate units | No bad debts |

| | |
|---|--------------|
| Depositing public maintenance funds and house sales funds from the Housing Fund Management Center | No bad debts |
| Deposit/Margin Portfolio | No bad debts |
| The loan balance formed by the employee's borrowing | No bad debts |

3. Receivables with insignificant single amounts but with separate provision for bad debts

| | |
|---|---|
| Reason for single provision for bad debts | Individual accounts with insignificant amounts and provision for bad debts according to portfolio that cannot reflect the risk characteristics of accounts receivable |
| Bad debt preparation method | Provision for bad debts according to the difference between the present value of its future cash flow and its book value |

4. Return of Bad Debts

If there is objective evidence that the value of the receivable has been recovered and it is objectively related to the matters that occurred after the loss was confirmed, the previously recognized impairment loss is reversed and charged to the current profit or loss. However, the book value after the reversal does not exceed the amortized cost of the receivables on the reversal date assuming no provision for impairment.

11. Inventory

(1) Classification of inventory

Inventories mainly include raw materials, turnover materials, finished products, development costs, inventory items, materials in transit, etc.

(2) How to obtain and issue inventory

Inventories are valued at the actual cost when acquired; at the time of inventory issuance, the actual cost of issuing inventory is determined using the weighted average method.

(3) Confirmation of the net realizable value of inventories and withdrawal method for falling prices

The inventory at the end of the period is calculated based on the principle of low cost and net realizable value. For the reason that the inventory is damaged due to being damaged, wholly or partially obsolete, or the selling price is lower than the cost, etc., the unrecoverable part of the cost is estimated and the inventory depreciation reserve is withdrawn. The inventory depreciation reserve for the inventories is extracted based on the difference between the cost of the individual inventory item and its net realizable value.

The net realizable value of the inventories is determined based on the estimated selling price of the inventories minus the estimated selling expenses and relevant taxes.

After the provision for decline in value of inventories is made, if the influencing factors of the previous write-down of inventories have disappeared and the net realizable value of inventories is higher than their book value, they shall be reversed within the amount of provision for falling price of inventories that has been accrued and the amount transferred back. Including current profit and loss.

(4) The inventory system is a perpetual inventory system.

(5) Amortization method for low-value consumables and packages

Low-value consumables shall be amortized according to one-off amortization method/sub-amortization method at the time of use; packaging materials shall be amortized according to one amortization method/separate amortization method at the time of use.

12. Assets Held for Sales

If the company recovers its book value mainly through sale (including non-monetary asset exchange with commercial substance, the same below) instead of continuing to use a non-current asset or disposal group, it will be classified as held for sale. The specific criteria are to meet the following conditions at the same time: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; The company has already made a resolution on the sale plan and obtained a certain purchase commitment; it is expected that the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are

disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. If the asset group or combination of asset groups to which the disposal group belongs apportions the goodwill obtained in the business combination in accordance with the *Accounting Standards for Enterprises No. 8 - Asset Impairment*, the disposal group shall include the goodwill allocated to the disposal group.

The initial measurement of the company or re-measurement on the balance sheet date is divided into non-current assets held for sale and disposal group. If the book value is higher than the fair value minus the net amount after the sale expense, the book value shall be reduced to the net amount after the fair value less the sale expense. The amount of write-down is recognized as impairment loss of assets and included in the current profit and loss. At the same time, provision for impairment of assets held for sale is made. For the disposal group, the recognized impairment loss of assets first offsets the book value of the goodwill in the disposal group, and then the proportion is offset against the applicable non-current assets held in the disposal group for the book value of various non-current assets stipulated in *Accounting Standard for Business Enterprises No. 42 – Non-current Assets for Sales, Disposal Group and Terminal Operation* (hereinafter referred to as “the holding of the sales standard”). If the net value of the fair value of the disposal group held for sale on the balance sheet date is less than the sale price, the previously written down amount shall be restored. After the assets are classified as held for sale, the amount of impairment loss of assets confirmed by the non-current assets that meet the measurement criteria for holding the sales standard shall be reversed. The reversed amount shall be included in the current profit and loss, and shall be calculated according to the disposal group except for goodwill. The proportion of the book value of various non-current assets applicable to the measurement and measurement standards of the held-for-sale rule shall be proportionally increased to its book value. The carrying amount of the goodwill that has been eliminated and the non-current assets that are subject to the measurement criteria for the holding of the sales standard for sale are not allowed to be reversed before the assets are recognized as held for sale.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale continue to be confirmed.

When a non-current asset or disposal group no longer meets the classification criteria for the held-for-sale category, the company will no longer divide it into the held-for-sale category or remove the non-current assets from the disposal group that holds the sale for sale. And it is measured by the lower of the following two: (1) The book value before being classified as held for sale shall be adjusted according to the depreciation, amortization or impairment that should have been recognized under the assumption that it is not classified as a held-for-sale category; (2) recoverable amount.

13. Long-term Equity Investment

The long-term equity investment referred to in this part refers to the long-term equity investment that the company has control, joint control or significant influence on the invested entity. The company's long-term equity investments that do not have control, joint control, or significant influence over the investee are accounted for as available-for-sale financial assets or financial assets measured at fair value through profit or loss. The accounting policies are detailed in the Note IV 9 *Financial Instruments*.

Joint control means that the company has common control over an arrangement in accordance with relevant agreements, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Significant influence means that the company has the power to participate in making decisions on the financial and operating policies of the invested company, but it cannot control or jointly control the formulation of these policies with other parties.

(1) Determination of investment costs

For the long-term equity investment acquired by the business combination under the same control, the share of the book value of the equity of the merged party's shareholders in the ultimate controller's consolidated financial statements at the merger date shall be taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred, and the carrying amount of the debt assumed to adjust the capital reserve; If the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. For the issue of equity securities as the merger consideration, the share of the book value in the ultimate

controller's consolidated financial statements based on the equity of the merged party's shareholders at the merger date is taken as the initial investment cost of the long-term equity investment. In accordance with the total face value of the shares issued as the share capital, the difference between the initial investment cost of the long-term equity investment and the total face value of the shares issued shall be adjusted to the capital reserve. If the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. Through multiple transactions to obtain the shares of the merged party under the same control in a step-by-step manner and eventually form a business combination under the same control, whether they belong to a "package deal" to be dealt with respectively: In the case of a "package deal", each transaction is treated as a transaction that obtains control rights. In the case it is not a "package deal", the share of the book value of the shareholder's equity of the merged party in the consolidated financial statements of the ultimate controller is taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the merger plus the book value of the new payment consideration for the shares on the merger date shall be adjusted to the capital reserve; If the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. Any other comprehensive income recognized by the equity investment held prior to the merger date that is accounted for using the equity method or is available-for-sale financial assets will not be subject to accounting treatment for the time being.

For long-term equity investments acquired by business combinations not under common control, the initial cost of long-term equity investment is the cost of acquisition on the purchase date. The merger costs include assets paid by the purchaser, liabilities incurred or assumed, and the sum of fair value of the equity securities issued. If you acquire the equity of the purchased party through multiple transactions, and eventually form a business combination not under the same control, and they should be dealt with according to whether they are in a "package deal" respectively: In the case of a "package deal", each transaction is treated as a transaction that obtains control rights. If it does not belong to a "package deal," the original investment cost of the long-term equity investment calculated according to the cost method shall be calculated according to the sum of the book value of the original held equity investment and the new investment cost. Where the originally held equity is accounted for using the equity method, related comprehensive income shall not be accounted for temporarily. Where the original equity investment is an available-for-sale financial asset, the difference between its fair value and its carrying amount, and the accumulated fair value changes previously recognized in other comprehensive income are transferred to profit or loss for the current period.

Aggregate expenses such as auditing, legal services, assessment and consulting, etc. incurred by the combining party or the purchaser for the business combination shall be recorded into the current profit and loss when incurred.

Except for the long-term equity investment formed by the business combination, other equity investments are initially measured at cost. The cost will vary depending on the way in which the long-term equity investment is obtained, and will be swapped out in accordance with the cash purchase price actually paid by the company, the fair value of the equity securities issued by the company, the value of the investment contract or agreement, and the exchange of non-monetary assets. The fair value of the asset or the original book value and the fair value of the long-term equity investment itself are determined. The costs, taxes, and other necessary expenses that are directly related to the acquisition of long-term equity investments are also included in the investment costs. The cost of long-term equity investment is the original held equity investment determined in accordance with the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* if the additional investment can significantly affect the invested entity or jointly control it but does not constitute control. The fair value plus the sum of new investment costs.

(2) Subsequent measurement and recognition of profit and loss

The long-term equity investment that has common control over the invested entity (except for constituting a common operator) or significant influence is accounted for using the equity method. In addition, the company's financial statements use the cost method to account for long-term equity investments that can control the investee.

① Long-term equity investment accounted for by cost method

When using the cost method, the long-term equity investment is measured at the initial investment cost, and the cost of the

long-term equity investment is adjusted by adding or withdrawing the investment. Except for the actual payment for the investment or the cash dividend or profit included in the consideration that has been announced but not yet issued, the current investment income shall be recognized in accordance with the cash dividend or profit declared to be released by the investee.

② Long-term equity investment accounted for by the equity method

When using the equity method of accounting, the initial investment cost of long-term equity investment is greater than the fair value share of the identifiable net assets of the investee when investing, and the initial investment cost of long-term equity investment shall not be adjusted; Where the initial investment cost is less than the fair value share of the identifiable net assets of the investee when the initial investment cost is less than the investment, the difference is included in the current profit or loss and the cost of the long-term equity investment is adjusted.

When using the equity method of accounting, investment income and other comprehensive income are recognized separately based on the net profit or loss realized by the investee and the share of other comprehensive income that should be shared. At the same time, the book value of long-term equity investment shall be adjusted; the portion of the book value of long-term equity investment shall be reduced correspondingly in accordance with the portion of the profit or cash dividend declared to be distributed by the invested entity; For other changes in the owners' equity of the invested entity other than the net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and included in the capital reserve. When confirming that they should enjoy the share of the net profits and losses of the investee, the net profits of the investee shall be adjusted after confirmation based on the fair value of the identifiable assets of the investee at the time of acquisition. If the investee adopts an accounting policy and the accounting period is inconsistent with that of the company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the company and based on which the investment income and other comprehensive income will be confirmed. For the transactions between the company and its associated companies and joint ventures, the assets sold or sold do not constitute a business, and the unrealized gains and losses from internal transactions are calculated based on the proportion of shares that are attributable to the company and offset. On this basis, the investment gains and losses are confirmed. However, if the unrealized internal transaction losses incurred by the company and the invested entity belong to the impairment loss of the transferred assets, they shall not be offset. If the company constitutes a business with assets invested by a joint venture or an associate, and the investor obtains a long-term equity investment but does not obtain control, the fair value of the investment is used as the initial investment cost of the new long-term equity investment. The difference between the cost and the book value of the investment business is fully accounted for in the current period profit or loss. Where the assets sold by the company to a joint venture or an associate constitute a business, the difference between the consideration obtained and the book value of the business is fully recorded in the current profit or loss. If the assets purchased by the company from its associates and joint ventures constitute a business, it shall be accounted for in accordance with the *Accounting Standards for Business Enterprises No. 20 - Merger of Enterprises* and shall fully confirm the gains or losses associated with the transactions.

When it is confirmed that the net losses incurred by the invested entity should be shared, the book value of the long-term equity investment and other long-term equity that actually constitutes the net investment of the invested entity shall be reduced to zero. In addition, if the company is obligated to bear additional losses to the investee, it shall recognize the estimated liabilities according to the expected obligations and include the current investment losses. If the invested entity realizes a net profit in the subsequent period, the Company will resume recognizing the share of its share of profits after the amount of its share of profits offsets the share of unrecognized losses.

For long-term equity investments in associates and joint ventures that have been held prior to the Company's first implementation of the new accounting standards, if there is a debit difference in the equity investment related to the investment, the amount that is amortized on a straight-line basis over the original remaining period is included in the current profit or loss.

③ Acquisition of minority interest

When preparing the consolidated financial statements, the difference between the new long-term equity investment for the acquisition of minority equity and the share of net assets that should be continuously calculated by the subsidiary since the purchase date (or the merger date) based on the new shareholding ratio is calculated. If the capital reserve is adjusted and the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

④ Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially disposes of the long-term equity investment in the subsidiary without losing control, and the difference between the disposal price and the disposal of the long-term equity investment and the subsidiary's net assets are included in the shareholders' equity; If the parent company partially disposes of the long-term equity investment in the subsidiary resulting in the loss of control over the subsidiary, it shall be dealt with in accordance with the relevant accounting policies described in Notes 4, 5, and (2) *Method for Compiling the Consolidated Financial Statements*.

For the disposal of long-term equity investment under other circumstances, the difference between the book value and the actual purchase price of the disposing equity shall be included in the current profits and losses.

For long-term equity investments accounted for using the equity method, the remaining equity after disposal is still accounted for using the equity method. At the time of disposal, other comprehensive income components originally recorded in shareholders' equity shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities. The owner's equity recognized as a result of changes in the owners' equity other than net profit or loss, other comprehensive income, and profit distribution of the investee is transferred in profit or loss for the current period.

Long-term equity investments accounted for using the cost method, remaining equity after disposal are still accounted for using the cost method. Before the acquisition of control over the investee, other comprehensive income recognized through equity method accounting or confirmation of financial instruments and measurement standards shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities; and carry forward the profit and loss of the current period in proportion; The change in owners' equity other than net profit or loss, other comprehensive income, and profit distribution of the investee's net assets as a result of using the equity method of accounting is carried forward in proportion to the current profit or loss.

If the company disposes of part of the equity investment and loses control over the invested entity, when the individual financial statements are prepared, if the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for using the equity method, and the equity shall be accounted for using the equity method to adjust the remaining equity as if it were obtained; If the remaining equity after disposal cannot implement joint control or exert significant influence on the invested entity, it shall be subject to accounting treatment in accordance with the relevant provisions of the criteria for recognition and measurement of financial instruments. The difference between the fair value and the book value at the date of loss of control is included in the current profit or loss. Before the company obtains control over the investee, other comprehensive income that is recognized by using equity method accounting or financial instrument recognition and measurement criteria accounting. When accounting for the invested entity is lost, the same basis as the investee's direct disposal of the relevant assets or liabilities is used for accounting treatment. Changes in the owners' equity other than the net profit or loss, other comprehensive income, and profit distribution of the investee's net assets that are accounted for using the equity method of accounting are carried forward to the current profit or loss when they lose control of the investee. Among them, the residual equity after disposal is accounted for using the equity method, and other comprehensive income and other owners' equity are carried forward in proportion; If the remaining equity after disposal is changed to the accounting treatment based on the recognition and measurement standards of financial instruments, all other comprehensive income and other owner's equity shall be carried forward.

If the company disposes of part of the equity investment and loses the joint control or significant influence on the investee, the remaining equity after disposal shall be calculated according to the criteria for the confirmation and measurement of financial instruments, and the fair value on the date of loss of joint control or significant influence. The difference between the book value is included in the current profit and loss. The other comprehensive income recognized in the original equity

investment accounted for using the equity method is accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when the use of the equity method is terminated. The owner's equity recognized as a result of changes in the owners' equity other than the net profit or loss, other comprehensive income, and profit distribution of the investee is transferred to the current investment income when the equity method is terminated.

The company disposes of the equity investment in the subsidiary company through multiple transactions until it loses control. If the above transaction belongs to a package transaction, the transaction will be treated as a transaction that handles the equity investment in the subsidiary company and loses control. Before the loss of control rights, the difference between the book value of the long-term equity investment corresponding to each disposal price and the equity that was disposed of is first recognized as other comprehensive income, and then transferred to the current loss and gain of loss of control right when the control right is lost.

14. Real Estate for Investment

Investment property refers to real estate held to earn rent or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and prepared for transfer after appreciation, buildings that have been leased, etc. In addition, if the vacant building that the company holds in preparation for operating the lease, if the board of directors (or similar organization) makes a written resolution. It is clearly stated that it will be used for operating leases and that the intentions of the holdings will not change in the short term. They are also presented as investment real estate.

Investment real estate is initially measured at cost. Subsequent expenditures related to investment real estate shall be included in the cost of investment real estate if the economic benefits associated with the asset are likely to flow in and its cost can be reliably measured. Other follow-up expenses are included in the current profit or loss when they occur.

The Company adopts a cost model for the subsequent measurement of investment real estates, and depreciates or amortizes them in accordance with policies that are consistent with the use of buildings or land use rights.

For details of the impairment test method and withdrawal method of impairment provision for investment real estate, please refer to Note IV.20 *Long-term Asset Impairment*.

When the self-use real estate or inventory is converted into investment real estate or investment real estate is converted into self-use real estate, the book value before conversion shall be taken as the converted entry value.

When the investment real estate is disposed of or permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment real estate shall be terminated. The income from disposal of investment real estate sold, transferred, scrapped or damaged is deducted from its book value and related taxes and expenses and charged to profit or loss for the current period.

15. Fixed Assets

(1) Conditions to determine fixed assets

Fixed assets refer to tangible assets that are held for the purpose of producing goods, providing labor service, renting or business management and have a service life of more than one accounting year. Fixed assets are only recognized when their economic benefits are likely to flow into the company and their costs can be reliably measured. Fixed assets are initially measured at cost and taking into account the impact of the estimated cost of disposal.

(2) Depreciation methods for various types of fixed assets

From the next month after the fixed assets have reached the expected usable status, depreciation is applied within the useful life using the straight-line method. The useful life, estimated net residual value and annual depreciation rate of various types of fixed assets are as follows:

| Category | Depreciation method | Depreciation period (years) | Residual rate(%) | Annual depreciation rate (%) |
|----------------------|-----------------------|-----------------------------|------------------|------------------------------|
| Buildings | Annual method average | 8-50 | 5 | 1.90-12.00 |
| Electronic equipment | Annual method average | 3-10 | 4、5 | 9.50—32.00 |
| Mechanical equipment | Annual method average | 5-28 | 4、5 | 3.39—19.20 |

| | | | | | |
|--------------------------|---------------|---------|------|-----|------------|
| Transportation equipment | Annual method | average | 5-10 | 4、5 | 9.50—19.20 |
| Office equipment | Annual method | average | 3-10 | 4、5 | 9.50-32.00 |
| Other equipment | Annual method | average | 5-28 | 4、5 | 3.39—19.20 |

The expected net salvage value is the amount of the estimated disposal expenses that the company currently receives from the disposal of the asset, assuming that the estimated useful life of the fixed asset is full and at the end of its useful life.

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

For the details of impairment test method and withdrawal method of impairment provision for fixed assets, please refer to Note IV.20 *Long-term Asset Impairment*.

(4) Identification basis and pricing method of financing lease fixed assets

A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of an asset. Ownership may or may not eventually transfer ownership. Fixed assets leased by financial leases are depreciated by using the same policy as self-owned fixed assets. If it is reasonable to determine the ownership of the leased asset when the lease term expires, depreciation shall be made within the useful life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained upon the expiration of the lease term, the depreciation will be made within the shorter of the lease term and the useful life of the leased asset.

(5) Other Instructions

Subsequent expenditures related to fixed assets, if the economic benefits associated with the fixed assets are likely to flow in and their costs can be reliably measured, are included in the cost of fixed assets and the recognition of the book value of the replaced part is terminated. Other subsequent expenditures other than this are included in profit or loss for the current period when incurred.

The fixed assets are derecognized when the fixed assets are disposed or if no economic benefits are expected to result from the use or disposal. The difference between the proceeds from disposal of fixed assets sold, transferred, scrapped or damaged after deducting their book value and relevant taxes and fees is included in the current profits and losses.

The company reviews the useful life, estimated net residual value, and depreciation method of fixed assets at least at the end of the year. If any change occurs, it will be treated as changes in accounting estimates.

16. Construction in Progress

Construction in progress costs are determined based on actual project expenditures, including project expenditures incurred during construction, capitalized borrowing costs and other related expenses before the project reaches its expected usable condition. Construction in progress is carried over to fixed assets after it reaches its intended usable condition.

For details of the impairment test method and impairment provision method for construction in progress, please refer to Note IV.20 *Long-term Asset Impairment*.

17. Borrowing Costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. Borrowing costs that can be directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization; Capitalization commences when capital expenditures have already occurred, borrowing costs have been incurred, and the acquisition, construction or production activities necessary to bring the assets to their intended use or sale status have commenced; When the assets constructed or produced that comply with the capitalization conditions reach the state of intended use or sale, the capitalization shall be stopped. The remaining borrowing costs are recognized as expenses in the current period.

The actual interest expenses incurred in the current period of the special borrowings shall be capitalized after deducting the interest income earned by the undisbursed borrowing funds from the bank or the investment income obtained from the temporary investment. The general borrowings are determined based on the weighted average of the accumulated asset expenditures that exceed the portion of the special borrowings multiplied by the capitalization rate of the general borrowings used to determine the amount of capitalization. The capitalization rate is determined based on the weighted average interest

rate of the general borrowings.

During the capitalization period, the exchange differences in foreign currency specific borrowings are all capitalized; exchange differences on foreign currency general borrowings are recognized in profit or loss for the current period.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate, inventory, etc. which require a considerable period of time for acquisition or construction or production activities to be ready for use or sale.

If the assets eligible for capitalization are abnormally interrupted in the process of acquisition, construction or production and the interruption lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the acquisition, construction or production of the assets resumes.

18. Intangible Assets

(1) Intangible Assets

Intangible assets are identifiable non-monetary assets that are owned or controlled by the company and have no physical shape.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the company and their costs can be reliably measured. Expenditure for other items other than this is included in profit or loss for the current period when incurred.

Land use rights acquired are usually accounted for as intangible assets. For the self-development and construction of buildings and other buildings, the related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets, respectively. For purchased houses and buildings, the relevant price will be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, they will be treated as fixed assets.

Intangible assets with limited useful lives are available to be amortized over their original useful lives less their estimated net residual value and the accumulative amount of accrued impairment losses from their expected useful lives from the moment they are available for use. Intangible assets with indefinite useful lives are not amortized.

At the end of the period, the service life and amortization method of the intangible assets with limited service life are reviewed, and if any changes occur, they are treated as changes in accounting estimates. In addition, the service life of an intangible asset with an indefinite useful life is reviewed. If there is evidence that the period during which the intangible asset brings economic benefits to the enterprise is foreseeable, the useful life of the intangible asset is estimated and it is based on intangible assets with a limited useful life. The amortization policy is amortized.

(2) Research and development expenditure

The expenditures of the company's internal research and development projects are divided into research phase expenditures and development phase expenditures.

Expenditure for the research phase is included in profit or loss for the current period when incurred.

Expenditure in the development phase that satisfies the following conditions at the same time is recognized as intangible assets. Expenditure at the development stage that does not satisfy the following conditions is included in the current profit and loss:

- ① It is technically feasible to complete this intangible asset so that it can be used or sold;
- ② Have the intention to complete the intangible assets and use or sell them;
- ③ The ways in which intangible assets generate economic benefits, including the existence of a market in which intangible assets can be used to prove the existence of a market for the products produced using the intangible assets, and intangible assets can be used internally, which can prove its usefulness;
- ④ Sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;
- ⑤ Expenditure attributable to the development stage of this intangible asset can be reliably measured.

If it is not possible to distinguish between research phase expenditures and development phase expenditures, all R&D

expenditures incurred will be charged to the current profit or loss.

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

For details of the impairment test method and withdrawal method of impairment provision for intangible assets, please refer to Note IV.20 *Long-term Asset Impairment*.

19. Long-term Expenses to be Apportioned

Long-term expenses to be apportioned are various expenses that have already occurred but should be burdened by the reporting period and subsequent periods with a time limit of more than one year. The company's long-term expenses to be apportioned mainly include renovation and land lease fees. Long-term expenses are amortized on a straight-line basis over the expected benefit period.

20. Long-term Asset Impairment

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, investment real estate measured in cost mode, and long-term equity investments in subsidiaries, joint ventures, and associates. The company judges whether there is any indication of impairment on the balance sheet date. If there is any indication of impairment, its recoverable amount is estimated and an impairment test is conducted. Goodwill, intangible assets with an indefinite useful life, and intangible assets that have not yet reached their usable status are tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of the asset is lower than its book value, the difference shall be withdrawn and accounted for as impairment loss. The recoverable amount is the higher of the fair value of the assets less the disposal expenses and the present value of the estimated future cash flow of the assets. The fair value of an asset is determined based on the price of the sales agreement in an arm's length transaction. If there is no sales agreement but there is an active market for assets, the fair value is determined based on the buyer's bid for the asset; If there is no sales agreement and an active market for assets, the fair value of the asset is estimated based on the best available information. Disposal expenses include legal fees related to the disposition of assets, related taxes, handling expenses, and direct expenses incurred in bringing assets into a saleable state. The present value of the expected future cash flow of the assets is determined by the amount of discounted cash flow selected in accordance with the estimated future cash flow generated during the continuous use and final disposal of the assets. The impairment provision for assets is calculated and confirmed on the basis of individual assets. If it is difficult to estimate the recoverable amount of a single asset, the asset group to which the asset belongs should be used to determine the recoverable amount of the asset group. Asset groups are the smallest portfolio of assets that can generate independent cash inflows.

Goodwill separately listed in the financial statements shall be allocated to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination when performing the impairment test. If the test result shows that the recoverable amount of the asset group or combination of asset groups that includes the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of impairment loss is written off against the book value of goodwill allocated to the asset group or group of asset groups. According to the proportion of the carrying value of other assets except for goodwill in the asset group or group of assets, the book value of other assets is offset proportionately.

Once the impairment loss of the above assets is confirmed, it will not be transferred back to the part where the value is recovered.

21. Employees' Salary

The employee compensation of the company mainly includes short-term employee compensation, post-employment benefits, dismissal benefits, and other long-term employee benefits. Among them:

The short-term salary mainly includes wages, bonuses, subsidies and subsidies, workers' welfare, medical insurance, birth insurance, industrial injury insurance, housing accumulation fund, trade union funds and staff education funds, non-monetary welfare and so on. During the accounting period of the employees providing service to the company, the company recognized the actual short-term employees' pay as liabilities and included the cost of the profit and loss of the

current period or the related assets. The non-monetary welfare is measured in accordance with the fair value.

Post-employment benefits include basic pension insurance, unemployment insurance and annuity. Post-employment benefits plan includes setting up the deposit plan and setting up the benefit plan. By setting up the deposit plan, the corresponding deposit amount should be included in the relevant asset cost or current profit and loss when it occurs. (1) The reserve plan is recognized as a liability based on the fixed fee paid to an independent fund, and it is included in the current profit and loss or related assets cost. (2) Set up the benefit plan, and adopt the expected accumulative welfare unit method to carry out the accounting treatment. Specifically, the company will set the welfare obligation set by the benefit plan as the final value of the departure time according to the formula determined by the expected cumulative welfare unit method. Later, it belongs to the period of providing services for employees, and it is included in the current profit and loss or related assets cost.

To release the labor relations with the employees prior to the expiry of the employee labor contract, or to offer compensation for the employees' willingness to accept the reduction, when the company cannot unilaterally withdraw the termination benefits provided by the dissolution of the labor relationship plan or the reduction proposal, Both the company and the company confirm the costs related to the restructuring related to the disbursement and dismemberment benefits as soon as possible, and confirm the employees' remuneration liabilities resulting from the dismissal benefits and include them in the current profits and losses. However, if the dismissal welfare is not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee compensation.

The employee's internal retirement plan is treated on the same principle as the above-mentioned retirement benefits. The Company will include the salaries of the internally retired staff and the social insurance premiums to be paid during the period from the employee's suspension of service to the normal retirement date, and shall be recorded in the current profit or loss (the dismissing welfare) when they meet the conditions for confirming the estimated liabilities.

If the other long-term employee benefits provided by the company to employees are in compliance with the defined contribution plan, it shall be accounted for in accordance with the defined contribution plan. In addition, it shall be accounted for in accordance with the defined benefit plan.

22. Estimated Liabilities

When obligations related to contingent events meet the following conditions, they are confirmed as estimated liabilities: (1) this obligation is the current obligation assumed by the company; (2) The performance of this obligation may result in the outflow of economic benefits; (3) The amount of this obligation can be reliably measured.

On the balance sheet date, considering the risks, uncertainties, and time value of money related to contingencies, the estimated liabilities shall be measured in accordance with the best estimate of the required expenditure for the performance of the current obligation.

If all or part of the expenses required for the liquidation of estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized as an asset separately when it is basically determined to be receivable, and the amount of compensation confirmed does not exceed the book value of the estimated liability.

(1) Loss Contract

A loss contract is a contract in which the inevitable occurrence of contractual obligations exceeds the expected economic benefits. If the contract to be executed becomes a loss-making contract and the obligation resulting from the loss-making contract satisfies the conditions for recognizing the above-mentioned estimated liability, the portion of the contracted asset that exceeds the recognized impairment loss (if any) of the contracted asset is recognized as the estimated liability.

(2) Reorganization Obligations

For a reorganization plan that is detailed, formal, and has been announced to the public, the amount of the estimated liability is determined based on the direct expenses related to the reorganization, provided that the aforementioned conditions for confirming the estimated liabilities are met. For the obligation to re-sell part of the business, only when the company promises to sell part of the business (that is, when a binding sales agreement is signed), will it confirm the obligations related to the reorganization.

23. Share Payment

(1) Accounting treatment of share payments

Share payment is a transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees or other parties. Share payments are divided into equity-settled share-based payments and cash-settled share payments.

① Equity-settled share payments

Equity-settled share payments used to exchange services provided by employees shall be measured at the fair value of the equity instruments granted to employees on the grant date. The amount of this fair value shall be based on the best estimate of the number of equity instruments that are exercisable during the waiting period when the services within the waiting period are completed or the specified performance conditions are only available. When it is calculated according to the straight-line method, the relevant costs or expenses are included/when the vesting right is immediately available after granting, relevant costs or expenses are included on the grant date, and the capital reserve is increased correspondingly.

During the waiting period, on each balance sheet date, the Company makes the best estimate based on the latest information on changes in the number of viable employees, and revises the number of equity instruments that are expected to be exercised. The above estimated impact is included in the current period related costs or expenses, and capital reserves are adjusted accordingly.

If the fair value of the other party's services can be reliably measured, the fair value of the other party's services on the date of acquisition will be measured. If the fair value of other party's services cannot be reliably measured, but the fair value of the equity instrument can be measured reliably, the fair value measurement of the equity instrument at the date of service acquisition shall be included in the relevant costs or expenses, and the shareholders' equity shall be increased correspondingly.

② Cash-settled share payment

Cash-settled share-based payments are measured at the fair value of the liabilities assumed by the company on the basis of shares or other equity instruments. If the right is exercised immediately after granting, relevant costs or expenses are included on the grant date, and liabilities are increased accordingly; If it is necessary to complete the services during the waiting period or to achieve the required performance conditions, then on each balance sheet date of the waiting period, based on the best estimate of the vesting condition, the fair value of the liabilities assumed by the company shall be calculated. The services obtained during the current period are included in costs or expenses and the liabilities are increased accordingly.

On each balance sheet date and settlement date prior to the settlement of the relevant liabilities, the fair value of the liability is re-measured and the change is recorded in the current profit or loss.

(2) Relevant accounting treatment of modifying and terminating the share payment plan

When the company makes changes to the share payment plan, if the revision increases the fair value of the equity instruments granted, the increase in services will be confirmed in accordance with the increase in the fair value of the equity instruments. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification on the date of modification. If the amendment reduces the total fair value of the share payment or adopts other methods that are unfavorable to the employees, it will continue to account for the services obtained as if the change never occurred unless the company cancelled some or all of the granted instruments.

During the waiting period, if the granted equity instrument is cancelled, the company will treat the cancelled equity instrument as accelerating exercise, and immediately recognize the amount that should be confirmed in the remaining waiting period in the current profit and loss and confirm the capital reserve. If the employee or other party can choose to meet the non-vesting condition but is not satisfied within the waiting period, the company will treat it as cancellation of the granted equity instrument.

(3) Accounting treatment of share payment transactions involving the company's shareholders or actual controllers

In respect of the company's share-based payment transactions with the shareholders or actual controllers of the company, one of the settlement company and the receiving service company is within the company. Another accounting treatment in the company's consolidated financial statements outside the company is as follows:

①If a settlement company settles its equity instrument, the share payment transaction shall be treated as equity-settled share-based payment; In addition, this will be treated as a cash settled share payment.

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

②If the receiving service enterprise has no settlement obligation or has granted its own equity instruments to the employees of the enterprise, the share payment transaction shall be treated as equity-settled share payment; If the receiving service company has a settlement obligation and the company's employee is not its own equity instrument, the share payment transaction is treated as cash settled share payment.

If the share-based payment transaction between the companies within the company is not the same as the service enterprise and the settlement enterprise, the confirmation and measurement of the share-based payment transaction in the individual financial statements of the receiving service enterprise and the settlement enterprise shall follow the above principles.

24. Preferred Stock, Perpetual Debt and Other Financial Instruments

(1) The difference between perpetual debt and preferred stock, etc.

The financial instruments issued by the company, such as perpetual bonds and preferred shares, meet the following conditions as equity instruments:

①The financial instruments do 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;

②If the financial instrument is required to be settled or can be settled with the company's own equity instruments in the future, if the financial instrument is not a derivative instrument, it does not include the contractual obligation to deliver a variable amount of its own equity instrument for settlement; If it is a derivative, the company can only settle the financial instrument by using a fixed amount of its own equity instruments to exchange a fixed amount of cash or other financial assets.

Except for the financial instruments that can be classified as equity instruments under the above conditions, other financial instruments issued by the company should be classified as financial liabilities.

Where the financial instrument issued by the company is a compound financial instrument, it is recognized as a liability based on the fair value of the liability component, and is recognized as "other equity instrument" after the actual amount received minus the fair value of the liability component. The transaction costs incurred for the issuance of a compound financial instrument are apportioned between the liability component and the equity component in proportion to their respective share of the total issue price.

(2) Accounting methods for perpetual debt, preferred stock, etc.

Financial instruments classified as financial liabilities, such as perpetual bonds and preferred stock, related interest, dividends (or dividends), gains or losses, and gains or losses arising from redemptions or refinancing, except for borrowings eligible for capitalization expenses (see Note IV.17 *Loaning Expenses*) are included in the current profits and losses.

For financial instruments classified as equity instruments, such as perpetual bonds and preferred shares, the company treats them as a change in equity (including refinancing), repurchase, sale, or cancellation, and related transaction costs are also deducted from equity. The Company's distribution to holders of equity instruments is treated as profit distribution.

The company does not confirm the fair value changes of equity instruments.

25. Revenue

(1) Product sales revenue

The general principles of revenue recognition for a company's sales are as follows: The transfer of the major risks and

rewards of the ownership of the goods to the buyer has neither retained the continuation management rights usually associated with the ownership nor implemented effective control over the sold goods, and the amount of income can be reliably measured. The relevant economic benefits are likely to flow into the company, and when the related costs that have occurred or will occur can be reliably measured, the realization of the sales revenue of the goods is confirmed.

The specific principles of the company's revenue recognition for sales are as follows: ①Wholesale business: Sales revenue is recognized when the goods have been delivered to the customer and confirmed by the customer's signature, the company has received the money or obtained the evidence of the request for payment; ②Retail business: Revenue from the sale of goods is recognized when the purchase price has been received and the goods have been delivered to the customer.

(2) Revenue from Providing Labor

When the results of the provision of labor services can be reliably estimated, the labor revenue provided by the percentage of completion method is recognized on the balance sheet date. The progress of the completion of the service transaction is determined by the ratio of the completed service measurement/provided labor service to the total labor service provision/cost of labor service incurred to the estimated total cost.

The ability to reliably estimate the outcome of a labor transaction is to satisfy: ①The amount of income can be measured reliably; ②The related economic benefits are likely to flow into the company; ③The degree of completion of the transaction can be reliably determined; ④The costs that have occurred and will occur in the transaction can be reliably measured.

If the results of the provision of labor services cannot be reliably estimated, the labor service income provided shall be recognized according to the amount of labor costs that have occurred and is expected to be compensated, and the incurred service costs shall be recognized as current expenses. If the labor costs that have already occurred cannot be compensated if they are not expected to be compensated, the revenue will not be recognized.

Processing business(Processing fees charged): The processing fee shall be recognized upon completion of the processing and delivery of the relevant commodities and upon receipt of the processing fee or the relevant evidence for the processing fee.

If the contract or agreement signed between the company and other companies includes the sale of goods and the provision of labor services, if the sales of goods and the provision of labor services can be distinguished and measured separately, the sale of goods and the provision of labor services shall be handled separately; If the selling goods part and the labor service part cannot be distinguished, or if they can be distinguished but cannot be measured separately, the contract shall be treated as sales goods.

(3) Transfer of income from the right to use assets

The economic benefits associated with the transaction are likely to flow into the enterprise. When the amount of income can be reliably measured, the amount of income from the right to use the transferred assets is determined: ①Revenue from Interest, revenue from interest is calculated based on the time and actual interest rate of others using the company's currency funds. ②Income from trademark use rights, the income from the right to use a trademark shall be calculated and determined according to the charging time and method stipulated in the right to use the trademark contract..

26. Government Grant

The government grant refers to the company's free acquisition of monetary assets and non-monetary assets from the government, excluding the capital invested by the government as an investor and enjoying the corresponding owner's equity. Government grants are divided into asset-related government grants and income-related government grants. The company defines the government grant acquired for the construction or other forms of long-term assets as the government subsidy related to the assets; The remaining government grants are defined as income-related government grants. If the government document does not specify the target of the grant, the grant will be divided into income-related government grant and asset-related government grant in the following ways: (1) Where a government document specifies the specific project for which the subsidy is targeted, the relative proportion of the amount of expenditure that forms the asset and the amount of expenditure included in the expense shall be divided according to the budget of the specific project; The division ratio shall

be reviewed on each balance sheet date, and changes shall be made when necessary; (2) The government documents only make a general statement on the use, and do not specify a specific item as a government grant related to income. If the government grant is a monetary asset, it shall be measured according to the amount received or receivable. If a government grant is a non-monetary asset, it shall be measured at its fair value; If the fair value cannot be reliably obtained, it shall be measured at the nominal amount. Government grants measured at nominal amounts are directly charged to profit or loss for the current period.

The Company usually confirms and measures the actual amount of government subsidies when it is actually received. However, for the end of the period there are conclusive evidence that can meet the relevant conditions of the financial support policy requirements are expected to receive financial support funds in accordance with the amount receivable. The government grant measured in accordance with the amount receivable shall meet the following conditions at the same time: (1) The amount of the loan receivable has been confirmed by the authorized government department, or it can be reasonably measured according to the relevant provisions of the officially announced fiscal fund management method, and it is expected that there will be no significant uncertainty in its amount. (2) It is based on the financial support projects that have been officially released by the local financial department and that are voluntarily disclosed in accordance with the regulations of the *Government Information Disclosure Regulations* and the administrative measures for fiscal funds. And the management approach should be inclusive (any company that meets the specified conditions can apply), rather than specifically for a specific business; (3) The relevant grant approval has clearly promised the time limit for the payment, and the payment of this amount is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that it can be received within the prescribed time limit; (4) According to the company and the specific circumstances of the subsidy, other relevant conditions that should be met.

Government grants related to assets are recognized as deferred income and are charged to the profit or loss of the current period or the carrying amount of the relevant assets in a reasonable and systematic manner over the useful life of the relevant assets. If a government grant related to income is used to compensate for the related costs or losses in the subsequent period, it shall be recognized as deferred income, and shall be recorded in the current profit or loss or the relevant cost in the period in which the relevant cost, expense or loss is recognized; For the compensation of related costs or losses that have occurred, they shall be directly included in the current profits and losses or offset the relevant costs.

At the same time, it includes government grants related to the asset-related portion and the income-related portion, and separates different parts for accounting treatment. If it is difficult to distinguish, categorize it as a government grant related to income.

The government grants related to the daily activities of the company are included in other income or used to reduce the related costs in accordance with the substance of the economic business; Government grants that are not related to daily activities are counted in non-operating income and expenditure.

When a confirmed government grant needs to be returned, if there is a related deferred income balance, the relevant deferred income is offset against the carrying amount. The book value of the assets adjusted government grants adjusted to the excess of the current profit or loss or the write-down of the carrying amount of the relevant assets at initial recognition; if it belongs to other situations, it shall be directly included in the current profits and losses.

27. Deferred income tax assets / deferred income tax liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (assets) in current and previous period shall be measured in the expected income tax payable (or refundable) calculated according to the tax law. The taxable income which is the basis of calculating current income tax expense is calculated after the pre-tax accounting profit during the report period is adjusted correspondingly according to the tax law

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

For the temporary differences arising from the balance between the book value of some asset and liability items and its tax basis, and the balance between the book value of items that cannot be taken as asset and liability recognition but can

determine its tax basis according to the tax law and the tax basis, the balance sheet liability method is adopted to recognize deferred income tax assets and deferred income tax liabilities.

For taxable temporary differences related to the initial recognition of goodwill, and the initial recognition of assets or liabilities caused in transaction that is not business merger or does not affect the accounting profit and taxable income (or deductible loss), the related deferred income tax liabilities will not be recognized. In addition, for taxable temporary differences related to the investment in subsidiaries, affiliated enterprises and joint ventures, if the Company can control the time of the reverse of temporary differences, and such temporary differences cannot be reserved in the foreseeable future, the related deferred income tax liabilities will also not be recognized. Except for the above exceptions, the Company recognizes deferred income tax liabilities arising from all other taxable temporary differences.

For deductible temporary differences related to the initial recognition of assets or liabilities caused in transaction that is not business merger or does not affect the accounting profit and taxable income (or deductible loss), the related deferred income tax assets will not be recognized. In addition, for deductible temporary differences related to the investment in subsidiaries, affiliated enterprises and joint ventures, if the temporary differences cannot be reserved in the foreseeable future, or the taxable income for deducting deductible temporary differences cannot be obtained in the future, the related deferred income tax assets will not be recognized. Except for the above exceptions, the Company recognizes deferred income tax assets arising from all other deductible temporary differences within the limit of taxable income that can be obtained to deduct the temporary differences.

For the deductible loss and tax deduction that can be carried forward in subsequent years, the Company recognizes corresponding deferred income tax assets within the limit of future taxable income that can be obtained to deduct the deductible loss and tax deduction

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured in applicable tax rate during expected recovery of related assets or liquidation of related liabilities according to the tax law.

On the balance sheet date, the Company re-checks the book value of deferred income tax assets, and if enough taxable income cannot be obtained in the future to deduct the benefits arising from deferred income tax assets, then the book value of deferred income tax assets will be written down. When enough taxable income can be obtained, the write-down amount will be reserved.

(3) Income tax expense

The income tax expense includes current income tax and deferred income tax.

Except the current income tax and deferred income tax related to the transactions and events that are recognized as other comprehensive income or are directly reckoned in shareholders' equity, and the book value of deferred income tax arising from business merger for adjusting the goodwill are reckoned in other comprehensive income or shareholders' equity, the rest current income tax and deferred income tax expenses or benefits are reckoned in the current profit and loss,

(4) Offset of income tax

When the Company has the legal right of net settlement and intends to conduct the net settlement or the acquisition of assets and liquidation of liabilities are conducted at the same time, the current income tax assets and current income tax liabilities of the Company are presented as per the net amount after offset.

When the Company has the legal right of net settlement of current income tax assets and current income tax liabilities, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection bureau on the same tax subject or different tax subjects, but during the reverse of each important deferred income tax assets and liabilities in the future, the tax subjects involved intend to conduct net settlement of current income tax assets and liabilities or the acquisition of assets and liquidation of liabilities are conducted at the same time, the deferred income tax assets and liabilities of the Company are presented as per the net amount after offset.

28. Leasing

The financial leasing means transfer of all risks and remuneration related to the ownership of assets in essence, and its ownership can be transferred or cannot be transferred finally. The other leasing other than financial leasing is operating

leasing.

(1) The Company as a lessee records the operating leasing business

The rental payment of operating leasing during the lease term is reckoned in the related asset cost or current profit and loss according to the straight-line method. The initial direct cost is reckoned in current profit and loss, or the rent occurring actually is reckoned in current profit and loss.

(2) The Company as a lessor records the operating leasing business

The rental income of operating leasing during the lease term is recognized as the current profit and loss according to the straight-line method. The larger initial direct cost is capitalized when it occurs, which is reckoned in current profit and loss according to the basic installment of recognized rental income during the lease term; other smaller initial direct cost is reckoned in current profit and loss when it occurs, or the rent occurring actually is reckoned in current profit and loss.

(3) The Company as a lessee records the financial leasing business

On the lease commencement date, the less of the fair value of leasing assets and the present value of minimum lease payment is taken as the recording value of leasing assets, and the minimum lease payment is taken as the recording value of long-term payable, and its balance is taken as unrecognized financing expense. In addition, the initial direct costs attributable to leasing items occurring in the process of leasing negotiation and signing the leasing contract can also be reckoned in the value of leasing assets. The balances after the minimum lease payment deducts unrecognized financing expense are respectively presented in long-term liability and long-term liability due within one year

For the unrecognized financing expense, the effective interest rate method is adopted to calculate the recognized current financing expense within the lease term, or the rent occurring actually is reckoned in current profit and loss.

(4) The Company as a lessor records the financial leasing business

On the lease commencement date, the sum of the minimum lease payment and initial direct cost is taken as the booking value of financial leasing receivables, and meanwhile, the unguaranteed residual value is recorded; the balance between the sum of the minimum lease payment, initial direct cost and unguaranteed residual value and the sum of present values is recognized as unrealized financing income. The balances after the financial leasing receivables deduct unrealized financing incomes are respectively presented in long-term liability and long-term liability due within one year

For the unrealized financing income, the effective interest rate method is adopted to calculate the recognized current financing income within the lease term, or the rent occurring actually is reckoned in current profit and loss.

29. Other important accounting policies and accounting estimates

(1) Discontinued operation

The discontinued operation means a component that meets one of the following conditions, has been disposed by the Company or classified to be available-for-sale or in business and can be distinguish separately when the financial statements are prepared: ① the component represents a main independent business or a main operating area; ② the component is a part of planning to dispose a main independent business or a main operating area; ③ the component is just for reselling subsidiaries available.

(2) Hedging accounting

To avoid the commodity price risk in spot goods operation, the Company appoints the commodity futures contract as hedging instrument. For the commodity futures hedging meeting specified conditions, the Company adopts the following hedging accounting methods stipulated in the *Temporary Provisions for the Accounting Treatment of Commodity Futures Hedging Business* (CK [2015] No.18) to deal with it from January 1, 2016, and the above-mentioned hedging accounting method will not be executed for this kind of business.

The Company adopts the fair value hedging.

At the beginning of the hedging, the Company specifies the hedging relationship in writing, including recording the relation between the hedging instrument and hedged item, and the risk management goal and hedging strategy; the nature and quantity of hedged items; the nature and quantity of hedging instruments; the nature and recognition of hedging risks; hedging type (fair value hedging or cash flow hedging); the evaluation on hedging effectiveness, including the economic

relation between the hedged item and hedging instrument, hedging ratio and source of hedging unavailability; the date of starting to specify the hedging relationship, etc. In addition, the Company will evaluate the existing hedging relationship on the balance sheet date or when major changes in relevant situations affect the requirements of hedging effectiveness, to confirm whether the hedging relationship shall be terminated, or whether the quantity of specified hedged items or hedging instruments shall be adjusted, so as to maintain the hedging ratio meeting the requirements of hedging effectiveness (namely, “rebalance”).

If the Company cannot specify the established hedging relationship because of the change in risk management goal, or the hedging instrument is closed out or delivered, or the risk exposure of hedged items is lost, or the hedging relationship does not meet the application conditions of the hedging accounting after rebalance is considered (if applicable), then the hedging relationship will be terminated.

① Fair value hedging

For the fair value hedging, the Company reckons the profit or loss arising from the change in fair value of the hedging instrument in the current profit and loss during the hedging relationship existence. If the hedged item is inventory, the Company reckons the change in fair value of the hedged item in the current profit and loss and adjusts the book value of the hedged item during the hedging relationship existence. If the hedged item is definite undertaking, the hedged item is recognized as one asset or liability arising from changes in accumulated fair values after the hedging relationship is specified, and reckoned in the profit or loss of corresponding period.

When hedging relationship is terminated, if the hedged item is inventory, the Company will transfer out the book value of the hedged item and reckon it in the selling cost when selling the inventory; if the hedged item is definite undertaking of purchasing commodities, the Company will transfer out the assets or liabilities arising from changes in accumulated fair values of the hedged item and reckon them in the initial inventory cost when confirming the relevant inventory; if the hedged item is definite undertaking of selling commodities, the Company will transfer out the assets or liabilities arising from changes in accumulated fair values of the hedged item and reckon them in the sales revenue when selling.

30. Changes in important accounting policy and accounting estimate

(1) Change in accounting policy

There were no changes to the main accounting policies during the reporting period.

(2) Change in accounting estimate

There were no changes to the main accounting estimate during the reporting period.

V. Tax

1. Main tax type and tax rate

| Tax type | Taxation basis | Tax rate |
|--|--|---------------------------|
| VAT | The balance is VAT after incomes from selling goods, taxable labor service income and taxable service income calculated according to the tax law minus current deductible input VAT. | 3%, 5%, 6%, 11%, 13%, 17% |
| Urban maintenance and construction tax | Tax levying according to VAT paid actually | 5%, 7% |
| Education surcharges | Tax levying according to VAT paid actually | 3% |
| Local education surcharges | Tax levying according to VAT paid actually | 1.5%, 2% |
| Corporate income tax | According to taxable income | 10%, 25% |
| House property tax | According to 70% of original value of house property (or rental income) as the tax base; | 1.2%, 8%, 12% |

Description of the income tax rates and tax subjects of different enterprises:

| Tax subject | Income tax rate |
|--|-----------------|
| Linan Chunmanyuan Agricultural Development Co., Ltd. | 10% |
| BGG Singapore International Trading Co., Ltd. | 0% |

2. Tax preference and approval

The four-level subsidiary of the Company, Hangzhou Linan Angel Food Co., Ltd. is a welfare enterprise. It enjoyed the VAT immediate levy and refund preferential policy of RMB 35,000 per person per year for the disabled in 2015 and January to April, 2016, and the VAT limit immediate levy and refund preferential policy in the *Notice about the Preferential Policy of Promoting the Employment VAT for the Disabled* (CS [2016] No.52) in May, 2016.

The four-level subsidiary of the Company, Hangzhou Linan Angel Food Co., Ltd. complies with the relevant regulations of the *Notice about the Preferential Policy of Corporate Income Tax for Employment of the Disabled* (CS [2009] No.70) issued by Ministry of Finance and State Administration of Taxation: if the enterprise arranges the disabled, on the basis of deduction of salary of disabled workers, the tax can be deducted from full salary of disabled workers paid when calculating the taxable income.

The three-level subsidiary of the Company, BGG Singapore International Trading Co., Ltd. levies according to the territorial principle. During the first consecutive three-year audit year, the Jingliang(Singapore) can enjoy the first three years of the government tax exemption plan. Singapore's tax exemption plan is as follows: the first SGD 100,000 in annual income, less than SGD 100,000: tax rate 0; SGD 100,001-300,000: tax rate 8.5%; more than SGD 300,000: tax rate 17%.

VI. Notes to items of consolidated financial statement

(The following units of money are RMB if they are not specified.)

1. Monetary funds

| Items | Balance at end of the period | Balance at beginning of the year |
|----------------------|------------------------------|----------------------------------|
| Cash on hand | 118,461.72 | 119,766.22 |
| Cash in bank | 919,954,581.45 | 937,214,125.42 |
| Other monetary funds | 77,635,661.19 | 77,104,771.79 |
| Total | 997,708,704.36 | 1,014,438,663.43 |

The restricted monetary funds are as follows:

| Items | Balance at end of the period | Balance at beginning of the year |
|---|------------------------------|----------------------------------|
| Time deposit or call deposit for pledge | 8,000,000.00 | |
| Total | 8,000,000.00 | |

Note: As of June 30, 2018, The company's limited money funds for the subsidiary Beijing Grain Hebei used to pledge the loan guarantee to China Agricultural Development Bank. See Note 48 for more details.

2. Financial assets that are measured at fair value and whose changes are included in the current profit and loss

| Items | Balance at end of the period | Balance at beginning of the year |
|--------------------|------------------------------|----------------------------------|
| Futures contract | 91,016,163.70 | 176,699,298.60 |
| Income certificate | 60,000,000.00 | |
| Total | 151,016,163.70 | 176,699,298.60 |

3. Accounts receivable

(1) Accounts receivable disclosed on a category basis

| Category | Balance at end of the period | | | | Book value |
|----------|------------------------------|-----------|---------------------|-----------|------------|
| | Book balance | | Bad debt provisions | | |
| | Amount | Ratio (%) | Amount | Ratio (%) | |

| Category | Balance at end of the period | | | | Book value |
|--|------------------------------|-----------|---------------------|-----------|----------------|
| | Book balance | | Bad debt provisions | | |
| | Amount | Ratio (%) | Amount | Ratio (%) | |
| Accounts receivable with large amount and separately-accrued bad debt provision | | | | | |
| Accounts receivable with bad debt provision accrued based on credit risk characteristics portfolio | | | | | |
| Portfolio 1 – Accounts receivable analyzed based on aging | 119,109,999.18 | | 592,886.67 | | 118,517,112.51 |
| Portfolio 2- Accounts receivable of Related parties | 6,171,423.79 | | | | 6,171,423.79 |
| Total Portfolio | 125,281,422.97 | 100.00 | 592,886.67 | 0.47 | 124,688,536.30 |
| Accounts receivable with small amount and separately-accrued bad debt provision | | | | | |
| Total | 125,281,422.97 | 100.00 | 592,886.67 | --- | 124,688,536.30 |

(Continued)

| Category | Balance at beginning of the year | | | | |
|--|----------------------------------|-----------|---------------------|---------------------|---------------|
| | Book balance | | Bad debt provisions | | Book value |
| | Amount | Ratio (%) | Amount | Provision ratio (%) | |
| Accounts receivable with large amount and separately-accrued bad debt provision | | | | | |
| Accounts receivable with bad debt provision accrued based on credit risk characteristics portfolio | | | | | |
| Portfolio 1 - Accounts receivable analyzed based on aging | 72,814,580.29 | | 482,408.18 | | 72,332,172.11 |
| Portfolio 2- Accounts receivable of Related parties | 2,832,955.00 | | | | 2,832,955.00 |
| Total Portfolio | 75,647,535.29 | 99.45 | 482,408.18 | 0.64 | 75,165,127.11 |
| Accounts receivable with small amount and separately-accrued bad debt provision | 420,575.29 | 0.55 | 420,575.29 | 100.00 | |
| Total | 76,068,110.58 | 100.00 | 902,983.47 | ---- | 75,165,127.11 |

①Accounts receivable in the portfolio with bad debt provision accrued based on aging analysis method

| Aging | Balance at end of the period | | |
|---|------------------------------|---------------------|---------------------|
| | Accounts receivable | Bad debt provisions | Provision ratio (%) |
| Within 1 year | | | |
| Including: within credit period | 114,621,427.10 | 502,503.70 | 0 |
| Credit period - 1 year (including 1 year) | 4,365,152.08 | 70,648.97 | 2 |
| 1-2 years | 33,000.00 | 1,650.00 | 5 |

| Aging | Balance at end of the period | | |
|--------------|------------------------------|---------------------|---------------------|
| | Accounts receivable | Bad debt provisions | Provision ratio (%) |
| 2-3 years | 90,420.00 | 18,084.00 | 20 |
| 3-4 years | | | 50 |
| 4-5 years | | | 80 |
| Over 5 years | | | 100 |
| Total | 119,109,999.18 | 592,886.67 | — |

Continued:

| Aging | Balance at beginning of the year | | |
|---|----------------------------------|---------------------|---------------------|
| | Accounts receivable | Bad debt provisions | Provision ratio (%) |
| Within 1 year | | | |
| Including: within credit period | 63,757,518.38 | | 0 |
| Credit period - 1 year (including 1 year) | 8,010,976.05 | 160,219.52 | 2 |
| 1-2 years | 534,198.10 | 26,709.91 | 5 |
| 2-3 years | 167,345.26 | 33,469.05 | 20 |
| 3-4 years | 107,802.00 | 53,901.00 | 50 |
| 4-5 years | 143,159.00 | 114,527.20 | 80 |
| Over 5 years | 93,581.50 | 93,581.50 | 100 |
| Total | 72,814,580.29 | 482,408.18 | — |

② Bad debt provision for accrual, recovery or reversal in current period

The provision for bad debts returned during the period was 310,096.80 yuan.

The accounts receivable at the end of this report do not include the amount owed by shareholders holding more than 5 % of the voting shares of the company.

(2) Top 5 Accounts receivable of balance at end of the period classified based on the debtors

| Debtor name | Balance of accounts receivable at end of the period | Proportion of balance of accounts receivable at end of the period (%) | Balance of bad debt provisions at end of the period |
|--|---|---|---|
| Guangdong Huamei Oil&Fat Co. LTD. | 68,089,275.65 | 54.61 | |
| Beijing Wumart Business Group Co., Ltd. | 9,838,722.72 | 7.89 | 13,990.34 |
| Misimi Restaurant Management (Tianjin) Co., Ltd. | 5,639,699.71 | 4.52 | 70,588.97 |
| Storage Grain(Tianjin) Storage Logistics Co., Ltd. | 2,596,921.00 | 2.08 | |
| Jinjiang Maidelong Outsourcing Co., Ltd.. | 2,301,864.71 | 1.84 | |
| Total | 88,466,483.79 | 70.94 | 84,579.31 |

4.Prepayments

(1) Prepayments are listed by age

| Aging | Balance at end of the period | | Balance at beginning of the year | |
|---------------|------------------------------|-----------|----------------------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Within 1 year | 1,024,211,762.35 | 100.00 | 912,778,989.71 | 99.99 |

| Aging | Balance at end of the period | | Balance at beginning of the year | |
|--------------|------------------------------|-----------|----------------------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| 1-2 years | 1,999.99 | | 64,499.99 | 0.01 |
| 2-3 years | | | | |
| Over 3 years | | | | |
| Total | 1,024,213,762.34 | 100.00 | 912,843,489.70 | 100.00 |

(2) Statement of reasons for the late settlement of significant advances that have been outstanding for more than one year

| Name of unit | Balance at end of the period | Aging | Reasons for delays in settlement |
|-------------------------------|------------------------------|-----------|----------------------------------|
| Liquid Air(Tianjin) Co. Ltd.. | 1,999.99 | 1-2 years | Cylinder deposit |
| Total | 1,999.99 | | |

(3) Top 5 prepayment of balance at end of the period classified based on the debtors

| Unit name | Balance at end of the period | Proportion of prepayment balance at end of the period (%) |
|---|------------------------------|---|
| Storage Grain(Tianjin) Storage Logistics Co., Ltd. | 323,752,773.01 | 31.61 |
| Hong Kong Yuheng Industrial Co., Ltd.. | 207,077,178.00 | 20.22 |
| Central Grain Reserve Nanjing Direct Warehouse Co., Ltd.. | 112,935,680.00 | 11.03 |
| Tianjin Xingang Customs of the People's Republic of China | 67,412,035.00 | 6.58 |
| Central Reserve Grain Xiaogan Direct Treasury Co., Ltd.. | 57,019,458.62 | 5.57 |
| Total | 768,197,124.63 | 75.00 |

There is no outstanding amount of advance payment from shareholders holding more than 5% voting shares of the company at the end of this reporting period.

5. Interest receivable

(1) Interest receivable classification

| Items | Balance at end of the period | Balance at beginning of the year |
|--------------|------------------------------|----------------------------------|
| Time deposit | 2,486,224.44 | 2,657,591.11 |
| Total | 2,486,224.44 | 2,657,591.11 |

6. Other accounts receivable

Disclosure of other accounts receivable by category

| Category | Balance at end of the period | | | | |
|--|------------------------------|-----------|---------------------|---------------------|---------------|
| | Book balance | | Bad debt provisions | | Book value |
| | Amount | Ratio (%) | Amount | Provision ratio (%) | |
| Other accounts receivable with large amount and separately-accrued bad debt provision | | | | | |
| Other accounts receivable with bad debt provision accrued based on credit risk characteristics portfolio | | | | | |
| Portfolio 1- Accounts receivable analyzed based on aging | 85,253,738.39 | | 3,148,785.77 | | 82,104,952.62 |
| Portfolio 2- Accounts receivable of | 1,095,090.00 | | | | 1,095,090.00 |

| Category | Balance at end of the period | | | | |
|---|------------------------------|-----------|---------------------|---------------------|---------------|
| | Book balance | | Bad debt provisions | | Book value |
| | Amount | Ratio (%) | Amount | Provision ratio (%) | |
| Related parties | | | | | |
| Total Portfolio | 86,348,828.39 | 98.53 | 3,148,785.77 | 3.65 | 83,200,042.62 |
| Other accounts receivable with small amount and separately-accrued bad debt provision | 1,291,813.51 | 1.43 | 0.00 | 0.00 | 1,291,813.51 |
| Total | 87,640,641.90 | 100 | 3,148,785.77 | ---- | 84,491,856.13 |

(Continued)

| Category | Balance at beginning of the year | | | | |
|--|----------------------------------|-----------|---------------------|---------------------|---------------|
| | Book balance | | Bad debt provisions | | Book value |
| | Amount | Ratio (%) | Amount | Provision ratio (%) | |
| Other accounts receivable with large amount and separately-accrued bad debt provision | | | | | |
| Including: 1- Accounts receivable of other units | | | | | |
| Total amount of signal items with large amount | | | | | |
| Other accounts receivable with bad debt provision accrued based on credit risk characteristics portfolio | | | | | |
| Portfolio 1 - Accounts receivable analyzed based on aging | 75,440,422.35 | | 3,271,112.88 | | 72,169,309.47 |
| Portfolio 2- Accounts receivable of Related parties | 200.00 | | 0.00 | | 200.00 |
| Total Portfolio | 75,440,622.35 | 98.80 | 3,271,112.88 | 4.34 | 72,169,509.47 |
| Other accounts receivable with small amount and separately-accrued bad debt provision | 919,039.29 | 1.20 | 24,000.00 | 2.61 | 895,039.29 |
| Total | 76,359,661.64 | 100.00 | 3,295,112.88 | ---- | 73,064,548.76 |

Description of classification of other receivables:

① Other accounts receivable in the portfolio with bad debt provision accrued based on aging analysis method

| Aging | Balance at end of the period | | |
|---|------------------------------|---------------------|---------------------|
| | Other accounts receivable | Bad debt provisions | Provision ratio (%) |
| Within 1 year | | | |
| Including: within credit period | 16,376,578.40 | 35,396.10 | 0 |
| Credit period - 1 year (including 1 year) | 8,387,159.99 | 41,389.67 | 2 |
| 1-2 years | 60,440,000.00 | 3,022,000.00 | 5 |
| 2-3 years | | | 20 |
| 3-4 years | | | 50 |
| 4-5 years | | | 80 |
| Over 5 years | 50,000.00 | 50,000.00 | 100 |

| Aging | Balance at end of the period | | |
|--|----------------------------------|---------------------|---------------------|
| | Other accounts receivable | Bad debt provisions | Provision ratio (%) |
| Total | 85,253,738.39 | 3,148,785.77 | — |
| Continued: | | | |
| Aging | Balance at beginning of the year | | |
| | Other accounts receivable | Bad debt provisions | Provision ratio (%) |
| Within 1 year | | | |
| Including: within credit period | 7,649,440.63 | 0.00 | 0 |
| Credit period - 1 year (including 1 year) | 5,371,206.90 | 107,424.14 | 2 |
| 1-2 years | 62,361,774.82 | 3,118,088.74 | 5/ |
| 2-3 years | 3,000.00 | 600.00 | 20 |
| 3-4 years | | | 50 |
| 4-5 years | 50,000.00 | 40,000.00 | 80 |
| Over 5 years | 5,000.00 | 5,000.00 | 100 |
| Total | 75,440,422.35 | 3,271,112.88 | — |

The provision for bad debts returned during the period was 146,327.11 Yuan.

There is no outstanding amount of advance payment from shareholders holding more than 5% voting shares of the company at the end of this reporting period.

(2) Classification of other accounts receivable based on nature of funds

| Nature of funds | Book balance at end of the period | Book balance at beginning of the period |
|------------------------------------|-----------------------------------|---|
| Current account of related parties | 0.00 | 200.00 |
| Reserve (employees, departments) | 599,694.34 | 214,904.46 |
| Margin, deposit | 2,571,489.45 | 1,777,074.61 |
| Current account of the units | 77,489,789.04 | 72,031,790.95 |
| Current account of the individuals | 90,000.00 | 53,306.67 |
| Amount due from employees | 415,773.23 | 380,963.06 |
| Tax refund receivable | 175,922.00 | 1,901,402.00 |
| Borrowing and interest | 4,300.00 | |
| Other payments | 6,293,673.84 | 19.89 |
| Total | 87,640,641.90 | 76,359,661.64 |

(3) Top 5 other accounts receivable of balance at end of the period classified based on the debtors

| Unit name | Nature of funds | Balance at end of the period | Aging | Proportion of balance of other accounts receivable at end of the period (%) | Bad debt provisions Balance at end of the period |
|--|------------------------------|------------------------------|-----------------|---|---|
| Hebei Provincial Department of Finance | Provincial reserve subsidies | 3,094,300.00 | Within 3 months | 3.53 | |

| | | | | | |
|---|-----------------------------|--------------|-----------------|------|--|
| Shijiazhuang Municipal Bureau of Finance | Municipal reserve subsidies | 3,034,000.59 | Within 3 months | 3.46 | |
| Beijing Nanyuan Plant Oil Factory | Related party transactions | 1,095,090.00 | Within 3 months | 1.25 | |
| Beijing Yangu Grain & Oil Trading Company | Unit exchanges | 982,338.99 | Within 1 year | 1.12 | |
| Jinnan Street Finance Institute, Lin 'an District, Hangzhou | Land purchases | 420,401.00 | Within 3 months | 0.48 | |
| Total | — | 8,626,130.58 | — | 9.84 | |

7. Inventory

(1) Classification of inventory

| Items | Balance at end of the period | | |
|---------------------------|------------------------------|----------------------------------|------------------|
| | Book balance | Inventory falling price reserves | Book value |
| Raw materials | 310,304,788.48 | 173,907.66 | 310,130,880.82 |
| Revolving material | 3,456,296.39 | | 3,456,296.39 |
| Merchandise inventory | 1,100,459,507.07 | 3,047,104.20 | 1,097,412,402.87 |
| Development costs | 7,000,000.00 | | 7,000,000.00 |
| Developed products | 16,497,730.12 | 11,673,694.67 | 4,824,035.45 |
| Other | 605,035.42 | | 605,035.42 |
| Goods in transit | | | |
| Commissioned processing | | | |
| Reserve oil round storage | 196,974,229.00 | | 196,974,229.00 |
| Total | 1,635,297,586.48 | 14,894,706.53 | 1,620,402,879.95 |

(Continued)

| Items | Balance at beginning of the year | | |
|---------------------------|----------------------------------|-----------------------|------------------|
| | Book balance | Falling price reserve | Book value |
| Raw materials | 368,354,117.16 | 173,907.66 | 368,180,209.50 |
| Revolving material | 3,027,491.97 | | 3,027,491.97 |
| Merchandise inventory | 632,073,799.20 | 3,065,580.89 | 629,008,218.31 |
| Development costs | | | |
| Developed products | 16,497,730.12 | 11,673,694.67 | 4,824,035.45 |
| Other | | | |
| Goods in transit | 140,113,625.93 | | 140,113,625.93 |
| Commissioned processing | 615,202.96 | 7,520.05 | 607,682.91 |
| Reserve oil round storage | 248,197,500.00 | | 248,197,500.00 |
| Total | 1,408,879,467.34 | 14,920,703.27 | 1,393,958,764.07 |

(2) Inventory falling price reserve

| Items | Balance at | Increase in the current period | Decrease in the current period | Balance at end |
|-------|------------|--------------------------------|--------------------------------|----------------|
|-------|------------|--------------------------------|--------------------------------|----------------|

| | beginning of the year | Accrual | Other | Revert or resell | Other | of the period |
|-------------------------|-----------------------|---------|-------|------------------|-------|---------------|
| Developed products | 11,673,694.67 | | | | | 11,673,694.67 |
| Raw materials | 173,907.66 | | | | | 173,907.66 |
| Merchandise inventory | 3,065,580.89 | | | 18,476.69 | | 3,047,104.20 |
| Commissioned processing | 7,520.05 | | | 7,520.05 | | |
| Total | 14,920,703.27 | | | 25,996.74 | | 14,894,706.53 |

The book value of the inventory used as collateral at the end of the period was 4,824,035.45 yuan.

8. Other current assets

| Items | Balance at end of the period | Balance at beginning of the year |
|---------------------------------------|------------------------------|----------------------------------|
| Financial products | 32,800,000.00 | 106,000,000.00 |
| Prepaid taxes | 83,033.47 | 455,289.48 |
| Deductible VAT input tax | 62,945,717.28 | 59,411,949.22 |
| Changes in fair value of hedging item | 24,594,671.70 | |
| Total | 120,423,422.45 | 165,867,238.70 |

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

| Items | Balance at end of the period | | | Balance at beginning of the year | | |
|---------------------------------------|------------------------------|--------------------------|---------------|----------------------------------|--------------------------|---------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Available-for-sale equity instruments | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 |
| Including: Measured by cost | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 |
| Total | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 | 30,500,000.00 | 10,500,000.00 | 20,000,000.00 |

(2) Available-for-sale financial assets measured by cost at end of the period

| Invested units | Book balance | | | |
|---|---------------|--------------------------------|--------------------------------|---------------|
| | Year Begin. | Increase in the current period | Decrease in the current period | Period End |
| Hainan General Chamber of Commerce | 500,000.00 | | | 500,000.00 |
| Zhongwang Cuke Technology Investment Co., Ltd. | 10,000,000.00 | | | 10,000,000.00 |
| Chongqing Longjinbao Network Technology Co., Ltd. | 20,000,000.00 | | | 20,000,000.00 |
| Total | 30,500,000.00 | | | 30,500,000.00 |

Continued:

| Invested units | Provision for impairment | | | | Proportion of shares held in invested units (%) | Current cash bonus |
|----------------|--------------------------|--------------------------------|--------------------------------|------------|---|--------------------|
| | Year Begin | Increase in the current period | Decrease in the current period | Period End | | |

| | | | | | | |
|---|---------------|--|--|---------------|--------|--|
| Hainan General Chamber of Commerce | 500,000.00 | | | 500,000.00 | 6.67 | |
| Zhongwang Cuke Technology Investment Co., Ltd. | 10,000,000.00 | | | 10,000,000.00 | 10 | |
| Chongqing Longjinbao Network Technology Co., Ltd. | | | | | 13.559 | |
| Total | 10,500,000.00 | | | 10,500,000.00 | — | |

10、Long-term equity investment

| Invested units | Balance at beginning of the year | Changes in this period | | | | |
|--|----------------------------------|------------------------|--------------------|--|---------------------------------------|-------------------------|
| | | Additional investment | Reduced investment | Investment gains and losses recognized under the equity method | Other comprehensive income adjustment | Changes in other equity |
| I. Cooperative enterprises | | | | | | |
| Beijing Zhengda Feed Co., Ltd. | 58,936,076.18 | | | 5,291,567.16 | | |
| Subtotal | 58,936,076.18 | | | 5,291,567.16 | | |
| II. joint venture | | | | | | |
| Storage Grain(Tianjin) Storage Logistics Co., Ltd. | 115,653,625.56 | | | 1,639,957.94 | | |
| Subtotal | 115,653,625.56 | | | 1,639,957.94 | | |
| Total | 174,589,701.74 | | | 6,931,525.10 | | |

(Continued)

| Invested units | Changes in this period | | | Balance at end of the period | Balance of impairment provision at end of the period |
|--|---|----------------------------------|--------|------------------------------|--|
| | Declaring distribution of cash dividends or profits | Provision for impairment accrued | Others | | |
| I.Cooperative enterprises | | | | | |
| Beijing Zhengda Feed Co., Ltd. | | | | 64,227,643.34 | |
| Subtotal | | | | 64,227,643.34 | |
| II. joint venture | | | | | |
| Storage Grain(Tianjin) Storage Logistics Co., Ltd. | | | | 117,293,583.50 | |
| Subtotal | | | | 117,293,583.50 | |
| Total | | | | 181,521,226.84 | |

The company's long-term equity investment is not limited to the ability to transfer funds to investment enterprises.

11. Investment real estate

(1) Investment real estate adopting cost measurement mode

| Items | Houses, buildings | Land use rights | Construction in progress | Total |
|-------------------------------------|-------------------|-----------------|--------------------------|---------------|
| I. Original book value | | | | |
| 1. Balance at beginning of the year | 42,634,619.63 | | | 42,634,619.63 |

| Items | Houses, buildings | Land use rights | Construction in progress | Total |
|---|-------------------|-----------------|--------------------------|---------------|
| 2. Increase in the current period | | | | |
| 3. Decrease in the current period | | | | |
| 4. Balance at end of the period | 42,634,619.63 | | | 42,634,619.63 |
| II. Accumulated depreciation & amortization | | | | |
| 1. Balance at beginning of the year | 7,171,923.29 | | | 7,171,923.29 |
| 2. Increase in the current period | 806,875.40 | | | 806,875.40 |
| (1) Accrual or amortization | 806,875.40 | | | 806,875.40 |
| 3. Decrease in the current period | | | | |
| 4. Balance at end of the period | 7,978,798.69 | | | 7,978,798.69 |
| III. Provision for impairment | | | | |
| 1. Balance at beginning of the year | 453,843.72 | | | 453,843.72 |
| 2. Increase in the current period | | | | |
| 3. Decrease in the current period | | | | |
| 4. Balance at end of the period | 453,843.72 | | | 453,843.72 |
| IV. Book value | | | | |
| 1. Book value at end of the period | 34,201,977.22 | | | 34,201,977.22 |
| 2. Book value at beginning of the year | 35,008,852.62 | | | 35,008,852.62 |

(2) Amount of investment real estate without property ownership certificate and the reason for failure to obtain such certificate

| Items | Book value | Reason for failure to obtain the property ownership certificate |
|-----------------|------------|---|
| House buildings | 121,464.40 | Affiliated houses without property ownership certificate |
| Total | 121,464.40 | |

(3) A description of the Investment real estate

The book value of investment real estate used for mortgage at end of the period is RMB 5,930,012.63.

12. Fixed assets

(1) Fixed assets

| Items | Houses and buildings | Mechanical equipment | Transportation Equipment | Electronic equipment | Office equipment | Other equipment | Total |
|--|----------------------|----------------------|--------------------------|----------------------|------------------|-----------------|------------------|
| I. Original book value | | | | | | | |
| 1. Balance at beginning of the year | 1,071,025,127.22 | 342,501,582.09 | 23,964,244.77 | 12,294,299.24 | 1,995,115.03 | 362,817,865.15 | 1,814,598,233.50 |
| 2. Increase in the current period | 4,994,984.08 | 14,890,216.45 | 581,211.42 | 566,985.52 | 32,145.60 | 100,924.84 | 21,166,467.91 |
| (1) Purchase | 4,994,984.08 | 14,413,293.38 | 581,211.42 | 566,985.52 | 32,145.60 | 100,924.84 | 20,689,544.84 |
| (2) Construction in progress transfer-in | | 476,923.07 | | | | | 476,923.07 |
| (3) Other transfer-out | | | | | | | |

| Items | Houses and buildings | Mechanical equipment | Transportation Equipment | Electronic equipment | Office equipment | Other equipment | Total |
|--|----------------------|----------------------|--------------------------|----------------------|------------------|-----------------|------------------|
| 3. Decrease in the current period | 430,150.31 | 1,548,414.35 | 1,314,884.77 | 36,695.32 | | 17,614.53 | 3,347,759.28 |
| (1) Disposal or scrap | 430,150.31 | 1,548,414.35 | 1,314,884.77 | 36,695.32 | | 17,614.53 | 3,347,759.28 |
| (2) Other transfer-out | | | | | | | |
| 4. Balance at end of the period | 1,075,589,960.99 | 355,843,384.19 | 23,230,571.42 | 12,824,589.44 | 2,027,260.63 | 362,901,175.46 | 1,832,416,942.13 |
| II. Accumulated depreciation | | | | | | | |
| 1. Balance at beginning of the year | 224,812,333.11 | 107,586,496.90 | 16,789,806.57 | 7,712,282.25 | 976,268.21 | 114,459,916.24 | 472,337,103.28 |
| 2. Increase in the current period | 20,147,393.56 | 24,577,041.14 | 667,289.95 | 1,033,067.02 | 126,839.98 | 369,702.11 | 46,921,333.76 |
| (1) Accrual | 20,147,393.56 | 24,577,041.14 | 667,289.95 | 1,033,067.02 | 126,839.98 | 369,702.11 | 46,921,333.76 |
| (2) Other | | | | | | | |
| 3. Decrease in the current period | 200,238.23 | 1,180,488.18 | 1,092,055.67 | 34,223.12 | | 16,927.99 | 2,523,933.19 |
| (1) Disposal or scrap | 200,238.23 | 1,180,488.18 | 1,092,055.67 | 34,223.12 | | 16,927.99 | 2,523,933.19 |
| (2) Other transfer-out | | | | | | | |
| 4. Balance at end of the period | 244,759,488.44 | 130,983,049.86 | 16,365,040.85 | 8,711,126.15 | 1,103,108.19 | 114,812,690.36 | 516,734,503.85 |
| III. Provision for impairment | | | | | | | |
| 1. Balance at beginning of the year | 7,590,384.72 | 1,260,599.12 | | | | | 8,850,983.84 |
| 2. Increase in the current period | | | | | | | |
| 3. Decrease in the current period | | 173,890.18 | | | | | 173,890.18 |
| 4. Balance at end of the period | 7,590,384.72 | 1,086,708.94 | | | | | 8,677,093.66 |
| IV. Book value | | | | | | | |
| 1. Book value at end of the period | 823,240,087.83 | 223,773,625.39 | 6,865,530.57 | 4,113,463.29 | 924,152.44 | 248,088,485.10 | 1,307,005,344.62 |
| 2. Book value at beginning of the year | 838,622,409.39 | 233,654,486.07 | 7,174,438.20 | 4,582,016.99 | 1,018,846.82 | 248,357,948.91 | 1,333,410,146.38 |

(2) Temporarily idle fixed assets

| Items | Original book value | Accumulated depreciation | Provision for impairment | Book value |
|----------------------|---------------------|--------------------------|--------------------------|------------|
| Houses and buildings | 278,766.79 | 173,739.65 | 91,088.80 | 13,938.34 |
| Mechanical equipment | 3,918,666.43 | 2,656,680.59 | 1,066,052.51 | 195,933.33 |

| | | | | |
|-------|--------------|--------------|--------------|------------|
| Total | 4,197,433.22 | 2,830,420.24 | 1,157,141.31 | 209,871.67 |
|-------|--------------|--------------|--------------|------------|

(3) Fixed assets without property ownership certificate

| Items | Book value | Reason for failure to obtain the property ownership certificate |
|-----------------|--------------|--|
| House buildings | 6,175,666.06 | Failure to obtain the property ownership certificate is because the fixed assets is used for storage of special equipment and sundries and used as the other supporting house for operation. |
| Total | 6,175,666.06 | |

(4) A description of the Fixed assets

The book value of fixed assets used for mortgage at end of the period is RMB 3,019,795.52.

13. Construction in progress

(1) Construction in progress

| Items | Balance at end of the period | | | Balance at beginning of the year | | |
|------------------------------------|------------------------------|--------------------------|--------------|----------------------------------|--------------------------|---------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Equipment installation engineering | 6,705,308.91 | | 6,705,308.91 | 12,436,003.53 | | 12,436,003.53 |
| Technical renovation | 1,045,296.55 | | 1,045,296.55 | 301,669.48 | | 301,669.48 |
| Construction | 544,713.74 | | 544,713.74 | | | |
| Total | 8,295,319.20 | | 8,295,319.20 | 12,737,673.01 | | 12,737,673.01 |

(2) Changes of important projects under construction in the current period

| Name of project | Balance at beginning of the year | Increase in the current period Amount | Amount of fixed assets transferred -in during this period | Other decrease in amount during this period | Balance at end of the period |
|---|----------------------------------|---------------------------------------|---|---|------------------------------|
| Grain & Oil project in Tianjin | 1,484,243.56 | | | | 1,484,243.56 |
| Second factory walnut cake production line | 4,300,657.45 | 65,370.00 | -937,695.89 | | 3,428,331.56 |
| Chocolate Layer Device Set | 100,000.00 | | -100,000.00 | | |
| 2 sets of molding equipment | 980,000.00 | | -980,000.00 | | |
| 2 sets of ovens | 2,350,000.00 | 89,320.00 | -2,439,320.00 | | |
| Food conveyor line | 881,000.00 | | -881,000.00 | | |
| Second factory baked potato production line | 1,102,715.52 | 108,030.00 | -513,613.76 | | 697,131.76 |
| Total | 11,198,616.53 | 262,720.00 | -5,851,629.65 | | 5,609,706.88 |

14. Intangible assets

(1) Intangible assets

| Items | Software | Land use rights | Trademark right | Others | Total |
|-------------------------------------|--------------|-----------------|-----------------|------------|----------------|
| I. Original book value | | | | | |
| 1. Balance at beginning of the year | 3,409,534.38 | 318,161,901.57 | 154,841,200.00 | 662,400.00 | 477,075,035.95 |
| 2. Increase in the current period | | | | | |
| (1) Purchase | | | | | |

| Items | Software | Land use rights | Trademark right | Others | Total |
|--|--------------|-----------------|-----------------|------------|----------------|
| (3) Others | | | | | |
| 3. Decrease in the current period | | 720,585.84 | | | 720,585.84 |
| (1) Disposal | | | | | |
| (2) Others | | 720,585.84 | | | 720,585.84 |
| 4. Balance at end of the period | 3,409,534.38 | 317,441,315.73 | 154,841,200.00 | 662,400.00 | 476,354,450.11 |
| II. Accumulated amortization | | | | | |
| 1. Balance at beginning of the year | 2,345,889.44 | 42,329,120.31 | 32,893,594.13 | | 77,568,603.88 |
| 2. Increase in the current period | 249,945.96 | 3,418,781.76 | 3,856,962.86 | | 7,525,690.58 |
| (1) Accrual | 249,945.96 | 3,418,781.76 | 3,856,962.86 | | 7,525,690.58 |
| (2) Others | | | | | |
| 3. Decrease in the current period | | 8,868.76 | | | 8,868.76 |
| (1) Others | | 8,868.76 | | | 8,868.76 |
| 4. Balance at end of the period | 2,595,835.40 | 45,739,033.31 | 36,750,556.99 | | 85,085,425.70 |
| III. Provision for impairment | | | | | |
| 1. Balance at beginning of the year | | | | 662,400.00 | 662,400.00 |
| 2. Increase in the current period | | | | | |
| 3. Decrease in the current period | | | | | |
| (1) Disposal | | | | | |
| 4. Balance at end of the period | | | | 662,400.00 | 662,400.00 |
| IV. Book value | | | | | |
| 1. Book value at end of the period | 813,698.98 | 271,702,282.42 | 118,090,643.01 | | 390,606,624.41 |
| 2. Book value at beginning of the year | 1,063,644.94 | 275,832,781.26 | 121,947,605.87 | | 398,844,032.07 |

15. Goodwill

| Name of invested units or matters creating goodwill | Balance at beginning of the year | Increase in the current period | | Decrease in the current period | | Balance at end of the period |
|--|----------------------------------|-------------------------------------|--------|--------------------------------|--------|------------------------------|
| | | Created due to business combination | Others | Disposal | Others | |
| Acquired Equity of Zhejiang Xiaowangzi Food Share Co.,Ltd. | 191,394,422.51 | | | | | 191,394,422.51 |
| Total | 191,394,422.51 | | | | | 191,394,422.51 |

Note: (1) Creation of goodwill of the company mainly lies in acquisition of equity of Zhejiang Xiaowangzi Food Share Co.,Ltd.

(2) Test process, parameters and recognition method of impairment loss of goodwill

The company identified all assets of Zhejiang Little Prince Food Co., Ltd. as an asset group. The recoverable amount of this asset group is based on the cash flow forecast for the last five years and is calculated based on the present value of the expected future cash flow of the asset group. In the impairment test, the key data such as the estimated price of the product, sales cost, and other related costs used in the cash flow forecast are determined based on the company's historical experience and the forecast of market development. The discount rate used in the cash flow forecast is determined by reference to the current market currency time value and the specific risk of the related asset group. The company's test of the recoverable

amount of goodwill mentioned above shows that there is no impairment loss of goodwill.

16、Long-term deferred expenses

| Items | Balance at beginning of the year | Increase in the current period | Deferred expenses in the current period | Other decrease in amount | Balance at end of the period |
|---|----------------------------------|--------------------------------|---|--------------------------|------------------------------|
| Renovation costs incurred by the original subsidiary | | 283,591.39 | 23,645.61 | | 259,945.78 |
| Reconstruction of of Majuqiao Plant of Guchuan Edible oil Company | 16,858,945.99 | | 338,306.58 | | 16,520,639.41 |
| Eisen Lvbaohouse reconstruction | 238,787.59 | | 29,519.82 | | 209,267.77 |
| Lin'an Chunman Garden land rental fee | 5,309,496.00 | | 56,484.00 | | 5,253,012.00 |
| Suzhou Gongfujia Animation Production | 8,737,864.10 | | | | 8,737,864.10 |
| Payment to Hualian Store for decoration fee | 395,961.97 | | 39,596.20 | | 356,365.77 |
| Macao Center shop decoration fee | 435,232.36 | | 43,523.24 | | 391,709.12 |
| Peace Joy City decoration fee | 1,234,029.63 | | 133,938.46 | | 1,100,091.17 |
| Longde Plaza Store fire protection engineering cost | 37,277.64 | 903,460.56 | 94,073.82 | | 846,664.38 |
| Taiguli bakery decoration fee | | 323,669.91 | 32,366.99 | | 291,302.92 |
| Total | 33,247,595.28 | 1,510,721.86 | 791,454.72 | | 33,966,862.42 |

17. Deferred income tax assets/liabilities

(1) Details of deferred income tax assets without offsetting

| Items | Balance at end of the period | | Balance at beginning of the year | |
|--|---------------------------------|----------------------------|----------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | deductible temporary difference | Deferred income tax assets |
| Provision for assets impairment | 7,853,908.72 | 1,963,477.18 | 5,601,872.74 | 1,400,468.18 |
| Deductible loss | 2,415,745.88 | 603,936.47 | 4,693,778.62 | 1,173,444.66 |
| Changes in fair value of financial assets measured at fair value | 25,706,371.08 | 6,426,592.77 | 18,363,036.93 | 4,590,759.23 |
| Deferred income | 1,800,000.00 | 450,000.00 | 1,800,000.00 | 450,000.00 |
| Payroll payable | 26,257,600.00 | 6,564,400.00 | 26,257,600.00 | 6,564,400.00 |
| Total | 64,033,625.68 | 16,008,406.42 | 56,716,288.29 | 14,179,072.07 |

(2) Details of liabilities for deferred income tax assets without offsetting

| Items | Balance at end of the period | | Balance at beginning of the year | |
|--|-------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| Valuation of financial instruments and derivative financial instruments | 46,013,391.70 | 11,503,347.93 | 16,734,404.50 | 4,183,601.13 |
| The difference between the fair value of the identifiable net assets and its net | 202,623,495.91 | 50,655,873.98 | 208,008,300.08 | 52,002,075.02 |

| Items | Balance at end of the period | | Balance at beginning of the year | |
|--|-------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
| book assets of the acquiree recognized by the business combination | | | | |
| Total | 248,636,887.61 | 62,159,221.91 | 224,742,704.58 | 56,185,676.15 |

(3) Details of unrecognized deferred income tax assets without offsetting

| Items | Balance at end of the period | Balance at beginning of the year |
|---------------------------------|------------------------------|----------------------------------|
| Deductible loss | 14,294,910.78 | 14,294,910.78 |
| Provision for assets impairment | 33,984,154.44 | 33,984,154.44 |
| Total | 48,279,065.22 | 48,279,065.22 |

(4) Deductible loss of the unrecognized deferred income tax assets will expire in the following year

| Year | Balance at end of the period | Balance at beginning of the year | Note |
|-------|------------------------------|----------------------------------|------|
| 2018 | | | |
| 2019 | | | |
| 2020 | 5,769,102.97 | 5,769,102.97 | |
| 2021 | 4,504,020.42 | 4,504,020.42 | |
| 2022 | 4,021,787.39 | 4,021,787.39 | |
| Total | 14,294,910.78 | 14,294,910.78 | |

18. Other non-current assets

| Items | Balance at end of the period | Balance at beginning of the year |
|--|------------------------------|----------------------------------|
| Prepaid equipment and construction funds | | 3,277,634.07 |
| Total | | 3,277,634.07 |

19. Short-term loans

(1) Short-term loan classification

| Items | Balance at end of the period | Balance at beginning of the year |
|-----------------|------------------------------|----------------------------------|
| Guaranteed loan | 349,667,752.39 | 795,671,362.73 |
| Credit loan | 1,647,896,002.12 | 1,211,500,000.00 |
| Total | 1,997,563,754.51 | 2,007,171,362.73 |

20. Note payable

| Category | Balance at end of the period | Balance at beginning of the year |
|------------------------|------------------------------|----------------------------------|
| bank's acceptance bill | 36,397,048.50 | 83,154,229.20 |
| Total | 36,397,048.50 | 83,154,229.20 |

21. Accounts payable

(1) Payable by age

| Ageing | Balance at end of the period | Balance at beginning of the year |
|---------------|------------------------------|----------------------------------|
| Within 1 year | 513,589,649.85 | 312,103,106.41 |
| 1-2 years | 1,198,725.24 | 1,442,862.75 |
| 2-3 years | 198,012.14 | 629,077.29 |

| Ageing | Balance at end of the period | Balance at beginning of the year |
|-------------------|------------------------------|----------------------------------|
| More than 3 years | 2,653,452.79 | 3,363,881.82 |
| Total | 517,639,840.02 | 317,538,928.27 |

(2) List of accounts payable

| Items | Balance at end of the period | Balance at beginning of the year |
|-------------------------|------------------------------|----------------------------------|
| Material cost payable | 442,560,902.05 | 300,676,736.60 |
| Project funds payable | 1,140,875.71 | 941,089.67 |
| Equipment funds payable | 5,391,724.45 | 6,461,633.94 |
| Loan guarantee | 65,442,009.47 | 4,242,759.55 |
| Others | 2,371,699.21 | 5,216,708.51 |
| Processing fees payable | 732,629.13 | |
| Total | 517,639,840.02 | 317,538,928.27 |

(3) Significant accounts payable over a year old

| Name of unit | Balance at end of the period | Reasons for non-reimbursement or non-carry-over |
|---|------------------------------|---|
| Jiangsu Guoan Fire Technology Co., Ltd.. | 176,769.73 | Unsettled |
| Tianjin Pipe Fluid Equipment Co. Ltd.. | 134,204.28 | Unsettled |
| Tianjin Hengyi Construction Decoration Engineering Co. Ltd.. | 94,372.10 | Unsettled |
| Liaoyang Chengda Oil Equipment Installation Engineering Co. Ltd.. | 66,275.94 | Unsettled |
| Tianjin Oriental Yuhong Waterproof Engineering Co. Ltd.. | 55,830.60 | Unsettled |
| Cities Green North Environmental Technology Co. Ltd.. | 49,578.00 | Unsettled |
| Anhui Wencai Ma Oil Co., Ltd.. | 100,000.00 | Liquidation in bankruptcy, no public accounts |
| Dinghai Jingji Dafeng Co. Ltd.. | 80,310.00 | Equipment warranty |
| Shanghai Seven Construction | 790,462.78 | Unsettled |
| Zhanjiang Construction Foundation Company | 358,272.91 | Unsettled |
| Hefeng Company | 310,300.00 | Unsettled |
| Shantou Jian 'an Port Construction Company | 214,844.46 | Unsettled |
| Beijing Weijia Ai Consulting Co., Ltd.. | 185,000.00 | Unsettled |
| Total | 2,616,220.80 | |

22. Advances from customers

(1) By ageing of accounts received in advance

| Ageing | Balance at end of the period | Balance at beginning of the year |
|-------------------|------------------------------|----------------------------------|
| Within 1 year | 435,790,714.29 | 212,070,178.77 |
| 1-2 years | 115,283.94 | 14,550.00 |
| 2-3 years | | |
| More than 3 years | 38,896.41 | 39,418.61 |
| Total | 435,944,894.64 | 212,124,147.38 |

(2) List of advances from customers

| Items | Balance at end of the period | Balance at beginning of the year |
|-----------------------------------|------------------------------|----------------------------------|
| Sales revenue received in advance | 435,545,998.23 | 211,148,248.97 |
| Others | 398,896.41 | 975,898.41 |
| Total | 435,944,894.64 | 212,124,147.38 |

23. Payroll payable

(1) List of payroll payable

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|--|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| I. Short-term compensation | 28,869,807.85 | 114,866,991.67 | 134,519,058.64 | 9,217,740.88 |
| II. Post-employment Benefits - Defined Withdrawal Plan | 1,645,436.22 | 9,764,532.42 | 10,181,720.88 | 1,228,247.76 |
| III. Dismission welfare | 246,787.46 | 143,100.84 | 186,012.84 | 203,875.46 |
| IV. Other benefits due within one year | | | | |
| Total | 30,762,031.53 | 124,774,624.93 | 144,886,792.36 | 10,649,864.10 |

(2) List of short-term compensation

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|--|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| 1. Wages, bonuses, allowances and subsidies | 23,472,311.96 | 90,231,527.82 | 109,697,070.05 | 4,006,769.73 |
| 2. Welfare expense of employee | | 2,891,197.01 | 2,872,649.51 | 18,547.50 |
| 3. Social insurance expenditure | 1,324,726.19 | 11,645,105.18 | 11,543,292.69 | 1,426,538.68 |
| Including: Medical insurance premiums | 487,861.28 | 6,155,684.59 | 6,331,321.97 | 312,223.90 |
| Work-related injury insurance premiums | 243,854.07 | 808,596.50 | 831,261.20 | 221,189.37 |
| Maternity insurance premium | 48,976.63 | 487,182.47 | 494,500.59 | 41,658.51 |
| Others | 544,034.21 | 4,193,641.62 | 3,886,208.93 | 851,466.90 |
| 4. Housing accumulation fund | 360,036.42 | 4,488,048.42 | 4,594,087.20 | 253,997.64 |
| 5. Labor Union Funds and Staff Education Funds | 3,706,067.66 | 1,865,824.05 | 2,828,490.44 | 2,743,401.27 |
| 6. Other Short-term compensation | 6,665.62 | 3,745,289.19 | 2,983,468.75 | 768,486.06 |
| Total | 28,869,807.85 | 114,866,991.67 | 134,519,058.64 | 9,217,740.88 |

(3) List of defined contribution plan

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|-----------------------------------|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| 1. Basic endowment insurance | 1,537,935.17 | 8,762,134.62 | 9,150,308.90 | 1,149,760.89 |
| 2. Unemployment insurance expense | 55,433.85 | 286,670.02 | 304,074.38 | 38,029.49 |
| 3. Payment for enterprise annuity | 52,067.20 | 715,727.78 | 727,337.60 | 40,457.38 |
| Total | 1,645,436.22 | 9,764,532.42 | 10,181,720.88 | 1,228,247.76 |

24. Taxes payable

| Items | Balance at end of the period | Balance at beginning of the year |
|-------|------------------------------|----------------------------------|
|-------|------------------------------|----------------------------------|

| | | |
|--|----------------------|----------------------|
| VAT | 7,559,542.43 | 5,589,806.18 |
| Urban maintenance and construction tax | 615,049.23 | 487,700.32 |
| Corporate income tax | 14,101,666.01 | 26,453,811.72 |
| Property tax | 1,060,009.71 | 1,543,662.49 |
| Land use tax | 635,945.54 | 73,972.59 |
| Individual income tax | 201,519.45 | 1,440,170.29 |
| Education surcharge | 219,057.83 | 194,075.05 |
| Local education surcharge | 198,181.62 | 160,997.53 |
| Stamp duty | 208,397.50 | 727,764.60 |
| Others | 17,015.58 | 183,178.41 |
| Total | 24,816,384.90 | 36,855,139.18 |

25. Interest payable

| Items | Balance at end of the period | Balance at beginning of the year |
|---|------------------------------|----------------------------------|
| Inter-enterprise loan interest other than related parties | 68,025,917.31 | 71,842,734.54 |
| Entrusted loan interest | 10,449,888.49 | 10,449,888.49 |
| Bank loan interest | 8,913,347.60 | 3,771,588.28 |
| Total | 87,407,153.40 | 86,064,211.31 |

26. Dividends payable

| Items | Balance at end of the period | Balance at beginning of the year |
|--------------------------------------|------------------------------|----------------------------------|
| Legal person stock dividends payable | 11,197,317.01 | 3,397,317.01 |
| Total | 11,197,317.01 | 3,397,317.01 |

27. Other payables

(1) Ageing by other accounts payable

| Ageing | Balance at end of the period | Balance at beginning of the year |
|-------------------|------------------------------|----------------------------------|
| Within 1 year | 139,930,083.78 | 194,580,280.46 |
| 1-2 years | 121,893,499.37 | 173,939,221.18 |
| 2-3 years | 18,244,144.23 | 49,143,344.81 |
| More than 3 years | 39,898,266.75 | 34,275,447.90 |
| Total | 319,965,994.13 | 451,938,294.35 |

(2) List of other payables by nature of payment

| Items | Balance at end of the period | Balance at beginning of the year |
|--|------------------------------|----------------------------------|
| Borrowing and interest | 28,976,545.69 | 47,777,345.69 |
| Current account of related party | 194,728,387.66 | 189,160,957.19 |
| Current account of units | 71,463,499.88 | 98,020,263.84 |
| Current account of the individuals | 2,048,700.13 | 131,535.46 |
| Various kinds of insurance for workers | 139,170.22 | 547,454.06 |
| Employees loan payable | 580,588.79 | 495,579.02 |
| Margin, deposit | 16,690,793.44 | 104,307,068.72 |
| Warehouse rental, storage fees | 3,086,858.00 | 0.00 |
| Others | 2,251,450.32 | 11,498,090.37 |
| Total | 319,965,994.13 | 451,938,294.35 |

(3) Other important payables with age over 1 year

| Items | Balance at end of the period | Reasons for outstanding or carry over |
|---|------------------------------|---------------------------------------|
| Henan Jingu Industrial Development Co., Ltd. | 1,486,921.06 | Project not accepted |
| Tianjin Ruiheng Shunda International Trade Co., Ltd.. | 200,000.00 | Earnest money |
| Shijiazhuang Jinding Grain Oil Sales Co. Ltd.. | 200,000.00 | Earnest money |
| Guantao County Huabo Feed Wholesale Department | 200,000.00 | Earnest money |
| Cangzhou Xinhai Feed Trade Co. Ltd.. | 200,000.00 | Earnest money |
| Shenyang Annual Feed Co., Ltd.. | 200,000.00 | Earnest money |
| China Canal Economic Development Zone Hongxin Soymeal Distribution Department | 200,000.00 | Earnest money |
| Dongchangfu District, Liaocheng City | 200,000.00 | Earnest money |
| Zhongshan Dingsheng Food Machinery Co. Ltd.. | 15,500.00 | Contract warranty |
| Lin 'an Xiaoguang Handling Services Department | 15,000.00 | Contract warranty |
| Hangzhou Lin 'an Fengyuan Window Co., Ltd.. | 95,075.40 | Contract warranty |
| Foshan Haitegaozhi Machinery Co. Ltd.. | 21,600.00 | Contract warranty |
| Zhuangkongchuan | 10,000.00 | Contract warranty |
| Zhouchaobin | 10,000.00 | Contract warranty |
| Beijing Xinxing Real Estate Development Corporation | 10,086,990.16 | Earnest money |
| Total | 13,141,086.62 | |

28. Other current liabilities

| Items | Balance at end of the period | Balance at beginning of the year |
|---------------------------------------|------------------------------|----------------------------------|
| Changes in fair value of hedging item | 25,996,671.50 | 90,215,292.43 |
| Total | 25,996,671.50 | 90,215,292.43 |

29. Long-term payroll payable

(1) Long-term payroll payable table

| Items | Balance at end of the period | Balance at beginning of the year |
|---|------------------------------|----------------------------------|
| I. Post-employment Benefits - Net liabilities of the defined benefit plan | | |
| II. Dismission welfare | | 533,609.91 |
| III. Other long-term benefits | 34,257,600.00 | 26,257,600.00 |
| Total | 34,257,600.00 | 26,791,209.91 |

30. Deferred income

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period | Reason for generation of income |
|----------------------|----------------------------------|--------------------------------|--------------------------------|------------------------------|---------------------------------|
| governmental subsidy | 78,961,972.67 | | 845,880.18 | 78,116,092.49 | |
| Total | 78,961,972.67 | | 845,880.18 | 78,116,092.49 | — |

31. Share capital

| Items | Balance at | Changes in this period plus (+) less (-) | Balance at |
|-------|------------|--|------------|
|-------|------------|--|------------|

| | beginning of the year | New shares offering | Shares distribution | Conversion of accumulation fund into shares | Others | Subtotal | end of the period |
|--|--------------------------|------------------------|------------------------|---|--------|----------|----------------------|
| 1. Shares with restricted condition for sales | | | | | | | |
| (1) State-owned shares | | | | | | | |
| (2) State-owned legal person holding shares | 236,216,509.00 | | | | | | 236,216,509.00 |
| (3) Other domestic capital holding shares | 24,127,951.00 | | | | | | 24,127,951.00 |
| Including: | | | | | | | |
| Domestic legal person holding shares | 24,127,951.00 | | | | | | 24,127,951.00 |
| Domestic natural person holding shares | | | | | | | |
| (4) Foreign shareholding | | | | | | | |
| Including: | | | | | | | |
| Foreign legal person holding shares | | | | | | | |
| Foreign natural person holding shares | | | | | | | |
| Total shares with restricted condition for sales | 260,344,460.00 | | | | | | 260,344,460.00 |
| 2. Outstanding shares with unlimited condition for sales | | | | | | | |
| (1) Common stock RMB | 360,470,904.00 | | | | | | 360,470,904.00 |
| (2) Domestically listed foreign shares | 64,975,000.00 | | | | | | 64,975,000.00 |
| (3) Foreign shares listed overseas | | | | | | | |
| (4) Others | | | | | | | |
| Total outstanding shares with unlimited condition for sales | 425,445,904.00 | | | | | | 425,445,904.00 |
| Total | 685,790,364.00 | | | | | | 685,790,364.00 |

32. Capital reserve

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|--|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Capital premium (capital stock premium) | 1,243,771,440.74 | | | 1,243,771,440.74 |
| Transfer-in of capital reserve under | 112,316,357.36 | | | 112,316,357.36 |

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|-----------------------|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| the original system | | | | |
| Other capital reserve | 236,453,784.63 | | | 236,453,784.63 |
| Total | 1,592,541,582.73 | | | 1,592,541,582.73 |

33. Surplus reserve

| Items | Balance at beginning of the year | Increase in the current period | Decrease in the current period | Balance at end of the period |
|-------------------------------|----------------------------------|--------------------------------|--------------------------------|------------------------------|
| Statutory surplus reserve | 84,487,609.05 | | | 84,487,609.05 |
| Discretionary surplus reserve | 37,634,827.93 | | | 37,634,827.93 |
| Total | 122,122,436.98 | | | 122,122,436.98 |

34. Undistributed profit

| Items | Amount in the current period |
|--|------------------------------|
| Undistributed profit at the end of the previous year before adjustment | -299,111,700.34 |
| Total amount of undistributed profits at the beginning of the adjustment period (plus + less -) | |
| Undistributed profit at the beginning of the period after adjustment | -299,111,700.34 |
| Plus: net profit attributable to shareholders of the parent company during the current period | 59,918,995.68 |
| Less: withdrawal of statutory surplus reserve | |
| Withdrawal of discretionary surplus reserve | |
| Withdrawal of generic risk reserve | |
| Common stock dividends payable | |
| Common stock dividends converted to share capital | |
| Plus: Surplus reserves make up for losses | |
| Other (formed by adjustment during the retroactive period for merger of companies under the common control of the company) | |
| Undistributed profit at the end of the period | -239,192,704.66 |

35. Operating income and cost

(1) Operating income and cost

| Items | Amount in the current period | | Amount in the previous period | |
|----------------|------------------------------|------------------|-------------------------------|------------------|
| | Income | Cost | Income | Cost |
| Main business | 3,621,653,806.72 | 3,331,327,381.84 | 3,255,425,650.22 | 2,904,610,505.32 |
| Other business | 17,972,172.69 | 4,000,742.48 | 27,136,626.71 | 3,671,830.98 |
| Total | 3,639,625,979.41 | 3,335,328,124.32 | 3,282,562,276.93 | 2,908,282,336.30 |

(2) Main business (on an industry or business basis)

| Name of industry (or business) | Amount in the current period | | Amount in the previous period | |
|--------------------------------|------------------------------|------|-------------------------------|------|
| | Income | Cost | Income | Cost |

| Name of industry (or business) | Amount in the current period | | Amount in the previous period | |
|--------------------------------|------------------------------|------------------|-------------------------------|------------------|
| | Income | Cost | Income | Cost |
| Oil and fat | 3,202,820,489.71 | 3,043,367,152.88 | 2,496,731,111.28 | 2,357,796,256.75 |
| Food manufacturing industry | 418,833,317.01 | 287,960,228.96 | 378,494,864.98 | 263,656,738.4 |
| Real estate development | | | 380,199,673.96 | 283,157,510.17 |
| Total | 3,621,653,806.72 | 3,331,327,381.84 | 3,255,425,650.22 | 2,904,610,505.32 |

(3) Main business (on a region basis)

| Name of region | Amount in the current period | | Amount in the previous period | |
|----------------|------------------------------|------------------|-------------------------------|------------------|
| | Income | Cost | Income | Cost |
| North China | 1,838,990,286.16 | 1,708,912,769.17 | 1,911,969,364.03 | 1,778,396,883.44 |
| East China | 818,033,025.18 | 694,976,320.17 | 660,757,003.67 | 557,487,199.42 |
| South China | 684,479,152.81 | 665,613,631.04 | 296,093,488.93 | 288,198,445.64 |
| Northeast | 135,206,322.90 | 124,218,390.58 | 145,832,932.03 | 128,325,340.09 |
| Central China | 109,128,146.18 | 102,369,058.66 | 227,252,933.97 | 138,932,290.00 |
| Northwest | 35,816,873.49 | 35,237,212.22 | 13,519,927.59 | 13,270,346.74 |
| Total | 3,621,653,806.72 | 3,331,327,381.84 | 3,255,425,650.22 | 2,904,610,505.32 |

36. Tax and surtax

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Business tax | | |
| Urban maintenance and construction tax | 2,936,383.93 | 4,166,018.66 |
| Education surcharge | 1,294,856.42 | 2,156,691.17 |
| Local education surcharge | 863,237.61 | 857,929.57 |
| Land value-added tax | | 14,045,896.99 |
| Real estate tax | 5,110,776.57 | 2,355,519.98 |
| Land use tax | 1,438,247.18 | 843,067.89 |
| Vehicle and vessel use tax | 22,417.32 | 15,988.72 |
| Stamp duty | 2,414,561.10 | 1,151,492.94 |
| Resource tax | 52,271.80 | |
| Other taxes and fees | 179,394.43 | 474,697.53 |
| Total | 14,312,146.36 | 26,067,303.45 |

Note: Please refer to Note V. Taxes for details of payment standard concerning various taxes and surtaxes.

37. Sales expenses

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Employee compensation (including wages, bonuses, welfare fees, allowances, five social insurance and one housing fund, etc.) | 27,598,228.55 | 25,990,748.86 |
| Advertising expense | 165,235.49 | 2,481,099.21 |
| Repair charge | 673,256.54 | 121,847.85 |

| Items | Amount in the current period | Amount in the previous period |
|----------------------------|------------------------------|-------------------------------|
| Packing expense | 317,695.62 | 207,577.26 |
| Transportation expense | 10,368,672.82 | 7,749,387.51 |
| Loading and unloading | 692,832.51 | 171,845.17 |
| Utilities cost | 961,919.38 | 1,040,388.06 |
| Vehicle cost | 594,269.55 | 739,578.38 |
| Warehouse custodian fee | 9,355,132.36 | 7,519,655.24 |
| Test & inspection cost | 140,940.26 | 47,649.71 |
| Business insurance expense | 71,511.78 | 128,644.26 |
| Cost of sales promotion | 13,665,004.15 | 17,913,199.48 |
| Business entertainment | 263,996.29 | 330,949.70 |
| Labor protection fee | 2,143,190.02 | 2,059,291.16 |
| Commodity wastage | 604.89 | 9,496.00 |
| Sample and product wastage | 3,250,164.32 | 2,480,472.48 |
| Other expense | 3,602,435.92 | 7,888,026.08 |
| Sales and service charge | 5,553,538.85 | 4,513,275.45 |
| Trademark royalties | 231,410.08 | 246,148.74 |
| Office expenses | 107,484.77 | |
| Low value consumables | 4,456.00 | |
| Travel expense | 3,788,163.68 | 3,363,834.82 |
| Depreciation cost | 8,072,866.53 | 8,017,744.72 |
| Rental costs | 2,999.00 | 2,749.34 |
| Total | 91,626,009.36 | 93,023,609.48 |

38. Administration expense

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Employee compensation (including wages, bonuses, welfare fees, allowances, five social insurance and one housing fund, etc.) | 46,673,511.00 | 58,283,074.81 |
| Worker's insurance expense | 610,543.04 | 344,230.33 |
| Company funds | 3,824,054.32 | 2,653,634.96 |
| Business insurance expense | 220,656.54 | 900,664.54 |
| Vehicle cost | 1,856,806.62 | 1,543,161.96 |
| Depreciation cost | 7,415,406.80 | 13,067,938.97 |
| Repair charge | 1,284,428.88 | 926,395.12 |
| Expense-based tax | 143,407.29 | 399,749.59 |
| Amortization of assets | 10,627,573.46 | 16,255,601.08 |
| Material consumption | 180,710.84 | 112,567.77 |

| Items | Amount in the current period | Amount in the previous period |
|--------------------------------------|------------------------------|-------------------------------|
| Agency hiring fee | 2,237,422.71 | 12,274,369.14 |
| Scientific and research expense | 723,660.50 | 496,996.92 |
| Information network fee | 962,250.84 | 344,153.42 |
| Labor protection fee | 168,872.35 | 194,173.23 |
| Environmental protection expenditure | 534,068.21 | 426,266.25 |
| Safety protection expense | 387,490.37 | 192,460.05 |
| Conference expense | 1,220,601.05 | 60,423.05 |
| Business entertainment | 1,137,223.75 | 2,303,970.04 |
| Travel expense | 516,987.65 | 1,747,878.99 |
| Office expense | 753,838.84 | 829,842.35 |
| Rental expense | 692,837.00 | 3,521,160.90 |
| Consulting service fee | 547,969.13 | 173,439.88 |
| Other expense | 942,844.73 | 4,676,076.08 |
| Utilities cost | 381,333.68 | 156,644.66 |
| Coal fire heating fee | 54,273.50 | 1,593,948.34 |
| Total | 84,098,773.10 | 123,478,822.43 |

39. Financial expense

| Items | Amount in the current period | Amount in the previous period |
|--------------------------|------------------------------|-------------------------------|
| Interest expense | 52,050,362.69 | 14,952,970.33 |
| Less: interest income | 15,797,297.89 | 5,327,483.74 |
| Financial consultant fee | | 773,584.91 |
| Exchange gain or loss | -1,054,003.29 | 319,607.00 |
| Service charge | 305,255.33 | 679,103.18 |
| Others | | 263,074.63 |
| Total | 35,504,316.84 | 11,660,856.31 |

40. Assets impairment loss

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Bad debt loss | -456,423.00 | -4,149,548.16 |
| Loss on inventory depreciation | -25,996.74 | -1,081,066.14 |
| Loss on construction depreciation in progress | | |
| Loss on long-term equity investment depreciation | | |
| Loss on available-for-sale assets depreciation | | |
| Loss on fixed assets depreciation | | -8,018.35 |
| Total | -482,419.74 | 5,238,632.65 |

41. Income from fair value variation

| Source of income for generation of fair value variation | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| | | |

| Source of income for generation of fair value variation | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Financial assets measured at fair value and changes of which included in current profit and loss | 13,890,967.44 | -8,753,227.45 |
| Including: income from fair value variation arising from derivative financial instruments | 13,890,967.44 | -8,753,227.45 |
| Total | 13,890,967.44 | -8,753,227.45 |

42. Income from investment

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Long-term equity investment income accounted for by the equity method | 6,931,525.10 | 2,879,627.58 |
| Income from investment in financial assets measured at fair value and changes of which included in current profit and loss during holding period | -292,094.74 | -188,345.37 |
| Income from investment through disposal of financial assets measured at fair value and changes of which included in current profit and loss | | 4,989,725.81 |
| Bank wealth management product earnings | 4,273,182.66 | 1,817,901.28 |
| Total | 10,912,613.02 | 9,498,909.30 |

43. Asset disposal

| Items | Amount in the current period | Amount in the previous period | Amount included in the non-recurring gains and losses in the current period |
|---|------------------------------|-------------------------------|---|
| Income from illiquid asset disposal | -188,228.18 | 48,902.93 | -188,228.18 |
| Including: Income from fixed asset disposal | -188,228.18 | 48,902.93 | -188,228.18 |
| Income from intangible asset disposal | | | |
| Total | -188,228.18 | 48,902.93 | -188,228.18 |

44. Other income

| Items | Amount in the current period | Amount in the previous period | Amount included in the non-recurring gains and losses in the current period |
|--|------------------------------|-------------------------------|---|
| governmental subsidy related with operating activities | 5,517,293.77 | 6,314,583.37 | 749,863.20 |
| Total | 5,517,293.77 | 6,314,583.37 | 749,863.20 |

45. Non-operating income

| Items | Amount in the current period | Amount in the previous period | Amount included in the non-recurring gains and losses in the current period |
|----------------------|------------------------------|-------------------------------|---|
| Income from claim | 6,556,654.89 | 13,206.00 | 6,556,654.89 |
| governmental subsidy | 74,686.78 | 30,918.00 | 74,686.78 |
| Tax refund | | 73,268.44 | |

| Items | Amount in the current period | Amount in the previous period | Amount included in the non-recurring gains and losses in the current period |
|-----------------------------|------------------------------|-------------------------------|---|
| Income from claim | 6,556,654.89 | 13,206.00 | 6,556,654.89 |
| Compensation for demolition | 3,091,660.35 | 1,454,523.95 | 3,091,660.35 |
| Other benefits | 74,418.73 | 915,791.64 | 74,418.73 |
| Total | 9,797,420.75 | 2487,780.03 | 9,797,420.75 |

46. Non-operating expenditure

| Items | Amount in the current period | Amount in the previous period | Amount included in the non-recurring gains and losses in the current period |
|-------------------------------------|------------------------------|-------------------------------|---|
| External donation | | 21,500.00 | |
| Asset retirement, damage loss | | 2,065.71 | |
| Compensation and liquidated damages | 6,430,005.15 | 1,154,193.17 | 6,430,005.15 |
| Demolition loss | 3,081,033.39 | 1,318,516.25 | 3,081,033.39 |
| Other expenses | 109,133.77 | 1,042,849.67 | 109,133.77 |
| Total | 9,620,172.31 | 3,539,124.80 | 9,620,172.31 |

47. Income tax expense

(1) Income tax expense table

| Items | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| Income tax expense in the current period | 27,664,025.42 | 26,442,329.74 |
| Deferred income taxes expense | 7,326,245.99 | 4,985,486.50 |
| Total | 34,990,271.41 | 31,427,816.24 |

(2) Accounting profit and income tax expense adjustment process

| Items | Amount in the current period |
|--|------------------------------|
| Total profit | 109,548,923.66 |
| Income tax expense calculated by statutory/applicable tax rate | 30,451,228.99 |
| Effect of income tax in the period before adjustment | -1,978,045.94 |
| The impact of non-taxable income | 5,881,805.19 |
| Impact of non-deductible cost, expense and loss | 641,161.67 |
| The impact of deferred income tax assets that is not recognized in the current period on deductible temporary differences or deductible loss | -5,878.49 |
| Income tax expense | 34,990,271.41 |

48. Cash flow statement items

(1) Cash received relating to other operating activities

| Items | Amount in the current period | Amount in the previous period |
|------------------------------------|------------------------------|-------------------------------|
| Current account of related parties | 318,591.80 | 76,859,977.66 |
| Other current account of the units | 911,837,558.78 | 136,716,710.64 |
| Non-operating income | 1,150,546.52 | 1,006,671.89 |

| Items | Amount in the current period | Amount in the previous period |
|-------------------|------------------------------|-------------------------------|
| Interest income | 6,128,495.42 | 1,617,219.18 |
| Others | 1,431,291.42 | 20,060,919.07 |
| Tax and Insurance | 2,748,417.20 | |
| Total | 923,614,901.14 | 236,261,498.44 |

(2) Cash paid relating to other operating activities

| Items | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Current account between related parties | 26,613,911.26 | 104,001,295.67 |
| Other current account of the units | 893,316,091.22 | 230,707,418.88 |
| Administration expense | 25,120,249.09 | 7,811,924.13 |
| Operating expense | 21,595,947.18 | 19,602,598.48 |
| Non-operating expense | 487,168.62 | 1,242,955.46 |
| Payment of reserves | 247,490.00 | 571,497.55 |
| Bank service charge | 323,092.04 | 880,299.45 |
| Others | 6,326,874.80 | 18,893,577.57 |
| Total | 974,030,824.21 | 383,711,567.19 |

(3) Cash received relating to other investment activities

| Items | Amount in the current period | Amount in the previous period |
|----------------------|------------------------------|-------------------------------|
| Financial redemption | 118,000,000.00 | 95,300,139.13 |
| Total | 118,000,000.00 | 95,300,139.13 |

(4) Cash payments relating to other investment activities

| Items | Amount in the current period | Amount last year |
|------------------------|------------------------------|------------------|
| Buy Financial Products | 85,000,000.00 | 114,800,000.00 |
| Total | 85,000,000.00 | 114,800,000.00 |

(5) Cash received relating to other financial activities

| Items | Amount in the current period | Amount last year |
|--|------------------------------|------------------|
| Borrowing and interest received from related parties | | 51,529,000 |
| Total | | 51,529,000 |

(6) Cash paid relating to other financial activities

| Items | Amount in the current period | Amount in the previous period |
|---|------------------------------|-------------------------------|
| Cash paid to related parties for interest on borrowings | 73,647,073.24 | |
| Financial consultants' fees | | 1,720,000.00 |
| Total | 73,647,073.24 | 1,720,000.00 |

49. Additional information on the cash flow statement

(1) Additional information on the cash flow statement

| Additional information | Amount in the current period | Amount in the previous period |
|--|------------------------------|-------------------------------|
| 1. Adjust new profit to cash flows from operating activities: | | |
| New profit | 74,558,652.25 | 99,917,916.75 |
| Plus: Provision for assets impairment | -259,467.16 | -4,147,566.51 |
| Depreciation of fixed assets, loss of oil and gas assets, and depreciation of productive biological assets | 45,223,218.20 | 49,483,320.65 |
| Amortization of intangible assets | 4,645,877.37 | 4,459,845.03 |
| Amortization of long-term deferred expenses | 791,454.71 | 1,361,690.63 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" means gains) | 199,107.14 | -5,685,738.06 |
| Losses on scrapping of fixed assets ("-" means gains) | | 1,108.20 |
| Loss from fair value change ("-" means gains) | -23,082,074.49 | 10,417,800.20 |
| Financial expense ("-" means gains) | 51,994,715.95 | 13,550,291.42 |
| Investment losses ("-" means gains) | -88,943,376.95 | -20,537,871.66 |
| Decrease in deferred income tax assets ("-" means increase) | 1,803,821.51 | 5,139,271.45 |
| Increase in Deferred income tax liabilities ("-" means decrease) | 7,319,746.80 | 0.00 |
| Decrease in inventory ("-" means increase) | 274,302,914.67 | -186,348,896.65 |
| Decrease in receivables under operating activities ("-" means increase) | -613,311,955.84 | -754,873,367.53 |
| Increase in receivables under operating activities ("-" means decrease) | 311,142,335.40 | 139,957,048.76 |
| Others | -690,426.68 | -42,187,431.49 |
| Net cash flow from operating activities | 45,694,542.88 | -689,492,578.81 |
| 2. Major investment and fund raising activities that do not involve cash receipts and expenditures: | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds due within one year | | |
| Financially-leased fixed assets | | |
| 3. Net changes in cash and cash equivalents: | | |
| Cash at the end of the period | 997,708,704.36 | 569,738,982.14 |
| Less: cash at the beginning of the year | 1,014,438,663.43 | 510,477,847.81 |
| Plus: cash equivalents at the end of the period | | |
| Less: net increase in cash and cash equivalents | | |
| Net increase in cash and cash equivalents | -16,729,959.07 | 59,261,134.33 |

(2) Composition of cash and cash equivalents

| Items | Balance at end of the period | Balance at beginning of the year |
|-------------------------|------------------------------|----------------------------------|
| I. Cash | 997,708,704.36 | 1,014,438,663.43 |
| Including: Cash on hand | 118,461.72 | 119,766.22 |

| Items | Balance at end of the period | Balance at beginning of the year |
|--|------------------------------|----------------------------------|
| Bank deposits that can be used for payment at any time | 919,954,581.45 | 937,214,125.42 |
| Other monetary funds that can be used for payment at any time | 77,635,661.19 | 77,104,771.79 |
| II. Cash equivalents | | |
| Among them: bond investments due within three months | | |
| III. Balance of cash and cash equivalents at the end of the period | 997,708,704.36 | 1,014,438,663.43 |
| Including: cash and cash equivalents used under restriction by the parent company or within the group's subsidiaries | | |

50. Assets with restricted ownership or use rights

| Items | Book value at the end of period | Restricted reasons |
|------------------------|---------------------------------|-------------------------|
| Monetary funds | 8,000,000.00 | Loan guarantee |
| Inventory | 4,824,035.45 | Mortgage against a loan |
| Investment real estate | 5,930,012.63 | Mortgage against a loan |
| Fixed assets | 3,019,795.52 | Mortgage against a loan |
| Total | 21,773,843.60 | |

VII. Changes in the scope of consolidation

During the reporting period, due to the establishment of new subsidiaries, the scope of the merger was increased by two units: Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. and Jingliang(Caofeidian) Agricultural Development Co., Ltd.. For details, see " Equity in Other Subjects "

VIII. Equity in Other Subjects.**1. Equity in subsidiaries****(1) Composition of enterprise group**

| Name of subsidiaries | Principal place of business | Domicile of incorporation | Business nature | Shareholding ratio (%) | | Mode |
|--|-----------------------------|---------------------------|---|------------------------|------------------|--------------------|
| | | | | Direct holding | Indirect holding | |
| Beijing Jingliang Food Co., Ltd. | Beijing | Beijing | Investment company | 100 | | Common control M&A |
| Jingliang (Tianjin) Grain and Oil Industry Co. Ltd. | Tianjin | Tianjin | Agricultural and sideline products processing | | 70 | Common control M&A |
| Beijing Jingliang Oil Co., Ltd. | Beijing | Beijing | Grain and oil trade | | 100 | Common control M&A |
| Jingliang Xinchuang (Tianjin) Business Management Co. Ltd. | Tianjin | Tianjin | Business services | | 51 | Common control M&A |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | Hebei | Hebei | Agricultural and sideline products processing | | 51 | Common control M&A |
| Beijing Guchuan Edible Oil Co., Ltd. | Beijing | Beijing | Grain and oil trade | | 100 | Common control M&A |
| Beijing Eisen Lubao Oil Co., Ltd. | Beijing | Beijing | Agricultural and sideline products processing | | 100 | Common control M&A |
| Beijing Tianweikang Oil Distribution Center Co., Ltd. | Beijing | Beijing | Warehousing | | 100 | Common control M&A |
| Beijing Guchuan Bakery Food Co., Ltd. | Beijing | Beijing | Food processing | | 100 | Common control M&A |

| | | | | | | |
|--|-----------|-----------|-------------------------------------|----|---------|---------------------------|
| Jingliang Misimi Catering Management (Tianjin) Co., Ltd. | Tianjin | Tianjin | Food processing | | 51 | Common control M&A |
| Misimi Hui Catering Management (Tianjin) Co., Ltd. | Tianjin | Tianjin | Food sales | | 51 | Common control M&A |
| Misimi Ao Catering Management (Beijing) Co., Ltd. | Beijing | Beijing | Food sales | | 51 | Common control M&A |
| Zhejiang Little Prince Food Co., Ltd. | Hangzhou | Hangzhou | Food processing | | 69.7716 | Non-common Control M&A |
| Hangzhou Lin'an Little Angel Food Co., Ltd. | Hangzhou | Hangzhou | Food processing | | 69.7716 | Non-common Control M&A |
| Liaoning Little Prince Food Co., Ltd. | Liaoning | Liaoning | Food processing | | 69.7716 | Non-common Control M&A |
| Linqing Little Prince Food Co., Ltd. | Linqing | Linqing | Food processing | | 69.7716 | Non-common Control M&A |
| Lin'an Chunmanyuan Agricultural Development Co., Ltd. | Hangzhou | Hangzhou | Food processing | | 69.7716 | Non-common Control M&A |
| Jingliang Singapore International Trading Co., Ltd. | Singapore | Singapore | Grain trade | | 100 | Established by investment |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | Jiangsu | Xuzhou | Integrated agricultural development | 45 | | Established by investment |
| Jingliang(CaoFeidian) Agricultural Development Co., Ltd. | Hebei | Tangshan | Integrated agricultural development | 51 | | Established by investment |

(2) Major non-wholly-owned subsidiaries

| Name of subsidiaries | Minority shareholders' shareholding ratio (%) | Gain and loss attributable to minority shareholders during the current period | Dividends distributed to minority shareholders during the current period | Balance of minority shareholders' equity at the end of the period |
|--|---|---|--|---|
| Jingliang (Tianjin) Grain and Oil Industry Co., Ltd. | 30 | 14,014,844.06 | | 242,434,948.56 |
| Zhejiang Little Prince Food Co., Ltd. | 30.2284 | 28,950,979.77 | 6,944,385.43 | 207,753,849.43 |
| Jingliang Misimi Catering Management (Tianjin) Co., Ltd. | 49 | -112,978.40 | | 9,687,021.60 |
| Jingliang Xinchuang (Tianjin) Business Management Co., Ltd. | 49 | 759,049.55 | | 5,559,049.55 |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | 49 | 1,794,861.40 | | 33,644,861.40 |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | 55 | -68,301.12 | | 7,431,698.88 |
| Jingliang(CaoFeidian) Agricultural Development Co., Ltd. | 49 | -21,158.11 | | 24,478,841.89 |

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

| Name of subsidiaries | Ending balance | | | | | |
|--|------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Jingliang (Tianjin) Grain and Oil Industry Co., Ltd. | 1,618,888,656.24 | 875,501,354.38 | 2,494,390,010.62 | 1,642,090,239.75 | 67,274,379.99 | 1,709,364,619.74 |
| Zhejiang Little Prince Food Co., Ltd. | 334,473,787.49 | 376,137,976.95 | 710,611,764.44 | 101,318,794.73 | 54,466,856.41 | 155,785,651.14 |
| Jingliang Misimi Catering Management (Tianjin) Co., Ltd. | 14,413,542.37 | 6,203,808.66 | 20,617,351.03 | 878,991.84 | | 878,991.84 |
| Jingliang Xinchuang (Tianjin) Business Management Co. Ltd. | 100,966,467.75 | 749,840.18 | 101,716,307.93 | 90,320,086.05 | | 90,320,086.05 |

| Name of subsidiaries | Ending balance | | | | | |
|--|----------------|---------------|----------------|----------------|-----------|----------------|
| | | | | | | |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | 304,378,363.87 | 94,130,379.64 | 398,508,743.51 | 328,907,325.49 | 137,162.2 | 330,278,950.69 |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | 20,525,591.57 | 282,180.17 | 20,807,771.74 | -985.12 | | -985.12 |
| Jingliang(Caofeidian) Agricultural Development Co., Ltd. | 49,956,820.18 | | 49,956,820.18 | | | |

(Continued)

| Name of subsidiaries | Beginning balance | | | | | |
|--|-------------------|--------------------|------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Jingliang (Tianjin) Grain and Oil Industry Co., Ltd. | 1,299,787,374.38 | 896,524,016.17 | 2,196,311,390.55 | 1,327,490,398.97 | 60,704,496.39 | 1,388,194,895.36 |
| Zhejiang Little Prince Food Co., Ltd. | 309,304,989.70 | 373,675,587.60 | 682,980,577.30 | 106,103,249.25 | 46,466,856.41 | 152,570,105.66 |
| Jingliang Misimi Catering Management (Tianjin) Co., Ltd. | 16,058,445.83 | 4,270,567.41 | 20,329,013.24 | 559,581.40 | | 559,581.40 |
| Jingliang Xinchuang (Tianjin) Business Management Co. Ltd. | 81,900,543.34 | 750,679.10 | 82,651,222.44 | 71,301,496.27 | | 71,301,496.27 |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | 282,694,214.40 | 95,147,791.73 | 377,842,006.14 | 307,807,398.50 | 1,371,625.20 | 309,179,023.70 |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | | | | | | |
| Jingliang(Caofeidian) Agricultural Development Co., Ltd. | | | | | | |

(Continued)

| Name of subsidiaries | Current amount | | | |
|--|------------------|---------------|---------------------------|--------------------------------------|
| | Operating income | Net profits | Total consolidated income | Cash flows from operating activities |
| Jingliang (Tianjin) Grain and Oil Industry Co., Ltd. | 1,643,788,487.08 | 2,908,895.69 | 2,908,895.69 | -172,222,048.52 |
| Zhejiang Little Prince Food Co., Ltd. | 386,408,244.69 | 50,378,679.66 | 50,378,679.66 | 83,221,633.75 |
| Jingliang Misimi Catering Management (Tianjin) Co., Ltd. | 2,788,500.99 | -31,072.65 | -31,072.65 | -3,654,241.14 |
| Jingliang Xinchuang (Tianjin) Business Management Co. Ltd. | 337,387,365.27 | 46,495.71 | 46,495.71 | -6,910,780.52 |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | 121,186,048.78 | 1,616,810.38 | 1,616,810.38 | -35,588,805.50 |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | | -191,243.14 | -191,243.14 | -233,925.20 |
| Jingliang(Caofeidian) Agricultural Development Co., Ltd. | | -43,179.82 | -43,179.82 | -7,380,882.40 |

(Continued):

| Name of subsidiaries | Amount last year | | | |
|--|------------------|---------------|---------------------------|--------------------------------------|
| | Operating income | Net profits | Total consolidated income | Cash flows from operating activities |
| Jingliang (Tianjin) Grain and Oil Industry Co., Ltd. | 1,666,167,170.46 | 12,130,297.45 | 12,130,297.45 | 146,551,593.01 |
| Zhejiang Little Prince Food Co., Ltd. | 352,672,740.77 | 46,659,846.98 | 46,659,846.98 | 37,004,556.24 |
| Jingliang Misimi Catering Management (Tianjin) | 1,963,724.51 | 25,228.55 | 25,228.55 | -4,166,225.96 |

| Name of subsidiaries | Amount last year | | | |
|--|------------------|-------------|---------------------------|--------------------------------------|
| | Operating income | Net profits | Total consolidated income | Cash flows from operating activities |
| Co., Ltd. | | | | |
| Jingliang Xinchuang (Tianjin) Business Management Co. Ltd. | 32,718,087.49 | 174,833.53 | 174,833.53 | 86,689,051.45 |
| Jingliang (Hebei) Oil Industrial Co., Ltd. | | | | |
| Jingliang Garden Complex Construction Operation(Xinyi) Co., Ltd. | | | | |
| Jingliang(Caofeidian) Agricultural Development Co., Ltd. | | | | |

2. Transactions resulting changes in shareholder's equity in the subsidiary while the company still has control over the subsidiary

1. Explanation of changes in the owner's equity in subsidiaries

The company did not change the owner's equity share in the current period.

2. Effect of Transaction on Minority Shareholders' equity and equity attributable to Parent Company

The company has no transactions that affect minority shareholders' rights and interests belonging to the owner of the parent company.

IX. Risks related to financial instruments

The company's operating activities will face various financial risks, including credit risks, liquidity risks and market risks (which mainly refer to interest rate risks). The company's overall risk management plan aims at unpredictability of financial markets and seeks to reduce potential adverse impact on company's financial performance.

(I) Credit risks

The company's credit risks mainly come from monetary funds, accounts receivable, other receivables and available-for-sale financial assets. The management has established appropriate credit policies and will continuously monitor the exposure of such credit risks.

The monetary funds held by the company are mainly deposited in financial institutions such as commercial banks. The management believes that such commercial banks have higher creditworthiness and in good asset status and have lower credit risks. The company adopts quota policy to circumvent credit risks of any financial institution.

For accounts receivable and other receivables, the company sets relevant policies to control credit risk exposure. The company evaluates credit quality of customers based on their financial status, possibility of obtaining guarantees from third party, credit records and other factors such as current market conditions and sets corresponding credit period. The company will regularly monitor customer credit records. For customers with bad credit history, the company will use method such as sending written reminders, shorten the credit period or cancel the credit period to ensure that the company's overall credit risk is within the controllable range.

The maximum credit risk exposure of the company is the carrying amount of each financial asset in the balance sheet. Except for the financial guarantees made by the company as set out in the notes, the company did not provide any other guarantee that may cause the company to bear the credit risk.

(II) Liquidity risks

Liquidity risk refers to the risk that the Company cannot obtain sufficient funds in time to meet business development needs or repay debts and other payment obligations that are due.

The financial department of the company continuously monitors the short-term and long-term capital requirements of the company to ensure that it will maintain sufficient cash reserves; meanwhile it continuously monitors compliance with the provisions of the loan agreement and obtains commitments from major financial to provide sufficient reserve funds to

meet short-term and long-term financial needs.

As of June 30, 2018, the undiscounted contractual cash flows of various financial assets and financial liabilities of the Company are listed as follows:

| ITEMS | Ending balance | | | | | |
|--------------------------------------|------------------|---------------------|------------------|-----------|-----------|---------------|
| | Book value | Original book value | Within 1 year | 1-2 years | 2-5 years | Above 5 years |
| Monetary funds | 997,708,704.36 | 997,708,704.36 | 997,708,704.36 | | | |
| Accounts receivable | 124,688,536.30 | 125,281,422.97 | 125,281,422.97 | | | |
| Other receivables. | 84,491,856.13 | 87,640,641.90 | 87,640,641.90 | | | |
| Non-current assets due within 1 year | 26,000,000.00 | 26,000,000.00 | 26,000,000.00 | | | |
| Financial assets available for sale | 20,000,000.00 | 30,500,000.00 | 30,500,000.00 | | | |
| Subtotal | 1,252,889,096.79 | 1,267,130,769.23 | 1,267,130,769.23 | | | |
| Short-term loan | 1,997,563,754.51 | 1,997,563,754.51 | 1,997,563,754.51 | | | |
| Accounts payable | 517,639,840.02 | 517,639,840.02 | 517,639,840.02 | | | |
| Other payables | 319,965,994.13 | 319,965,994.13 | 319,965,994.13 | | | |
| Long-term loan | | | | | | |
| Subtotal | 2,835,169,588.66 | 2,835,169,588.66 | 2,835,169,588.66 | | | |

Continued:

| ITEMS | Beginning balance | | | | | |
|--------------------------------------|-------------------|---------------------|------------------|-----------|-----------|---------------|
| | Book value | Original book value | Within 1 year | 1-2 years | 2-5 years | Above 5 years |
| Monetary funds | 1,014,438,663.43 | 1,014,438,663.43 | 1,014,438,663.43 | | | |
| Accounts receivable | 75,165,127.11 | 76,068,110.58 | 76,068,110.58 | | | |
| Other receivables. | 73,064,548.76 | 76,359,661.64 | 76,359,661.64 | | | |
| Non-current assets due within 1 year | 51,000,000.00 | 51,000,000.00 | 51,000,000.00 | | | |
| Financial assets available for sale | 20,000,000.00 | 30,500,000.00 | 30,500,000.00 | | | |
| Subtotal | 1,233,668,339.30 | 1,248,366,435.65 | 1,248,366,435.65 | | | |
| Short-term loan | 2,007,171,362.73 | 2,007,171,362.73 | 2,007,171,362.73 | | | |
| Accounts payable | 317,538,928.27 | 317,538,928.27 | 317,538,928.27 | | | |
| Other payables | 451,938,294.35 | 451,938,294.35 | 451,938,294.35 | | | |
| Long-term loan | | | | | | |
| Subtotal | 2,776,648,585.35 | 2,776,648,585.35 | 2,776,648,585.35 | | | |

(III) Market risk

1. Exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuation. The company's exposure to foreign exchange risk is mainly related to U.S. dollar. Except that several subsidiaries of the company use U.S. Dollars for purchase and sell, other major business activities of the company are settled in RMB. As of June 30, 2018, except for the balance of

assets or liabilities as stated in the table below, the company's assets and liabilities are all balance in RMB. Foreign exchange risks arising from the balance of assets and liabilities in such foreign currencies may have impact on the company's operating performance.

| ITEMS | Amount at end of period |
|-----------------|-------------------------|
| Monetary funds | 30,985,767.33 |
| Prepayment | 565,757,352.93 |
| Short-term loan | 441,906,254.51 |
| Bills payable | 36,397,048.50 |

Note: The Group pays close attention to the impact of exchange rate changes on the Group.

2. Rate risk

The company's interest rate risk arises primarily from bank loans, etc. Financial liabilities with floating interest rates expose the company to cash flow interest rate risk, while fixed-rate financial liabilities expose the company to fair value interest rate risk. The company determines relative proportion of fixed-rate and floating-rate contracts based on market conditions at that time.

As of June 30, 2018, the company's interest-bearing debts were mainly RMB denominated floating interest rate contracts with an amount of RMB 878,500,000.00; and RMB-denominated fixed-rate contracts with an amount of 1,677,157,500.00 yuan.

X. Fair value disclosure

1. Final fair value of assets and liabilities measured at fair value

| ITEMS | Final fair value | | | |
|--|---------------------------------------|--|---------------------------------------|----------------|
| | First level of fair value measurement | Second level of fair value measurement | Third level of fair value measurement | Total |
| I. Recurring fair value measurement | | | | |
| (1) Financial assets measured at their fair values and of which the variation is recorded into the profits and losses of the current period. | 151,016,163.70 | | | 151,016,163.70 |
| 1 Trading financial assets | 151,016,163.70 | | | 151,016,163.70 |
| (1) Debt instrument investment | 60,000,000.00 | | | 60,000,000.00 |
| (2) Equity instruments investment. | | | | |
| (3) Derivative financial assets. | 91,016,163.70 | | | 91,016,163.70 |
| Total assets by recurring fair value measurement | | | | |

(Continued)

| ITEMS | Beginning fair value | | | |
|--|---------------------------------------|---|---------------------------------------|----------------|
| | First level of fair value measurement | Second level of fair value measurement. | Third level of fair value measurement | Total |
| I. Recurring fair value measurement | | | | |
| (1) Financial assets measured at their fair values and of which the variation is recorded into the profits and losses of the | 176,699,298.60 | | | 176,699,298.60 |

| ITEMS | Beginning fair value | | | |
|---|---------------------------------------|---|---------------------------------------|----------------|
| | First level of fair value measurement | Second level of fair value measurement. | Third level of fair value measurement | Total |
| current period. | | | | |
| 1 Trading financial assets | 176,699,298.60 | | | 176,699,298.60 |
| (1) Debt instrument investment | | | | |
| (2) Equity instruments investment. | | | | |
| (3) Derivative financial assets. | 176,699,298.60 | | | 176,699,298.60 |
| Total assets by recurring fair value measurement | 176,699,298.60 | | | 176,699,298.60 |

XI. Related parties and related transactions**1. The company's parent company**

| Name of parent company | Domicile of incorporation | Business nature | Registered capital (ten thousand yuan) | Shareholding ratio of the company (%) | Proportion of voting rights to the company (%) |
|-------------------------------|---------------------------|-----------------------|--|---------------------------------------|--|
| Beijing Grain Group Co., Ltd. | Beijing | Investment management | 90,000.00 | 42.06 | 42.06 |

The company's controlling shareholder is the State-owned Assets Supervision and Administration Commission of Beijing Municipal People's Government.

2. The company's subsidiaries

For details, please refer to Note VIII. 1. Equity in subsidiaries.

| Name of joint ventures or associated enterprises | Relationship with the company |
|---|-------------------------------|
| Beijing Zhengda Feed Co., Ltd. | Joint venture |
| Storage Grain(Tianjin) Storage Logistics Co., Ltd.. | Associated enterprise |

3. The company's joint ventures and associated enterprises

For details of the company's major joint ventures and associated enterprises, please refer to Note equity in joint ventures or associated enterprises.

4. Other related parties

| Names of other related parties | Relationship between other related parties and the company |
|---|--|
| Beijing Jingliang dacang Grain and Oil Trading Co., Ltd.. | Control of the same subject |
| Beijing Northeast Suburb Grain Storage | Control of the same subject |
| Beijing Zhengda Feed Co., Ltd.. | Control of the same subject |
| Beijing Fangshan Grain and Oil Trading Co., Ltd. | Control of the same subject |
| Beijing Southwest Suburb Grain Storage | Control of the same subject |
| Beijing Great Mill Noodle Co. Ltd.. | Control of the same subject |
| Beijing Shunyi Food Storage Store | Control of the same subject |
| Beijing Jingdu Jingu Grain Purchase and Sales Co., Ltd. | Control of the same subject |
| Beijing Jingliang Shunxing Cereals and Oils Co., Ltd. | Control of the same subject |
| Beijing Dahongmen Grain Repository | Control of the same subject |

| | |
|--|-----------------------------|
| Beijing Daxing District Grain and Oil Corporation | Control of the same subject |
| Beijing Huoda Property Management Center | Control of the same subject |
| Beijing Jingliangxingye Asset Management Center | Control of the same subject |
| Beijing Shunyi Grain and Oil Corporation | Control of the same subject |
| Beijing Shunyi Shanghun Food Storage Store | Control of the same subject |
| Beijing Shunyi blacksmith camp Grain Storage Repository | Control of the same subject |
| Beijing Shunyi Wanggezhuang Grain Storage Repository | Control of the same subject |
| Beijing Shunyi Yangzhen Grain Storage Repository | Control of the same subject |
| Beijing Yuanyisheng Grain and Oil Corporation | Control of the same subject |
| Beijing Source Training Military Food Supply Station | Control of the same subject |
| Beijing Guchuan Fuxing Food Co., Ltd. | Control of the same subject |
| Beijing Jingmen Liangshi State-owned Asset Management Company | Control of the same subject |
| Beijing Longsheng Zhongwang Breakfast Co. Ltd.. | Control of the same subject |
| Beijing Capital Automobile Driving Technical School | Control of the same subject |
| Tongliao Dacang Grain Trading Co., Ltd.. | Control of the same subject |
| Beijing Dahongmen Oil Factory | Control of the same subject |
| Beijing Daxing National Grain Repository | Control of the same subject |
| Beijing Jingliangxingye Asset Management Center | Control of the same subject |
| Storage Grain(Tianjin) Storage Logistics Co., Ltd.. | Control of the same subject |
| Beijing Jingliang Grand Valley Grain Oil Trading Co., Ltd.. | Control of the same subject |
| Beijing Jingliang Real Estate Co. Ltd.. | Control of the same subject |
| Beijing Guchuan Rice Industry Co. Ltd.. | Control of the same subject |
| Beijing Guchuan Food Co. Ltd.. | Control of the same subject |
| Beijing Jingliang Oriental Grain and Oil Trading Co., Ltd.. | Control of the same subject |
| Beijing Jingliang Taicang Grain and Oil Trading Co., Ltd.. | Control of the same subject |
| Beijing Jingliang Electronic Commerce Co., Ltd.. | Control of the same subject |
| Beijing Jinglianggurun Trading Co. Ltd.. | Control of the same subject |
| Beijing Jingliang Yunhe Grain and Oil Trading Co., Ltd. | Control of the same subject |
| Beijing Longqing Xiadu Junliang Supply Co., Ltd. | Control of the same subject |
| Beijing Maliandao grain and oil special supply station | Control of the same subject |
| Beijing Nanyuan Plant Oil Factory | Control of the same subject |
| Beijing Northwest Suburb Grain Storage | Control of the same subject |
| Beijing Flavor Factory | Control of the same subject |
| Beijing Aid Army Grain and Oil Supply Station | Control of the same subject |
| Beijing Yuanjishun Army Grain Supply Station | Control of the same subject |
| Jingliang Huayuan(Beijing) Gaoxin Agricultural Technology Co., Ltd.. | Control of the same subject |

5. Related party transactions

(1) The mutual and parent subsidiary transactions of a subsidiary that has a control relationship and is included in the consolidated financial statements of the company have been offset.

(2) Related transactions for purchase and sale of goods, provision and acceptance of services

| Related party | Details of related transactions | Current Amount | Amount of last period |
|--|---------------------------------|----------------|-----------------------|
| Beijing Jingliang Electronic Commerce Co., Ltd. | Goods purchase | 2,876,585.39 | |
| Beijing Jingliang Oriental Grain and Oil Trading Co., Ltd. | Goods purchase | 238,733.49 | |
| Beijing Guchuan Food Co., Ltd. | Goods purchase | 8,704,540.14 | 8,605,235.17 |
| Beijing Guchuan Rice Co., Ltd. | Goods purchase | 2,321,519.05 | 242,213.13 |
| Shandong Fukuan Biological Engineering Co. Ltd.. | Goods purchase | 508,438.83 | 543,826.08 |
| Total | | 14,649,816.9 | 9,391,274.38 |

(3) Sale of goods / provision of labor services

| Related party | Details of related transactions | Current Amount | Amount of last period |
|--|---------------------------------|----------------|-----------------------|
| Beijing Haidian West Suburbs Grain and Oil Supply Station Co., Ltd.. | Sales of goods | 6,439,818.19 | 4,346,564.76 |
| Beijing Jingliang Electronic Commerce Co., Ltd. | Sales of goods | 4,812,771.10 | 20,270,428.46 |
| Beijing Jingliang Oriental Grain and Oil Trading Co., Ltd. | Sales of goods | 2,848,458.76 | 3,027,969.51 |
| Beijing Aid Army Grain and Oil Supply Co., Ltd.. | Sales of goods | 2,491,096.58 | 3,314,068.23 |
| Beijing Zidibing Grain and Oil Supply Co. Ltd.. | Sales of goods | 2,183,385.73 | 2,517,480.17 |
| Beijing Maliandao Special Supply Station Co. Ltd.. | Sales of goods | 1,401,727.24 | 896,058.58 |
| Beijing Guchuan Food Co., Ltd. | Sales of goods | 1,175,322.73 | 1,056,647.41 |
| Beijing Food Supply Department No. 34 Supply Department | Sales of goods | 1,116,117.18 | |
| Beijing Hongyuanli Army Grain and Oil Supply Co., Ltd.. | Sales of goods | 528,599.52 | |
| Beijing Longqingxiadujun Food Supply Co. Ltd.. | Sales of goods | 360,148.97 | 434,146.36 |
| Beijing Jinglianhe Grain Oil Trading Co. Ltd.. | Sales of goods | 211,237.67 | |
| Beijing Guchuan Rice Co., Ltd. | Sales of goods | 189,562.50 | 122,465.00 |
| Beijing Jingliang Grand Valley Grain Oil Trading Co., Ltd.. | Sales of goods | 88,822.07 | |
| Beijing Ershang Logistics Co. Ltd.. | Sales of goods | 81,467.78 | |
| Beijing Yuanjishun Military Food Supply Co., Ltd.. | Sales of goods | 66,666.67 | 435,368.72 |
| Beijing Shounong Xiangshan Convention Center Co., Ltd.. | Sales of goods | 40,093.37 | |
| Beijing Grain(Tianjin) Electronic Commerce Co., Ltd.. | Sales of goods | 35,443.25 | |
| Beijing Jingliang Dacang Grain and Oil Trading Co., Ltd.. | Sales of goods | 20,288.29 | |
| Beijing Jingliang Real Estate Co. Ltd.. | Sales of goods | 16,035.72 | 38,044.38 |
| Beijing Nanyuan Plant Oil Factory | Sales of goods | 10,393.80 | 3,410.61 |
| Beijing Xingxing Trade Co. Ltd.. | Sales of goods | 6,837.84 | 3,451.33 |
| Beijing Pinggu Grain and Oil Industry and Trade Co., Ltd.. | Sales of goods | 6,486.48 | |
| Beijing Ershanglong and Food Co. Ltd.. | Sales of goods | 5,421.78 | |
| China Meat Food Comprehensive Research Center | Sales of goods | 4,167.51 | |
| Beijing Institute of Food Science | Sales of goods | 2,543.89 | 3,252.21 |
| Beijing Jingliang Logistics Co., Ltd.. | Sales of goods | 1,351.35 | 1,772.74 |
| Beijing Ancient Ship Fuxing Food Co. Ltd.. | Sales of goods | 347.27 | |
| Beijing Grain Group Finance Co. Ltd.. | Sales of goods | | 12,243.36 |
| Beijing Longde Business Management Limited | Sales of goods | | 14,725.66 |
| Beijing Miyunshahe Grain and Oil Purchase and Marketing Station | Sales of goods | | 1,036,246.85 |

| | | | |
|--|----------------|---------------|---------------|
| Beijing Good Year Army Food Supply Station | Sales of goods | | 461,377.02 |
| Beijing Tongzhou District Grain and Oil Trading Company Supply Station | Sales of goods | | 449,921.06 |
| Beijing Northwest Suburb Grain Storage | Sales of goods | | 29163.72 |
| Beijing Flavor Factory | Sales of goods | | 685.44 |
| Beijing Guchuan Food Co. Ltd.. | Sales of goods | 66,742.78 | |
| Total | | 24,211,356.02 | 38,475,791.58 |

Explanation: The transaction price of a related transaction is based on the price charged for the same or similar business activity as an associated transaction between unrelated parties.

(4) Related lease conditions

① When the company is a lessor

| Name of lessee | Type of leasing assets | Rental income confirmed in this period | Rental income confirmed in last period |
|---|------------------------|--|--|
| Beijing Jingliang Electronic Commerce Co., Ltd. | Car rental | 5,440.00 | 12,693.33 |
| Beijing Guchuan Food Co., Ltd. | Premises | 3,500,000.00 | 6,666,666.67 |
| Total | | 3,505,440.00 | 6,679,360.00 |

② When the company is a lessee

| Name of lessor | Type of leasing assets | Rental fees confirmed in this period | Rental fees confirmed in last period |
|---|------------------------|--------------------------------------|--------------------------------------|
| Beijing Dahongmen Grain Storage Co. Ltd.. | Premises | 2,019,284.63 | |
| Beijing Grain Group Co., Ltd. | Premises | 2,453,228.62 | 2,342,211.70 |
| Beijing Daxing National Grain Reserve | Premises | 1,055,100.00 | 1,236,600.00 |
| Total | | 5,527,613.25 | 3,578,811.70 |

(5) Related party funding

As of June 30, 2018, the balance of loan principal of the Company to Beijing Grain Group Co., Ltd. was RMB 179,000,000.00, and the balance of interest payable was RMB 12,076,929.17.

(6) Compensation for key management personnel

Company: Million

| Item | Current amount | Last amount |
|---|----------------|-------------|
| Compensation for key management personnel | 68.65 | 61.43 |

(7) Other related party transactions

| Name of lessor | Item | Current transaction amount confirmed | Last confirmed transaction amount |
|---|--------------------------|--------------------------------------|-----------------------------------|
| Beijing Guchuan Food Co., Ltd. | Trademark fee income | | 1,937,366.75 |
| Beijing Guchuan Rice Industry Co., Ltd. | Trademark fee income | | 277,714.15 |
| Beijing Guchuan Food Co., Ltd. | Procurement of utilities | 1,693,878.38 | 1,923,256.20 |
| Total | | 1,693,878.38 | 4,138,337.10 |

(8) Receivables and payables with related parties

① Receivables

| Item | Ending balance | Beginning balance |
|------|----------------|-------------------|
|------|----------------|-------------------|

| | Book balance | Bad debt reserves | Book balance | Bad debt reserves |
|---|--------------|-------------------|--------------|-------------------|
| Receivables: | | | | |
| Beijing Guchuan Food Co., Ltd. | 211,200.00 | | 256,270.00 | |
| Beijing Jingliang ECommerce Co., Ltd. | | | 265,224.00 | |
| Beijing Jingliang East Grain and Oil Trading Co., Ltd. | 985,150.00 | | 1,025,540.00 | |
| Beijing Haidian Western Suburb Grain and Oil Supply Station | 403,253.00 | | 294,009.00 | |
| Beijing Zhujun Grain and Oil Supply Station | 483,600.00 | | 991,912.00 | |
| Advance payment: | | | | |
| Beijing Dahongmen Grain Storage Depot | | | 1,679,284.63 | |
| Beijing Dahongmen Oil Factory | | | 340,000.00 | |
| Beijing Guchuan Food Co., Ltd. | 211.98 | | | |

②Payables

| Name | Ending balance | Beginning balance |
|---|----------------|-------------------|
| Payables: | | |
| Beijing Guchuan Food Co., Ltd. | | 531,374.78 |
| Beijing Jingliang East Grain and Oil Trading Co., Ltd. | 1,100.00 | |
| Other payables: | | |
| Beijing Grain Group Co., Ltd. | 191,076,929.17 | 187,162,049.99 |
| Beijing Jingliang ECommerce Co., Ltd. | | 195,187.20 |
| Jingliang Huayuan (Beijing) High-tech Agricultural Technology Co., Ltd. | | 78,000.00 |
| Deposit received: | | |
| Beijing Jingliang ECommerce Co., Ltd. | 1,158,495.36 | |

XII. Commitments and contingencies**1. Material commitments**

(1) the Company reviewed and passed the Proposal on the Supplementary Agreement(II) of the Profit Compensation Agreement at the 7th meeting of its 8th Board of Directors stipulated that the total net profit promised by Beijing Jingliang Products Co., Ltd. in 2017, 2018, and 2019 shall not be less than 13,011,500 yuan, 150,393,700 yuan, and 162,160,500 yuan respectively.

(2) On August 11, 2015, Beijing Jingliang Products Co., Ltd. signed a "Framework Contract on the Sale and Sale of Shares of Zhejiang Little Prince Food Co., Ltd. and Related Transactions" with Mr. Wangyuecheng and Zhejiang Little Prince Food Co., Ltd., and agreed that Mr. Wangyuecheng promised. Based on the audited net profit of the Zhejiang Little Prince in 2014 of 6,074.98 yuan, The annual net profit growth rate for the four consecutive years of the commitment period(including the additional guarantee period), namely 2015, 2016, 2017 and 2018, will not be less than 10 %, and it will strive to reach 20 %. The above performance award was awarded by the Little Prince of Zhejiang to Mr. Wangyuecheng and his management team.

2. Contingencies

No

XIII. Events after the balance sheet date

No

XIV. Other important issues

No

XV. Notes to financial statement items of the Parent Company**1. Accounts receivable**

(1) Classified disclosure of account receivables

| Category | Ending balance | | | | |
|---|----------------|----------------|-------------------|----------------|------------|
| | Book balance | | Bad debt reserves | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Account receivables with significant single amount and with separate provision for bad debts | | | | | |
| Receivables with provision for bad debts based on a combination of credit risk characteristics | 126,420.00 | 100.00 | 19,794.00 | 15.66 | 106,626.00 |
| Receivables with individual amounts that are not significant but are separately provisioned for bad debts | | | | | |
| Total | 126,420.00 | 100.00 | 19,794.00 | --- | 106,626.00 |

(Continued)

| Category | Beginning balance | | | | |
|---|-------------------|-------------------|-----------|----------------|------------|
| | Book balance | Bad debt reserves | | Book value | |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Receivables with individual amounts that are not significant but are separately provisioned for bad debts | | | | | |
| Receivables with provision for bad debts based on a combination of credit risk characteristics | 126,420.00 | 100.00 | 17,031.00 | 13.47 | 109,389.00 |
| Receivables with individual amounts that are not significant but are separately provisioned for bad debts | | | | | |
| Total | 126,420.00 | 100.00 | 17,031.00 | --- | 109,389.00 |

① Account receivable accruing bad debt reserves according to ageing analysis

| Ageing | Ending balance | | | |
|-----------------------------------|--------------------|-------------------|------------------------|----------------|
| | Account receivable | Bad debt reserves | Net Account receivable | Proportion (%) |
| Less than 1 year | | | | |
| In which: Less than credit period | | | | 0 |
| Between credit period and 1 year | 3,000.00 | 60.00 | 2,940.00 | 2 |
| Sub-total | 3,000.00 | 60.00 | 2,940.00 | — |
| Between 1 and 2 years | 33,000.00 | 1,650.00 | 31,350.00 | 5 |
| Between 2 and 3 years | 90,420.00 | 18,084.00 | | 20 |
| Between 3 and 4 years | | | | 50 |
| Between 4 and 5 years | | | | 80 |
| Over five years | | | | 100 |
| Total | 126,420.00 | 19,794.00 | 106,626.00 | ---- |

(Continued)

| Ageing | Beginning balance | | | |
|-----------------------------------|--------------------|-------------------|------------------------|----------------|
| | Account receivable | Bad debt reserves | Net Account receivable | Proportion (%) |
| Less than 1 year | | | | |
| In which: Less than credit period | | | | 0 |
| Between credit period and 1 year | 3,000.00 | 60.00 | 2,940.00 | 2 |
| Sub-total | 3,000.00 | 60.00 | 2,940.00 | — |
| Between 1 and 2 years | 51,420.00 | 2,571.00 | 48,849.00 | 5 |
| Between 2 and 3 years | 72,000.00 | 14,400.00 | 57,600.00 | 20 |
| Between 3 and 4 years | | | | 50 |
| Between 4 and 5 years | | | | 80 |
| Over five years | | | | 100 |
| Total | 126,420.00 | 17,031.00 | 109,389.00 | ---- |

(2) Bad debt reserves accrued, recovered or reversed in the current period

Bad debt reserve for the current period is RMB 2,763.00.

(3) No over 5% voted shareholders units in the account receivable of the ending balance**(4) No Account receivable of related parties in the ending balance****2. Other receivables****(1) Detailed disclosure of other receivables**

| Category | Ending balance | | | | |
|---|----------------|----------------|-------------------|----------------|---------------|
| | Book balance | | Bad debt reserves | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Account receivables with significant single amount and with separate provision for bad debts | | | | | |
| Receivables with provision for bad debts based on a combination of credit risk characteristics | | | | | |
| Combination 1- Account receivables according to ageing analysis | 60,683,886.46 | 99.46 | 3,075,877.72 | 5.04 | 57,608,008.74 |
| Combination 2-Account receivable from related parties | 330,000.00 | 0.54 | | | 330,000.00 |
| Sub-total | 61,013,886.46 | 100.00 | 3,075,877.72 | 5.04 | 57,938,008.74 |
| Receivables with individual amounts that are not significant but are separately provisioned for bad debts | | | | | |
| Total | 61,013,886.46 | 100.00 | 3,075,877.72 | — | 57,938,008.74 |

Continued:

| Category | Beginning balance | | | | |
|--|-------------------|----------------|-------------------|----------------|------------|
| | Book balance | | Bad debt reserves | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Account receivables with significant single amount and with separate provision for bad debts | | | | | |
| In which: 1-Account receivable from related parties | | | | | |
| 2-Account receivable from other companies | | | | | |
| Sub-total | | | | | |

| | | | | | |
|---|---------------|--------|--------------|------|---------------|
| Receivables with provision for bad debts based on a combination of credit risk characteristics | | | | | |
| Combination 1- Account receivables according to ageing analysis | 63,754,181.75 | 100.00 | 3,177,889.13 | 4.98 | 60,576,292.62 |
| Combination 2-Account receivable from related parties | | | | | |
| Sub-total | 63,754,181.75 | 100.00 | 3,177,889.13 | 4.98 | 60,576,292.62 |
| Receivables with individual amounts that are not significant but are separately provisioned for bad debts | | | | | |
| Total | 63,754,181.75 | 100.00 | 3,177,889.13 | ---- | 60,576,292.62 |

① Other receivables accruing bad debt reserves according to ageing analysis

| Ageing | Ending balance | | |
|--|--------------------|-------------------|----------------|
| | Account receivable | Bad debt reserves | Proportion (%) |
| Less than 1 year | | | |
| In which: within credit period | | | 0 |
| Between credit period and less than 1 year | 193,886.46 | 3,877.72 | 2 |
| Sub-total | 193,886.46 | 3,877.72 | ---- |
| Between 1 year and 2 years | 60,440,000.00 | 3,022,000.00 | 5 |
| Between 2 year and 3 years | | | 20 |
| Between 3 year and 4 years | | | 50 |
| Between 4 year and 5 years | | | 80 |
| Over 5 years | 50,000.00 | 50,000.00 | 100 |
| Total | 60,683,886.46 | 3,075,877.72 | ---- |

Continued:

| Ageing | Beginning balance | | |
|----------------------------------|--------------------|-------------------|----------------|
| | Account receivable | Bad debt reserves | Proportion (%) |
| Less than 1 year | | | |
| In which: within credit period | 2,122.90 | | 0 |
| Between credit period and 1 year | 1,573,793.63 | 31,475.87 | 2 |
| Sub-total | 1,575,916.53 | 31,475.87 | ---- |
| Between 1 year and 2 years | 62,128,265.22 | 3,106,413.26 | 5 |
| Between 2 year and 3 years | | | 20 |
| Between 3 year and 4 years | | | 50 |
| Between 4 year and 5 years | 50,000.00 | 40,000.00 | 80 |
| Over 5 years | | | 100 |
| Total | 63,754,181.75 | 3,177,889.13 | ---- |

(2) Bad debt reserves accrued, recovered or reversed

Bad debt reserve for the current period is RMB 102,011.41.

(3) Other receivables categorized according to nature

| Category | Ending balance | Beginning balance |
|--|----------------|-------------------|
| Intercourse funds with related parties | | |
| Reservation fund (employees and departments) | 193,886.46 | 182,904.46 |
| Margin and deposit | | |

| | | |
|------------------------------------|---------------|---------------|
| Company intercourse funds | 60,440,000.00 | 63,517,970.62 |
| Individual intercourse funds | 50,000.00 | 50,000.00 |
| Accounts receivable from employees | | 3,306.67 |
| other | 330,000.00 | |
| Total | 61,013,886.46 | 63,754,181.75 |

(4) No over 5% voted shareholders units in the other account receivable of the ending balance

(5) Top 5 clients in other account receivables

| Name | Category | Ending balance | Ageing | Proportion of total amount of ending balance in other receivables (%) | Ending balance of bad debt reserves |
|--|-------------------|----------------|----------------------------|---|-------------------------------------|
| Beijing Runshun Technology Development Co., Ltd. | Intercourse funds | 55,940,000.00 | Between 1 year and 2 years | 91.68 | 2,797,000.00 |
| Zhangjiagang Free Trade Zone Taiying Trade Co., Ltd. | Intercourse funds | 4,500,000.00 | Between 1 year and 2 years | 7.38 | 225,000.00 |
| Total | ---- | 60,440,000.00 | ---- | 99.06 | 3,022,000.00 |

3. Long term equity investment

| Items | Ending balance | | | Beginning balance | | |
|----------------------------|------------------|----------------------|------------------|-------------------|----------------------|------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Investment in subsidiaries | 2,375,639,964.05 | | 2,375,639,964.05 | 2,336,639,964.05 | | 2,336,639,964.05 |
| Investment in associates | | | | | | |
| Total | 2,375,639,964.05 | | 2,375,639,964.05 | 2,336,639,964.05 | | 2,336,639,964.05 |

4. Operating revenue and operating costs

| Items | Amount for current period | | Amount for Prior period | |
|----------------|---------------------------|------------|-------------------------|------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | | | | |
| Other business | | 151,218.30 | 2,857.14 | 151,218.30 |
| Total | | 151,218.30 | 2,857.14 | 151,218.30 |

5. Investment income

| Items | Amount for current period | Amount for Prior period |
|---|---------------------------|-------------------------|
| Long term equity investment income accounted for by equity method | | -928,894.05 |
| Investment income from disposal of long term equity investment | | 75,820,000.00 |
| Total | | 74,891,105.95 |

XVI. Supplementary materials

1. Breakdown of extraordinary gains and losses for the current period

| Items | Amount | Note |
|---|-------------|------|
| Gains and losses from disposal of non-current asset | -188,228.18 | |

| | |
|--|---------------|
| The government subsidy recorded in the current profit and loss (except for the government subsidy rationed or quantified according to national uniform standards that is closely related to the Company business) | 786,864.35 |
| The fair value changes arising from trading financial assets and trading financial liabilities, and the investment income obtained from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except for the effective hedging business related to the company's normal business operations | 3,981,087.92 |
| Other non-operating income and expenses other than the above | 140,247.29 |
| Sub-total | 4,719,971.38 |
| Impact on income tax | -1,179,992.85 |
| Impact on minority shareholders' equity (after tax) | -980,019.36 |
| Total | 2,559,959.17 |

2. Net asset return rate and earnings per share

| Profit for the accounting period | Weighted average net asset return rate (%) | Earnings per share | |
|---|--|--------------------|-------------|
| | | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders | 2.73 | 0.09 | 0.09 |
| Net profit attributable to ordinary shareholders after deducting extraordinary gains and losses | 2.62 | 0.08 | 0.08 |

Legal representative: Wang Guofeng Person in charge of accounting work: Guan Ying Person in charge of accounting organization: Liu Quanli

Hainan Jingliang Holdings Co., Ltd.

August 15, 2018