

**Dongfeng Sci-Tech Group CO., LTD.**

**Independent Audit Report**

**D.H.S.Z. [2019]NO.004503**

Da Hua Certified Public Accountants (Special General Partnership)

**Dongfeng Sci-Tech Group CO., LTD.**  
**Audit Report and Financial Statements**  
(1<sup>st</sup> January, 2018 to 31<sup>st</sup> December, 2018)

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## Independent Audit Report

D.H.S.Z.[2019]NO.004503

To the Shareholders of Dongfeng Sci-Tech Group CO., LTD.:

### I. Audit Opinion

We have audited the accompanying financial statements of Dongfeng Sci-Tech Group CO., LTD. (hereinafter referred to as — “DFST” ) Which comprise the consolidated and Company Balance sheets as at 31st December 2018, the consolidated and company incomes statements, the consolidated and company change of shareholders' equity statement and the consolidated and company cash flow statements for the year 2018, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflected DFST's financial position at 31<sup>st</sup> December 2018 and the financial performance and cash flows for the year 2018.

### II. Basis of Forming Audit Opinion

We conducted our audit procedure in complying China CPA Audit Standards. *‘IV. Certified Public Accountant’s Responsibility for the Financial Statements’ audit* in this report describes our responsibility under these standards. Those standards require that we comply with ethical requirements, that we are independent from DFST and fulfilled all other ethical obligation. We believe that we have obtained Complete and Just audit evidence as basis of audit opinion.

### III. Key audit matters

The key audit matters are those which we consider to be the most important for the audit of the current financial statements based on our professional judgment.

These matters are dealt with in the context of an audit of the financial statements as a whole and an audit opinion is formed, and we do not express a separate opinion on these matters.

We identified the following as key audit issues that need to be communicated in the audit report:

1. Confirmation of construction in progress;
2. Confirmation of real estate sales income.

( I ) Confirmation of construction in progress

1. Description of matter

Please refer to Note IV (16) and Note VI (11) of the consolidated financial statements. As of December 31, 2018, the balance of construction in progress in the consolidated financial statements of DFST was RMB 101,650,833.16, accounting for 16.26% of the total assets. The original value of new construction in progress during the period was RMB 99,383,669.12.

Due to the importance of the construction in progress to the financial statements of DFST, and the management of DFST has invested heavily in construction in progress this year, we have confirmed and measured the construction in progress as a key audit matter.

2. Audit response

Important audit procedures we implement for the disposal of intangible assets include:

(1) Understand and test the design and implementation of the internal control system related to DFST and construction in progress.

(2) Obtain or prepare a list of construction in progress and impairment provision, check whether the replenishment is correct, and whether it is consistent with the total account number and the detailed account balance check, and whether the verification of the impairment provision in the construction project and the number of statements are consistent.

(3) Calculate the capitalization amount of borrowing costs based on the borrowing and project construction, and compare it with the actual capitalization of borrowing costs of the audited entity. Check if interest capitalization is correct. Review the borrowing costs, capitalization rate, actual expenditures, and the start and stop times of capitalization for calculating capitalized interest.

(4) Inquire about the increase in the construction in progress of the management in the current year and check with the list of construction or construction in progress.

(5) Check the company's capital expenditure budget, company-related meeting resolutions, etc., and check whether all the construction in progress increased during the year.

(6) Check whether the original documents of the construction in progress increased in the current year, such as the application for project, the project loan contract, the construction contract, the invoice, the application for engineering materials, the payment documents, the construction contract, the waybill, the acceptance report, etc. Whether it is correct, the implementation of the letter to the supervision and construction units.

(7) Implement the on-site inspection procedures for construction in progress.

Based on the audit work performed, we believe that the management of DFST is reasonable to confirm the construction in progress.

( II ) Real estate sales revenue recognition

1. Description of matter

Please refer to Note IV (26) and Note VI (30) of the consolidated financial statements. In 2018, the sales revenue of DFST's consolidated financial statements amounted to RMB 123,508,083.90, of which real estate development project income was RMB 118,807,719.93. Accounted for 96.19% of operating income.

Due to the importance of real estate development project income to the financial statements of DFST, we recognize the revenue recognition of real estate development projects as a key audit matter.

2. Audit response

Important audit procedures that we implement for the recognition of real estate sales revenue include:

(1) Understand and test the design and implementation of the internal control system related to sales and collections.

(2) Select a sample of the real estate sales contract to evaluate whether the revenue recognition policy of the DFST real estate development project meets the requirements of relevant accounting standards.

(3) Select the sales sample of the real estate project, check the sales contract and supporting documents that can prove that the real estate has reached the delivery

conditions, to evaluate whether the relevant property sales revenue has been in accordance with the DFST's revenue recognition policy.

(4) Obtain information such as sales progress control table, sales ledger, real estate management department filing information, sales receipt record and commercial housing handover procedures to determine the actual sales situation and whether it is consistent with the financial data.

(5) For the real estate sales income recognized in the real estate development project this year, select the sample and compare its unilateral average selling price with the single selling price obtained from the public information; analyze the rationality of the change in gross profit margin of each real estate.

(6) Conduct a cut-off test on the income of real estate development projects, and check the sales revenues confirmed before and after the balance sheet date with the supporting documents such as delivery procedures to assess whether the income is recognized in the correct period.

Based on the audit work performed, we believe that the management of DFST confirms that the sales revenue is in line with the accounting policies of DFST.

#### **IV. Other information**

DFST management is responsible for other information. Other information includes information covered in the 2018 annual report, but does not include the financial statements and our audit reports.

Our audit opinion on the financial statements does not cover other information and we do not issue any form of assurance findings on other information.

In connection with our audit of the financial statements, it is our responsibility to read other information and, in the process, to consider whether it is materially inconsistent with or appears to be materially misstatement of the financial statements or the information we have learned in the course of the audit.

Based on what we have done, we should report this fact if we determine that there are material misstatements of other information. In this regard, we have nothing to report on.

#### **V. Management and Governance's Responsibility for the Financial**

## Statements

Management of DFST is responsible for the preparation and present these financial statements fairly in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Management of DFST is also responsible for evaluate DFST's corporate sustainability, disclose events related to its sustainability (if applicable), and complying going concern assumption, unless the management is arranging either liquidation, termination or no realistic option to comply.

Governance is responsible for supervise the produce of DFST'S financial reports.

## VI. Certified Public Accountant's Responsibility for the Financial Statements' audit

Our objective is to reach a reasonable assurance of if risks of material misstatement of the financial statements exist, whether due to fraud or error, and issue an independent audit report content our audit opinion.

A reasonable assurance is a high standard assurance, however, it could not ensure an audit comply with audit standards could always detect an existed material misstatement. Misstatement could caused due to fraud or error, should a reasonable expectation on such a misstatement, or the combine of misstatements, is likely to influence the economical decision made by the user of the financial statement, such misstatement should normally be considered as material.

During our audit under audit standards, we would apply our professional judgement, and maintain professional skepticism, as well as performing following procedure:

1. Identify and evaluate the risk of financial statements caused due to fraud or error, design and perform audit procedures to countermeasure these risks and obtain reasonable evidence to fulfill such an objective as the basis of audit opinion. As fraud could involve collaboration, falsifying, intentional omission, false statement or override of control, the risk of unable to identify material misstatement due to fraud is higher than unable to identify material misstatement due to error.

2. Understanding the internal control related to the audit in order to design suitable audit procedures, however, the purpose was not to issue any opinion regarding to the effectiveness of such internal control.

3. Evaluate the appropriateness of accounting policy adopted and reasonableness of its disclosure by the management

4. Reach a conclusion of whether the management's going concern assumption is appropriate. Based on evidence obtained, reach a conclusion on events that may likely to impair its sustainability or position that may bring uncertainty to the sustainability of DFST. Should the conclusion considered a significant uncertainty, audit standards required us to submit the related disclosures to the user of the financial statement; should the disclosure considered insufficient, we would not issue our opinion as non-qualified. Our conclusion is based on information available till the date of reporting date, however, future events or situations may still cause impairment of DTST's sustainability.

5. Evaluate the presentation in general, structure and content (including disclosure), and evaluate whether financial statements fairly reflected transactions and events.

6. Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in the eastern fung technology group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and executing group audits and assume full responsibility for audit opinions.

We communicate with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

We also provide the governance layer with a statement of compliance with ethical requirements relating to our independence and communicate with the governance layer all relationships and other matters that may reasonably be considered to affect our independence, as well as relevant precautions, if applicable.

From the matters communicated with the governance layer, we determine which matters are most important to the audit of the current financial statements and therefore constitute key audit matters. We describe these matters in our audit reports unless laws and regulations prohibit public disclosure of these matters or, in rare cases, we determine that a matter should not be communicated in an audit report if it is reasonably expected that the adverse consequences of communicating the matter in

the audit report outweigh the benefits in the public interest.

Da Hua Certified Public Accountants (Special  
General Partnership)  
Beijing China



China CPA:



China CPA:



April 11, 2019

# Consolidated Balance Sheet

As of 31st December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD. (The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)  
[English Translation for Reference Only]

Assets	Notes 6	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash and bank	1	36,306,825.10	74,805,209.06
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable & Accounts receivable	2	11,171.25	17,608.00
Advances to suppliers	3	61,099,009.67	183,595.06
Other receivables	4	8,588,597.44	58,740,204.94
Inventories	5	151,585,557.50	234,653,825.84
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	6	37,786,874.66	34,559,505.29
<b>Total current assets</b>		<u>295,378,035.62</u>	<u>402,959,948.19</u>
<b>Non-current assets:</b>			
Available-for-sale financial assets	7	16,331,037.08	16,670,403.13
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	8		
Investment property	9		4,236,346.34
Fixed assets	10	17,302,279.65	9,674,396.99
Construction in progress	11	101,650,833.16	2,267,164.04
Productive biological assets	12	121,437.50	17,971.39
Oil and gas assets			
Intangible assets	13	56,686,960.59	51,705,311.04
Development disbursements	14	13,346,410.47	3,513,561.56
Goodwill	15	1,543,786.41	1,294,711.56
Long-term deferred expenses	16	266,884.56	219,963.84
Deferred tax assets	17		775,645.41
Other non-current assets	18	121,743,152.36	10,427,021.55
<b>Total non-current assets</b>		<u>328,992,781.78</u>	<u>100,802,496.85</u>
<b>Total assets</b>		<u>624,370,817.40</u>	<u>503,762,445.04</u>

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

## Consolidated Balance Sheet (Continue)

As of 31st December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD. (The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Liability and Equity	Notes 6	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable & Accounts payable	19	6,668,789.67	15,487,833.06
Advances from customers	20	16,269,319.99	64,165,709.37
Employee benefits payable	21	981,089.59	2,201,668.93
Taxes and surcharges payable	22	921,967.58	13,171,059.13
Other payables	23	118,570,218.85	25,952,193.34
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
<b>Total current liabilities</b>		143,411,385.68	120,978,463.83
<b>Non-current liabilities:</b>			
Long-term borrowings	24	101,710,000.00	
Bonds payable			
Include: Preferred stock			
Include: Perpetual debt			
Long-term payable			
Long-term employee benefits payable			
Grants payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		101,710,000.00	
<b>Total liabilities</b>		101,710,000.00	120,978,463.83
<b>Shareholders' equity:</b>			
Share capital	25	706,320,000.00	706,320,000.00
Other equity instruments			
Include: Preferred stock			
Include: Perpetual debt			
Capital reserve	26	463,681,309.55	463,681,309.55
Less: treasury shares	27	19,718,613.55	
Other comprehensive income			
Specialized reserve			
Surplus reserve	28	76,791,550.17	76,791,550.17
Retained earnings	29	-875,480,247.09	-882,864,082.85
Total shareholders' equity attributable to parent company		351,593,999.08	363,928,776.87
Minority shareholders' equity		27,655,432.64	18,855,204.34
<b>Total shareholders' equity</b>		379,249,431.72	382,783,981.21
<b>Total liabilities and shareholders' equity</b>		480,959,431.72	503,762,445.04

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

# Consolidated Income Statement

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Prior Period
<b>1. Operating revenue</b>	30	123,508,083.90	250,071,863.07
Less: operating cost	30	108,747,731.24	237,183,139.67
Taxes and surcharges	31	-247,832.89	9,791,294.48
Selling expenses	32	115,346.71	14,417,090.26
Administrative expenses	32	29,236,648.47	29,552,371.61
Research & development expenses	32	4,748,852.86	124,889.69
Finance expenses	32	-385,552.98	1,346,177.29
Including : interest expense			1,617,172.91
interest income		175,090.92	645,550.99
Impairment on assets	33	448,072.80	6,476,829.83
Add: other income	34	2,896,903.64	
Investment income	36	19,646,046.57	1,501,873.01
Including: investment income from associates and joint ventures			
Gain from fair value change			
Gain from assets disposal	37	4,526,245.58	65,059,983.64
		<u>7,914,013.48</u>	<u>17,741,926.89</u>
<b>2. Operating profits</b>			
Add: non-operating income	38	3,125.00	24,633.24
Less: non-operating expenses	39	473,944.42	823,362.54
		<u>7,443,194.06</u>	<u>16,943,197.59</u>
<b>3. Profit before tax</b>			
Less: income tax	40	885,955.09	12,906,984.10
		<u>6,557,238.97</u>	<u>4,036,213.49</u>
<b>4. Net profit</b>			
Net profit contributed before the combination under common control			-1,209,053.47
I. Profit classified as continuity			
Continuous operating profit and loss		10,617,300.84	4,124,362.74
Termination of the business profit and loss		-4,060,061.87	-88,149.25
II. Profit classified as ownership			
Net profit attributable to parent company		7,383,835.76	4,102,325.89
Profit/loss attributable to minority share-holders		-826,596.79	-66,112.40
<b>5. Other comprehensive income after tax</b>			
<b>Other comprehensive income after tax attributable to parent company</b>			
<b>I. Comprehensive income not to be reclassified as profit or loss</b>			
i. Changes in remeasured defined benefit obligations or net assets			
ii. Portion of comprehensive income not to be reclassified as profit or loss under equity method			
iii. ....			
<b>II. Comprehensive income to be reclassified as profit or loss</b>			
i. Portion of comprehensive income to be reclassified as profit or loss under equity method			
ii. Gain or loss from fair value changes of available-for-sale financial assets			
iii. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
iv. Gain or loss on effective cash flow hedging			
v. Currency translation reserve			
vi. Gain from before a invested subsidiary that no longer has control			
vii. Real estate investment converted from a non-investmental real estate property			
viii. ....			
<b>Other comprehensive income attributable to minority share-holders after tax</b>			
<b>6. Total comprehensive income</b>		<u>6,557,238.97</u>	<u>4,036,213.49</u>
Total comprehensive income attributable to parent company		7,383,835.76	4,102,325.89
Total comprehensive income attributable to minority share-holders		-826,596.79	-66,112.40
<b>7. Earnings per share:</b>			
I. Basic earnings per share		0.01	0.01
II. Diluted earnings per share		0.01	0.01

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager:

# Consolidated Cash Flows Statement

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period	Prior Period
<b>1.Cash flows from operating activities</b>			
Cash received from sales and services		84,460,974.01	77,634,880.19
Taxes and surcharges refunds		8,101,715.65	7,012,138.87
Other cash receipts related to operating activities	42	116,131,170.58	23,844,761.80
<b>Total cash inflows from operating activities</b>		<b>208,693,860.24</b>	<b>108,491,780.86</b>
Cash paid for goods and services		123,728,104.36	126,145,604.98
Cash paid to and for employees		16,697,226.16	16,357,414.95
Taxes and surcharges cash payments		32,848,901.70	8,733,973.58
Other cash payments related to operating activities	42	853,578.71	41,806,361.63
<b>Total cash outflows from operating activities</b>		<b>174,127,810.93</b>	<b>193,043,355.14</b>
<b>Net cash flows from operating activities</b>		<b>34,566,049.31</b>	<b>-84,551,574.28</b>
<b>2.Cash flows from investing activities</b>			
Cash received from withdraw of investments		31,230,000.00	105,000,000.00
Cash received from investment income		680,926.85	2,490,847.27
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		28,160,000.00	87,025,400.00
Net cash received from disposal of subsidiaries and other business units		17,328,070.03	
Other cash receipts related to investing activities			
<b>Total cash inflows from investing activities</b>		<b>77,398,996.88</b>	<b>194,516,247.27</b>
Cash paid for fixed assets,intangible assets and other long-term assets		231,847,353.86	53,549,390.18
Cash payments for investments		1,500,000.00	130,030,000.00
Net cash paid for acquiring subsidiaries and other business units		-6,604,668.64	-6,179,984.99
Other cash payments related to investing activities			
<b>Total cash outflows from investing activities</b>		<b>226,742,685.22</b>	<b>177,399,405.19</b>
<b>Net cash flows from investing activities</b>		<b>-149,343,688.34</b>	<b>17,116,842.08</b>
<b>3.Cash flows from financing activities</b>			
Cash received from investments by others			9,600,000.00
Including:cash received by subsidiaries from minority shareholders' investments			9,600,000.00
Cash received from borrowings		101,710,000.00	
Other cash receipts related to other financing activities			
<b>Total cash inflows from financing activities</b>		<b>101,710,000.00</b>	<b>9,600,000.00</b>
Cash repayments for debts			
Cash payments for distribution of dividends, profit and interest expenses		2,077,900.24	
Including:dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments related to financing activities	42	19,718,613.55	698,492.97
<b>Total cash outflows from financing activities</b>		<b>21,796,513.79</b>	<b>698,492.97</b>
<b>Net cash flows from financing activities</b>		<b>79,913,486.21</b>	<b>8,901,507.03</b>
<b>4.Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>269,681.12</b>	<b>-330,220.97</b>
<b>5.Net increase in cash and cash equivalents</b>		<b>-34,594,471.70</b>	<b>-58,863,446.14</b>
Add:beginning balance of cash and cash equivalents		68,107,388.69	126,970,834.83
<b>6.Ending balance of cash and cash equivalents</b>		<b>33,512,916.99</b>	<b>68,107,388.69</b>

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

## Consolidated Statement on Changes of Shareholders' Equity

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Current Period									
		Total shareholders' equity attributed to parent company									
		Share capital	Other equity instrument	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
<b>1. Ending balance of last year</b>		706,320,000.00		463,681,309.55				76,791,550.17	-882,864,082.85	18,855,204.34	382,783,981.21
Add: increase/decrease due to changes in accounting policies											
Increase/decrease due to corrections or errors in Prior Period											
Merge and acquisition with company with same ultimate control											
Others											
<b>2. Beginning balance of current year</b>		706,320,000.00		463,681,309.55				76,791,550.17	-882,864,082.85	18,855,204.34	382,783,981.21
<b>3. Increase/decrease for current year</b>					19,718,613.55				7,383,835.76	8,800,228.30	-3,534,549.49
I. Total comprehensive income									7,383,835.76	-826,596.79	6,557,238.97
II. Shareholders' contributions and withdrawals of capital					19,718,613.55					9,626,825.09	-10,091,788.46
i. Common stock contributed by shareholders											
ii. Capital contributed by other equity instruments holders											
iii. Share-based payment recorded in owner's equity											
iv. Others					19,718,613.55					9,626,825.09	-10,091,788.46
III. Profits distribution											
i. Appropriation of surplus reserve											
ii. Distribution to owner/shareholder											
iii. Others											
IV. Transfer within shareholders' equity											
i. Capital reserve transferred to paid-in capital											
ii. Surplus reserve transferred to paid-in capital											
iii. Recover of loss by surplus reserve											
iv. Changes in remeasurement of defined benefit net obligations/assets											
v. Others											
V. specialized reserve											
i. Current year accrual											
ii. Current year utilization											
VI. Others											
<b>4. Ending balance of current year</b>		706,320,000.00		463,681,309.55	19,718,613.55			76,791,550.17	-875,480,247.09	27,655,432.64	379,249,431.72

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager:

## Consolidated Statement on Changes of shareholders' Equity

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 6	Prior Period									
		Equity attributable to parent company									
		Share capital	Other equity instrument	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity
<b>1. Ending balance of last year</b>		706,320,000.00		463,681,309.55				76,791,550.17	-886,966,408.74	2,349,558.95	362,176,009.93
Add: increase/decrease due to changes in accounting policies											
Increase/decrease due to corrections of errors in Prior Period											
Merge and acquisition with company with same ultimate control											
Others											
<b>2. Beginning balance of current year</b>		706,320,000.00		463,681,309.55				76,791,550.17	-886,966,408.74	2,349,558.95	362,176,009.93
<b>3. Increase/decrease for current year</b>									4,102,325.89	16,505,645.39	20,607,971.28
I. Total comprehensive income									4,102,325.89	-66,112.40	4,036,213.49
II. Shareholders' contributions and withdrawals of capital										16,571,757.79	16,571,757.79
i. Common stock contributed by shareholders										16,571,757.79	16,571,757.79
ii. Capital contributed by other equity instruments holders											
iii. Share-based payment recorded in owner's equity											
iv. Others											
III. Profits distribution											
i. Appropriation of surplus reserve											
ii. Distribution to owner/shareholder											
iii. Others											
IV. Transfer within shareholders' equity											
i. Capital reserve transferred to paid-in capital											
ii. Surplus reserve transferred to paid-in capital											
iii. Recover of loss by surplus reserve											
iv. Changes in remeasurement of defined benefit net obligations/assets											
v. Others											
V. specialized reserve											
i. Current year accrual											
ii. Current year utilization											
VI. Others											
<b>4. Ending balance of current year</b>		706,320,000.00		463,681,309.55				76,791,550.17	-882,864,082.85	18,855,204.34	382,783,981.21

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

## The parent company Balance Sheet

As of 31st December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 13	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash and bank		28,933,135.09	12,091,839.66
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable & Accounts receivable			
Advances to suppliers		60,821,190.73	5,000.33
Other receivables	1	80,991,042.06	27,954,251.88
Inventories		150,581,753.98	234,077,374.89
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		24,163,071.63	1,709,204.34
<b>Total current assets</b>		345,490,193.49	275,837,671.10
<b>Non-current assets:</b>			
Available-for-sale financial assets		16,331,037.08	16,670,403.13
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2	272,803,036.40	248,114,466.37
Investment property			
Fixed assets		1,551,517.36	1,826,078.88
Construction in progress			
productive biological assets			
Oil and gas assets			
Intangible assets			
Development disbursements			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			750.00
Other non-current assets			
<b>Total non-current assets</b>		290,685,590.84	266,611,698.38
<b>Total assets</b>		636,175,784.33	542,449,369.48

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

## The parent company Balance Sheet (Continue)

As of 31st December 2017

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Liability and Equity	Notes 13	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable			
Accounts payable		15,157,800.54	12,777,756.02
Advances from customers		62,427,764.58	242,747,445.35
Employee benefits payable		596,118.22	576,458.22
Taxes and surcharges payable		43,262.13	1,340,388.72
Interest payable			
Dividends payable			
Other payables		325,994,266.48	237,841,253.38
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
<b>Total current liabilities</b>		404,219,211.95	495,283,301.69
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Include: Preferred stock			
其中: Perpetual debt			
Long-term payable			
Long-term employee benefits payable			
Grants payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			
<b>Total liabilities</b>		404,219,211.95	495,283,301.69
<b>Shareholders' equity:</b>			
Share capital		706,320,000.00	706,320,000.00
Other equity instruments			
Include: Preferred stock			
其中: Perpetual debt			
Capital reserve		456,569,124.55	456,569,124.55
Less: treasury shares			
Other comprehensive income			
Specialized reserve			
Surplus reserve		76,791,550.17	76,791,550.17
Retained earnings		-1,101,450,517.19	-1,061,045,442.06
<b>Total shareholders' equity</b>		138,230,157.53	178,635,232.66
<b>Total liabilities and shareholders' equity</b>		542,449,369.48	673,918,534.35

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager:

# The parent company Income Statement

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 13	Current Period	Prior Period
<b>1. Operating revenue</b>	3	121,071,870.89	252,808,109.87
Less: operating cost	3	103,821,248.79	231,621,565.96
Taxes and surcharges		-1,521,613.57	8,783,840.21
Selling expenses		110,444.59	14,255,025.45
Administrative expenses		12,121,942.53	14,477,838.05
Research & development expenses			
Finance expenses		2,590.40	-23,760.83
Including : interest expense			
interest income			
Impairment on assets		-530,281.37	24,023,352.93
Add: other income		2,890,000.00	
Investment income	4	53,773,285.06	
Including: investment income from associates and joint ventures			
Gain from fair value change			
Gain from assets disposal			
<b>2. Operating profits</b>		63,730,824.58	-40,329,751.90
Add: non-operating income			0.04
Less: non-operating expenses		124,650.33	75,323.27
<b>3. Profit before tax</b>		63,606,174.25	-40,405,075.13
Less: income tax		750.00	
<b>4. Net profit</b>		63,605,424.25	-40,405,075.13
Continuous operating profit and loss		63,605,424.25	-40,405,075.13
Termination of the business profit and loss			
<b>5. Other comprehensive income after tax</b>			
<b>I. Comprehensive income not to be reclassified as profit or loss</b>			
i. Changes in remeasured defined benefit obligations or net assets			
ii. Portion of comprehensive income not to be reclassified as profit or loss under equity method			
iii. ....			
<b>II. Comprehensive income to be reclassified as profit or loss</b>			
i. Portion of comprehensive income to be reclassified as profit or loss under equity method			
ii. Gain or loss from fair value changes of available-for-sale financial assets			
iii. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
iv. Gain or loss on effective cash flow hedging			
v. Currency translation reserve			
vi. Gain from before a invested subsidiary that no longer has control			
vii. Real estate investment converted from a non-investmental real estate property			
viii. ....			
<b>6. Total comprehensive income</b>		63,605,424.25	-40,405,075.13
<b>7. Earnings per share:</b>			
I. Basic earnings per share			
II. Diluted earnings per share			

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

# The parent company Cash Flows Statement

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 13	Current Period	Prior Period
<b>1.Cash flows from operating activities</b>			
Cash received from sales and services		79,011,942.34	72,881,435.81
Taxes and surcharges refunds		86,715.65	7,012,138.87
Other cash receipts related to operating activities		124,344,882.32	217,554,262.24
<b>Total cash inflows from operating activities</b>		<b>203,443,540.31</b>	<b>297,447,836.92</b>
Cash paid for goods and services		106,587,804.23	121,926,111.90
Cash paid to and for employees		5,445,538.85	6,029,524.99
Taxes and surcharges cash payments		9,232,241.12	7,703,760.87
Other cash payments related to operating activities		65,454,115.32	152,397,541.00
<b>Total cash outflows from operating activities</b>		<b>186,719,699.52</b>	<b>288,056,938.76</b>
<b>Net cash flows from operating activities</b>		<b>16,723,840.79</b>	<b>9,390,898.16</b>
<b>2.Cash flows from investing activities</b>			
Cash received from withdraw of investments			
Cash received from investment income		36,445,215.03	
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			3,678,200.00
Net cash received from disposal of subsidiaries and other business units		17,328,070.03	
Other cash receipts related to investing activities			
<b>Total cash inflows from investing activities</b>		<b>53,773,285.06</b>	<b>3,678,200.00</b>
Cash paid for fixed assets,intangible assets and other long-term assets		33,304.61	358,389.88
Cash payments for investments		30,000,000.00	70,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities			
<b>Total cash outflows from investing activities</b>		<b>30,033,304.61</b>	<b>70,358,389.88</b>
<b>Net cash flows from investing activities</b>		<b>23,739,980.45</b>	<b>-66,680,189.88</b>
<b>3.Cash flows from financing activities</b>			
Cash received from investments by others			
Cash received from borrowings			
Other cash receipts related to other financing activities			
<b>Total cash inflows from financing activities</b>			
Cash repayments for debts			
Cash payments for distribution of dividends, profit and interest expenses			
Other cash payments related to financing activities		19,718,613.55	698,492.97
<b>Total cash outflows from financing activities</b>		<b>19,718,613.55</b>	<b>698,492.97</b>
<b>Net cash flows from financing activities</b>		<b>-19,718,613.55</b>	<b>-698,492.97</b>
<b>4.Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5.Net increase in cash and cash equivalents</b>			
		20,745,207.69	-57,987,784.69
Add:beginning balance of cash and cash equivalents		5,394,019.29	63,381,803.98
<b>6.Ending balance of cash and cash equivalents</b>		<b>26,139,226.98</b>	<b>5,394,019.29</b>

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

## The parent company Statement on Changes of Shareholders' Equity

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 13	Current Period							Total shareholders' equity	
		Share capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve		Retained earnings
<b>1. Ending balance of last year</b>		706,320,000.00		456,569,124.55				76,791,550.17	-1,101,450,517.19	138,230,157.53
Add: increase/decrease due to changes in accounting policies										
Increase/decrease due to corrections of errors in Prior Period										
Others										
<b>2. Beginning balance of current year</b>		706,320,000.00		456,569,124.55				76,791,550.17	-1,101,450,517.19	138,230,157.53
<b>3. Increase/decrease for current year</b>					19,718,613.55				63,605,424.25	43,886,810.70
I. Total comprehensive income									63,605,424.25	63,605,424.25
II. Shareholders' contributions and withdrawals of capital					19,718,613.55					-19,718,613.55
i. Common stock contributed by shareholders										
ii. Capital contributed by other equity instruments holders										
iii. Share-based payment recorded in shareholders' equity										
iv. Others					19,718,613.55					-19,718,613.55
III. Profits distribution										
i. Appropriation of surplus reserve										
ii. Distribution to owner/shareholder										
iii. Others										
IV. Transfer within shareholders' equity										
i. Capital reserve transferred to paid-in capital										
ii. Surplus reserve transferred to paid-in capital										
iii. Recover of loss by surplus reserve										
iv. Changes in remeasurement of defined benefit net obligations/assets										
v. Others										
V. Specialized reserve										
i. Current year accrual										
ii. Current year utilization										
VI. Others										
<b>4. Ending balance of current year</b>		706,320,000.00		456,569,124.55	19,718,613.55			76,791,550.17	-1,037,845,092.94	182,116,968.23

(Attached Notes to statements are part of the consolidated financial statements)

138,230,157.53

Legal Representative:

Finance Officer (CFO):

Financial Manager:

## The parent company Statement on Changes of shareholders' Equity

For the year ended 31 December 2018

Prepared by: Dongfeng Sci-Tech Group CO., LTD.

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 13	Prior Period							Total shareholders' equity	
		Share capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve		Retained earnings
<b>1. Ending balance of last year</b>		706,320,000.00		456,569,124.55				76,791,550.17	-1,061,045,442.06	178,635,232.66
Add: increase/decrease due to changes in accounting policies										
Increase/decrease due to corrections of errors in Prior Period										
Others										
<b>2. Beginning balance of current year</b>		706,320,000.00		456,569,124.55				76,791,550.17	-1,061,045,442.06	178,635,232.66
<b>3. Increase/decrease for current year</b>									-40,405,075.13	-40,405,075.13
I. Total comprehensive income									-40,405,075.13	-40,405,075.13
II. Shareholders' contributions and withdrawals of capital										
i. Common stock contributed by shareholders										
ii. Capital contributed by other equity instruments holders										
iii. Share-based payment recorded in shareholders' equity										
iv. Others										
III. Profits distribution										
i. Appropriation of surplus reserve										
ii. Distribution to owner/shareholder										
iii. Others										
IV. Transfer within shareholders' equity										
i. Capital reserve transferred to paid-in capital										
ii. Surplus reserve transferred to paid-in capital										
iii. Recover of loss by surplus reserve										
iv. Changes in remeasurement of defined benefit net obligations/assets										
v. Others										
V. Specialized reserve										
i. Current year accrual										
ii. Current year utilization										
VI. Others										
<b>4. Ending balance of current year</b>		706,320,000.00		456,569,124.55				76,791,550.17	-1,101,450,517.19	138,230,157.53

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager:

# NOTES TO FINANCIAL STATEMENTS

December 31, 2018

CURRENCY UNIT: RMB

## I. Company Profile

### 1. Background

The predecessor of Dongfeng Sci-Tech Group CO., LTD. ("the Company") was ChengDe DiXian Textile Corporation, Ltd ("DiXian"). According to the approval of JiGuBan(1999) No.36 issued by the People's Government of HeBei Province, DiXian was established in the People's Republic of China (the "PRC") and obtained the Corporate Business License from HeBei Administration for Industry and Commerce ("CSRC"). The initial registered capital of DiXian was RMB 100,000,000 (divided into 100,000,000 shares, one Yuan per share): ShuXian Wang contributed RMB 85,100,000, accounting for 85.1% of the total; HeBei province ChengDe County North Industrial Company contributed RMB 7,564,400, accounting for 7.56% of the total; ZhengSong Wang contributed RMB 5,444,400, accounting for 5.44% of the total; ChengDe LongFeng Cosmetic Co., Ltd. contributed RMB 945,600, accounting for 0.95% of the total; Chengde County Board Town of Red Star plastic products factory contributed RMB 945,600, accounting for 0.95% of the total.

According to the issue [2000] 121 by the China Securities Regulatory Commission on August 29, 2000, the company issued 100,000,000 foreign capital stocks listed in China (hereinafter referred to as the "B") on September 19, 2000 on Shenzhen stock exchange; and excised the overallotment option to increase issuing 15,000,000 B shares from September 29 to October 29, 2000. The registered capital of the company after the issuance of B shares was RMB 215,000,000, and was divided into 215,000,000 shares with one Yuan of face value per share.

According to the resolution of the shareholder's meeting on March 12, 2002, The Company allotted 43,000,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares, and meanwhile increased 107500000 shares to all of the shareholding by transferring from capital reserve according to 5 shares free for every 10 shares. The registered capital of the company was changed to RMB 365,500,000 after it allotted bonus shares and increased by transferring.

According to the resolution of the shareholder's meeting on July 22, 2003, The Company allotted 73,100,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares, and the registered capital of the company was changed to RMB 438,600,000 after such bonus shares were allotted.

On March 11, 2004, approved by the Ministry of Commerce of the People's Republic of China, the company was allowed to be changed to Foreign-Funded Joint Stock Companies Limited.

On July, 2004, the company increased 150,000,000 B shares directionally, during which 91,300,000 shares were subscribed in HK\$, and another 58,700,000 shares were subscribed in RMB, upon check by China Securities Regulatory Commission with the issue [2004] No.101.

According to the resolution of the shareholder's meeting on June 8, 2006, The Company allotted 117,720,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares,

On August 4, 2008, according to the judgment ruled by Shenzhen Intermediate People's court,

112,324,800 sponsor shares held by ShuXian Wang was compensated to Rong Chen for RMB 45,491,544 Yuan, and on August 15, 2008, 96,000,000 sponsor shares held by ShuXian Wang was compensated to Rong Chen for RMB 38,880,000 Yuan according to the judgment ruled by Dalian Intermediate People's court.

On November 11, 2009, according to “reply to the approval of capital increase, and change of share as well as name of Chengde DiXian Knitting Co., Ltd” with No.143 [2009] by Bureau of Commerce of Hebei Province, it agreed that the company increased 150,000,000 foreign shares listed in China in 2004 and allotted 2 bonus shares free for every 10 shares in 2006; and it agreed that 208324800 shares of DiXian stock held by ShuXian Wang. DiXian was changed to Rong Chen; as well as the name of the company changed to Chengde DaLu Co., Ltd. The total share capital was 706,320,000 shares and the registered capital of the company was RMB 706,320,000 Yuan after the company increased and allotted, which has been validated by ZhongLei CPA Co., Ltd, who provided the capital verification report with [2010] No. 10009.

On August 23 ,2011, the company renewed its Corporate Business License that was issued by HeBei Administration for Industry and Commerce. The new registration number was 130000400001225. Both registered capital and paid-in capital are RMB 706,320,000. The company type was a foreign joint stock limited company.

On April 6, 2012, an equity transfer agreement was signed between corporate shareholder Rong Chen and Dong Wang. According to the agreement, Rong Chen transferred 208,324,800 shares, which occupied 29.49% of the total share capital, to Dong Wang. After the transfer of equity, Shareholders proportion of capital contribution was: Dong Wang (RMB 208,324,800, accounted for 29.49%); HeBei province ChengDe County North Industrial Company (RMB 18,517,651, accounted for 2.62%); Zhengsong Wang(RMB 13,327,891, accounted for 1.89%); ChengDe City LongFeng Cosmetic company (RMB 2,314,829, accounted for 0.33%); Chengde County Board Town of Red Star plastic products factory (RMB 2,314,829, accounted for 0.33%), shareholders of domestically listed foreign shares (RMB 461,520,000, accounted for 65.34%).

On September 19, 2012, with the authorization of HeBei Administration for Industry and Commerce, the company name was changed from ChengDe DaLu Corporation, Ltd. to ChengDe NanJiang Corporation, Ltd.

On May 5, 2017, with the authorization of HeBei Administration for Industry and Commerce, the company name was changed from ChengDe NanJiang Corporation, Ltd. to DongFeng Sci-Tech Group Corporation, Ltd.

## **2. Business scope**

New energy , R&D of new material product、sales and technology promotion、technology service ; R&D of modern agricultural production, technology promotion service, wholesale of ecological agricultural products; international trading of products and technology; project HuiJingTianDi (2013-12 , 2013-13) : the development and construction of common residence and supporting commercial facilities based on two land、 sales and operation; property management.

## **3. Nature of Business**

The company belongs to the real estate development and operation, subsidiary for new energy, new materials, property management and agricultural breeding.

#### 4. Major products and labour service

Sales of real estate, plastic raw material trading and sales of products of ecological agriculture planting and breeding.

#### 5. Fundamental structure of the company

The highest authority is board minutes and the company adopts the managerial responsibility system. According to requirements from the business, the company set up Securities Department, Administrative Department, Human Resource Department, Financial Department, Auditing Department, Sales Department, Research and Development Department.

## II. Scope of consolidated financial statements

A total of 17 entities included in the scope of the consolidated financial statements in the current period, except for the company:

Subsidiary name	Subsidiary type	level	Shareholding ratio (%)	Proportion of voting rights (%)
Chengde Nanjiang Trading Co., Ltd. (hereinafter referred to as "Nanjiang Trading")	Wholly-owned subsidiary	1	100.00	100.00
Chengde Kefeng Engineering Project Management Co., Ltd. (hereinafter referred to as "Science Engineering")	Wholly-owned subsidiary	1	100.00	100.00
Chengde Dongfeng Investment Co., Ltd. (hereinafter referred to as "Dongfeng Investment")	Wholly-owned subsidiary	1	100.00	100.00
Nanjiang Asia Investment Co., Ltd. (hereinafter referred to as "Nanjiang Asia")	Wholly-owned subsidiary	1	100.00	100.00
Chengde Kefeng Trading Co., Ltd. (hereinafter referred to as "Kefeng Trading")	Wholly-owned subsidiary	1	100.00	100.00
Hangzhou Dongfeng Technology Co., Ltd. (hereinafter referred to as "Hangzhou Dongfeng")	Wholly-owned subsidiary	1	100.00	100.00
Dongguan Dongfeng Technology Development Co., Ltd. (hereinafter referred to as "Dongguan Dongfeng Technology")	Holding subsidiary	1	100.00	100.00
Chengde Kefeng Aerospace Technology Development Co., Ltd. (hereinafter referred to as "Kefeng Aerospace")	Wholly-owned subsidiary	1	100.00	100.00
Dongguan Dongfeng Power Technology Co., Ltd. (hereinafter referred to as "Dongfeng Power")	Holding subsidiary	1	100.00	100.00
Chengde Dongfeng Ecological Agriculture Co., Ltd. (hereinafter referred to as "ecological agriculture")	Wholly-owned subsidiary	2	100.00	100.00
Chengde Nanjiang Technology Co., Ltd. (hereinafter referred to as "Nanjiang Technology")	Wholly-owned subsidiary	2	100.00	100.00
Chengde Huijing Property Services Co., Ltd. (hereinafter referred to as "Huijing Property")	Wholly-owned subsidiary	2	100.00	100.00

Subsidiary name	Subsidiary type	level	Shareholding ratio (%)	Proportion of voting rights (%)
Dongguan Zhongchuang New Energy Technology Co., Ltd. (hereinafter referred to as "Zhongchuang New Energy")	Holding company	2	60.98	60.98
Dongguan Dongfeng Intelligent Technology Co., Ltd. (hereinafter referred to as "Dongguan Dongfeng Intelligent")	Wholly-owned subsidiary	2	100.00	100.00
Dongguan Aolin New Materials Co., Ltd. (hereinafter referred to as "Aolin New Materials")	Holding company	2	62.00	62.00
Dongguan Haizhuo Energy Technology Co., Ltd. (hereinafter referred to as "Haizuo Energy")	Holding company	2	62.00	62.00

**Notes:**

(1) The company transferred 100% equity of Nanjiang Trade to Chengde County Chengjin Trading Co., Ltd. on August 14, 2018. Therefore, Nanjiang Commerce and Trade will no longer be included in the consolidated balance sheet, but according to the Accounting Standards for Business Enterprises. No. 33 - Consolidated Financial Statements stipulates that if the parent company disposes of the subsidiary during the reporting period, it shall include the income, expenses and profits of the subsidiary from the beginning of the period to the disposal date into the consolidated income statement, which shall be from the beginning of the subsidiary to the disposal date. Cash flows are included in the consolidated cash flow statement. Therefore, the income, expenses and profits of the Nanjiang Trading from the beginning of the period to the disposal date are still included in the scope of consolidation.

(2) Dongguan Dongfeng Power Technology Co., Ltd. is the holding company of Dongguan Dongfeng Technology acquired on August 28, 2018. On December 25, 2018, Dongguan Dongfeng Technology transferred it to the company to become a holding subsidiary.

(3) Dongguan Haizhuo Energy Technology Co., Ltd. is a holding company that increased its capital and shares on March 6, 2018.

1. Subsidiaries newly included in the consolidation scope in this issue

Name	Reason for change
Dongfeng Power	Business combination under the same control
Haizhuo Energy	Business combination not under the same control

2. In the current period, there are no special purpose entities that are newly included in the scope of consolidation, and business entities that form control rights through trusteeship or lease.

3. Subsidiaries that are no longer included in the consolidation period

Name	Reason for change
Nanjiang Trading	diposal

4. In the current period, there are no special-purpose entities that are no longer included in the scope of consolidation, and those that lose control by entrusted operations or leases.

5. For details of the subject of the scope change, see "Note VII. Changes in the scope of consolidation".

### **III. Basis for preparation of financial statements**

#### **1. Preparation basis**

The financial statements were prepared on the basis of transactions and other events that actually occurred, in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance and revised with the specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

#### **2. Continuation**

There will be no such events or situations in the 12 months from the end of the reporting period that will cause material doubts as to the continuation capability of the Company.

### **IV. Significant Accounting Policies and Accounting Estimates**

#### **1. Statement for Compliance with Enterprise Accounting System**

The financial statements prepared by the Company fully comply with Accounting Standards for Business Enterprise and demonstrate truly and completely the financial status of the Company and the Group, operating performance and cash flow.

#### **2. Accounting period**

The fiscal year of the Group runs from January 1 to December 31 of each calendar year.

#### **3. Reporting Currency**

RMB is adopted as the functional currency of the Group.

#### **4. Accounting methods for corporate merger under the same control and not under the same control**

**(1)The terms, conditions and economic impact of the various transactions in the process of enterprise merger are in accordance with one or more of the following conditions, we will deal with multiple transactions as a package deal when making accounting treatment □**

- a. These transactions are made at the same time or considering the effects of each other
- b. These transactions only in entirety can achieve a complete business results only when
- c. The occurrence of a transaction depends on the happening of at least one other transaction
- d. A single transaction is not economical, but it is economical when being considered together with other transactions

#### **(2)Business combinations involving entities under common control**

For a business combination involving enterprises under common control, assets and liabilities that are obtained in a business combination is measured at the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at

combination date, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total par value of shares issued) is adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. Business combinations involving entities under common control achieved in stages that involves multiple transactions.

In the separate financial statements, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between initial investment cost and original investment carrying amount prior combination plus newly paid consideration at the combination date is adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

In the consolidated financial statements, assets and liabilities that are obtained in a business combination are measured at their carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the original investment carrying amount prior combination plus newly paid consideration at the combination date and the carrying amount of the net assets obtained is adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The long-term equity investment of the absorbing party prior to combination, profit or loss, other comprehensive income and changes of other owners' equity recognized between the later of combination date and the date that the absorbing party and the absorbed party are under common ultimate control are offset the opening retained earnings or profit or loss for the current period in the comparative statement.

### **(3)Business combination involving entities not under common control**

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquire. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquire are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its costs minus the accumulative impairment provisions. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

Business combinations involving entities not under common control achieved in stages that involves multiple transactions. In the separate financial statements, the initial investment cost is the sum of the carrying amount of equity investment of the acquire held prior to the acquisition date and the additional investment cost at the acquisition date. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized is not changed on the combination date and is accounted for on the same basis as would have been required if the investor had directly disposed of the related assets or liabilities. The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution are transferred to profit or loss for the current period when

disposing the investment. For the previously-held equity investment which was accounted for using fair value, the accumulated changes in fair value included in other comprehensive income is transferred to profit or loss for the current period upon commencement of the cost method.

In the consolidated financial statements, the cost of business combination is the sum of the consideration paid at the acquisition date plus the fair value of equity investment of the acquiree held prior to the acquisition date. The cost of equity investment of the acquiree held prior to the acquisition date is re-measured at the fair value at the acquisition date, the difference between the fair value and carrying value is recognized as profit or loss for the current period. Other comprehensive income and changes of other owners' equity from the equity interest held in the acquiree prior to the acquisition date are transferred to profit or loss for the current period except for other comprehensive income due to the movement of net liabilities or assets in the investee's re-measurement defined benefit plan.

#### **(4) Transaction costs for business combination**

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss for the current year when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

The assets and debts acquired by the Group (as the merging party) through merging with other enterprises under common control shall be measured as per the book value of the merged party in the consolidated financial statements of the ultimate controller on the day of merger. The difference between the book value of net assets acquired and the book value of the combination paid is used to adjust the capital reserves, and the retained earnings are adjusted in case of insufficient capital reserves.

Regarding combination not under common control, the recognizable assets, liabilities and contingent liabilities of the seller are measured upon fair value on the purchase day. The merger cost is the sum of cash or the fair value of non-cash assets, issued or borne debts and issued equity securities paid by the Group for acquiring the control over the acquired on the purchase day and all of the expenses incurred to the Group directly relevant to the merging. In case of merging by step, the merger cost is the sum of the cost of every single transaction. Where the merger cost is more than acquired definable net assets fair proportion of the acquired, the balance is recognized as goodwill. Where the merger cost is less than acquired definable net assets fair proportion of the acquired, the definable assets, debts, fair value of contingent liabilities and the fair value of the non-cash assets or issued equity securities as merger consideration are rechecked first, and in case the merger cost is less than acquired definable net assets fair proportion of the acquired after recheck, the balance is included in current nonrevenue receipt.

## **5. Preparation method of consolidated financial statements**

The consolidation scope for financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

The Group incorporates all of the subsidiaries and structured entities under its control into the consolidated financial statements.

For any difference occurring in accounting policies and accounting periods between the Company and its subsidiaries when preparing consolidated financial statements, necessary adjustments shall be made based on accounting policies and periods of the Company.

The company prepare consolidated financial statements based on its own and the subsidiaries' financial statements as well as other relevant information. In the preparation of the consolidated financial

statements, the group are identified as an accounting entity to reflect the overall financial position, operating results and cash flow, according to the requirements of the related accounting standards for business enterprises recognition, measurement and presentation, in accordance with the unified accounting policy.

All the subsidiaries in the consolidation scope are as consistent in subsidiary accounting policies, accounting period with the company. If those above are inconsistent, when preparing the consolidated financial statements, it need make necessary adjustments according to the company's accounting policies and accounting period .

In the process of consolidation, it is necessary to offset the impact on consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity which are caused by occurrence of insider trading between the company and subsidiary and also between each subsidiary. If there is different opinion on the identity of the same transaction when standing on the point of the consolidation statement on the enterprise group or which the company and subsidiary are the main body of accounts , it need make adjust from the perspective of the enterprise group.

The balance which are formed because that the loss minority shareholders bear in the current period are more than the share of the owner's equity minority shareholders have in the early period, offset the interests minority shareholders have. For the subsidiary acquired in a business consolidation under the same control , adjustment is made based on its book value in the financial statements with ultimate control. For the subsidiary acquired in a business consolidation not under the same control, adjustment is made based on the fair value of the identifiable net assets on purchasing day.

The acquired in a business combination under the same control subsidiary, with its assets and liabilities (including the ultimate controlling party acquisition of the subsidiaries and the formation of goodwill) adjustment is based on its financial statements on financial statements in the book value of ultimate control.

For the subsidiary companies under the control of non-identical control, the fair value of the identifiable net assets of the company is adjusted on the basis of the fair value of the net assets.

Where the Group disposed part of long-term equity investment in the subsidiaries without losing control over of such subsidiaries, in the financial statements, the balance between the income from disposal and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of merger is adjusted as the capital stock premium of the capital public reserve and retained earnings is adjusted in case of the capital public reserve not enough for deduction.

Where the Group lost the control over the invested party for such reason as disposing partial equity investment, the remaining equity was re-measured as per the fair value of such equity on the day of losing controlling right when preparing the consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of merger is included in the investment income for the period and the goodwill is deducted. Other consolidated income related to the equity investment of the original subsidiary shall be transferred into current investment profit and loss upon losing control.

Where the Group lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the

disposed long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profits and losses of current period at the time of losing control.

## **6. Classification of joint arrangement and accounting methods for joint operation**

The joint arrangement of the Group includes joint operation and joint venture. For jointly operated projects, the Group as a partner recognizes the assets and debts it holds independently and proportionally as well as recognizes the income and expenses as agreed. Where purchase and sale of an asset during joint operation does not constitute a business, only the part in the profits and losses from the transaction belonging to other partners is recognized.

### **(1) Category of the joint arrangement**

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The joint arrangement achieves not through the individual main body should be divided as joint operation. Individual main body refers to the entity owns individual distinguishable financial structure, including the individual legal entities and the entities without legal entity qualification but gains the legal permits. The joint arrangement achieves through individual main body is usually divided into the joint venture, but for the joint arrangement with definite evidence vindicates that meet with any condition of the followings and meet with the regulations of the relevant laws and regulations should be divided into joint operation; the legal form of other joint arrangement indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; the clauses of the contacts of the joint arrangement agrees that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; other relevant facts and situation indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement, for example, the jointly owned party enjoys almost all of the output related to the joint arrangement and the liquidation of the liabilities of the arrangement constantly depends on the support of the jointly owned party. It's forbidden to regard the jointly owned party which provides the liabilities for the joint arrangement as it has the responsibility to bear the relevant liabilities. For the jointly owned party takes the responsibility to pay the attributive obligations for the joint arrangement, not be considered to undertake the relevant liabilities related to the arrangement. For the relevant facts and the changes of the situation leads the rights enjoyed and the liabilities undertook amount the joint arrangement change, the Group should re-assess the category of the joint arrangement. For the structure agreement setting various joint arrangements for achieving different activities, the Group respectively recognizes each category of the joint arrangement.

For the details of the basis of recognizing the joint control and the accounting policies of the measurement of the joint venture, please refer to Notes (IV) 13.

### **(2) Accounting treatment of joint operations**

The following projects related to the interests portion among the joint operation recognized by the Group and be executed according to the regulations of the relevant ASBE: recognizes the assets held alone and the assets joint held by recognizing according to the portion; recognizes the jointly-held assets and jointly-borne liabilities according to the Group's stake in the joint operation; recognizes the

income from sale of the Group's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Group's stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

When the Group, as a joint operator, transfers or sells assets (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognize the loss. When the Group, purchases assets from the joint operation (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

If the Group attributes to the participate party without joint control on the joint operation, if enjoys the relevant assets and undertakes the relevant liabilities of the joint operation, should execute accounting treatment according to the above principles; otherwise, should execute the accounting treatment according to the accounting policies of the measurement of the financial instruments or the long-term equity investment formulated by the Group.

## **7. Recognition standard for cash and cash equivalents**

Cash in the Cash Flow Statement refers to cash in hand and deposits which can be used for payment at any time. Cash equivalents in the Cash Flow Statements refer to short-lived (generally not more than 3 months) 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. Foreign currency businesses and translation of foreign currency financial statements**

### **(1) Accounting treatments for translation of foreign currency transactions**

The transactions denominated in foreign currency of the Group are converted in the initial recognition at the rate which is approximate to the spot exchange rate on the transaction day, which shall be the spot exchange rate of the beginning of the month when the transaction occurs.

On the balance sheet date, the monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date, and the balance between the spot exchange rate at the balance sheet date and the rate in the initial recognition or on the last balance sheet date is included in current profits and losses except for 1) the balance from exchange of specific borrowings that is capitalized and included as part of the cost qualifying asset; 2) the balance from exchange of hedge instrument adopted for evading the exchange risks that is treated according to hedge accounting; 3) the balance from exchange arising from the foreign currency non-monetary items available for sale (e.g. the stock) and that arising from the change in the book value of the monetary items available for sale except for amortized cost is recognized as other comprehensive income. Non-monetary items of foreign currency measured by historical cost still adopt spot exchange rate of transaction date for conversion with functional currency amount unchanged. As for the foreign currency non-monetary items measured by fair value, the spot exchange rate on the date when the fair value is confirmed is adopted for conversion.

The amount differences between functional currency amount after conversion and the original functional currency amount, processed as fair value changes (including change in exchange rate), are recognized into current profits and losses or recognized into other comprehensive incomes.

## **(2) Translation of foreign currency financial statements**

The asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as “retained earnings”, others shall be translated at the spot exchange rate ruling at the time when they occurred. The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate (calculated by the average of starting rate and closing rate on the reporting period) ruling at the transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

Disposal in overseas business, the balance sheet items of other comprehensive income is presented, and the overseas business translation of foreign currency financial statements related to difference from other comprehensive income items into the disposal of profits and losses of the current period; in the disposal of equity investment or other reasons lead to hold environment operating outside the ratio of equity to reduce but not a loss of overseas business control, and the offshore disposal operations in part related to the translation of foreign currency statements difference will belong to minority interests. Do not turn into the profits and losses of the current period. When dealing with overseas operations as an affiliated enterprise or part of the equity of the joint venture, the foreign currency statement translation difference with the overseas operation shall be transferred to the current profit and loss.

## **9. Financial tools**

Financial instruments include financial assets, financial liabilities and equity instruments.

### **1. Categories of financial Tools**

The Company divides the financial assets into four categories: financial assets measured at fair value and their variations are recognized as current gain/loss, including trade financial assets or financial liabilities and recognized directly as financial assets measured at fair value and their variations are recognized as current gain/loss; Investment hold till expiration; loans and account receivable; saleable financial assets. The company divides the financial liabilities into two categories: financial liabilities measured at fair value and their variations are recognized as current gain/loss; other financial liabilities.

### **2. Recognition and measurement of financial tools**

(1) Financial assets and liabilities measured at fair value and their variations are recognized as current gain/loss

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) is recognized as initial amount when obtained.

Interests or cash dividends during the period of holding are recognized as investment gains. The fair value will be adjusted and accounted as current gain/loss.

When disposed, the differences between fair value and initial amount are recognized as investment gains, and thus adjust the gain/loss of fair value.

#### **(2) Account receivable**

Receivables are non derivative financial assets that are not available in the active market and are fixed or determined by the amount of the recovery.

The receivable debts of selling goods or providing services, and the credits of other company hold

by the company not including the debt which has price in active market, including accounts receivable, notes receivable, prepaid accounts, other receivables, long-term receivables, etc. The contract or agreement price charging from purchaser should be taken as the initial confirmation amount; if it has the nature of financing, it should be confirmed according its current value.

When retrieved or disposed of, the difference between the actual received amount and the book value is accounted as current gain/loss.

### (3) Investment hold till expiration

The fair value (after deducting of due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest gains will be calculated at amortizing of costs and actual interest rate (the face rate is adopted when the difference between the actual rate and face rate is minor) during the period of holding, and accounted as investment gains. Actual rate is recognized when obtained, and is not changed in the predictable holding period or applicable shorter period.

When disposed, the difference between the obtained price and book value is accounted as investment gains.

If the company sells or reclassifies large-amount due investments before the expired date (large amount refers to comparing with the amount before the selling or reclassifying the investments), the company will reclassify the rest of the investments as financial assets for sale, and in the current accounting period or within two complete accounting years, no financial assets will be classified as holding due assets, except for the following situations: the sale date or reclassification date is close to the expired date of the investment (such as three months before the expired), and the change of interest rate has no significant influence on the fair value of the investment; after all the initial principal is mostly recovered according to periodic payments or repay in advance regulated in the contract, the rest part will be sold or reclassified; the sale and reclassification is caused by the independent events which are uncontrollable and unexpected and will not happen anymore.

### (4) Saleable financial assets

The fair value (after deducting of announced but not distributed cash dividend or due but not obtained bond interests) plus the related trade expenses is recognized as initial amount when obtained.

Interest or cash dividend occurred during the period of holding is recognized as investment gains. Change of fair value is accounted as capital reserves (other capital reserves) at the end of term.

When disposed, the difference between the obtained price and book value is accounted as investment gains.

Meanwhile, the corresponding part of accumulated change of fair value accounted as owners' equity is transferred into investment gain/loss.

### (5) Other financial liabilities

Other financial liabilities are recognized initially at the sum of fair value and related trade expenses. Successive measurement will be on the basis of amortized costs.

### (6) Investment hold till expiration by the company to sell or reclassified as available for sale financial assets

If the amount of held to maturity investment disposal or re-classified as other financial assets, are relatively larger than maturity investment all held by the company before sale or re-classification, it is necessary to re-classify the rest of held to maturity investment as available-for-sale financial assets immediately after disposal or sale. However, the following circumstances are excluded:

- a. the date of sale or the date of reclassification is relatively close to the date of maturity or

redemption date of investment (e.g., within three months prior to the expiration date), and the change in the market interest rate has no significant effect on the fair value of the investment;

b. in accordance with the terms of payment agreed upon in the contract, the enterprise has recovered almost all initial principal;

c. the sale or reclassification is caused by an uncontrollable event that the company is unable to control, which is not expected to recur and is difficult to reasonably predict.

### 3. Recognition and measurement basis of financial asset transposition

When financial asset transposition occurred, the recognition of this particular financial asset is terminated if almost all risks and rewards attached to the asset have been transferred to the acceptor. If retain all the risks and rewards of ownership of financial assets, the financial assets can be confirmed.

When determine whether the transfer of financial assets meet the conditions of confirmation of the above financial assets, the principle of substance being more important than form should be adopted. The transfer of financial assets can be divided into overall transfer and part transfer of financial assets. If the transfer of financial assets meet the conditions of terminating confirmation, the following the difference of the two amounts will be included in the current profit and loss: a. Book value of the financial asset to be transposed; b. The sum of price received due to the transposition, and the accumulation of change in fair value originally accounted as owners' equity (when the asset to be transposed is saleable financial asset).

If part transfer of financial assets meet the conditions of terminating confirmation, the book value of the transferred financial assets, the difference between the confirmed part and the unconfirmed part (in this case, the service assets retained should be deemed as the part of unconfirmed financial assets), should be amortized in accordance with their relative fair value, and the difference between the following two amount should be included current profit and loss:

a. Book value of the confirmed part;

b. All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market.

If the transfer of financial assets does not meet the conditions of terminating confirmation, the financial assets should be confirmed again, the prices received will recognized as financial liabilities.

### 4. The conditions to stopping the financial liabilities

The obligation of financial liabilities are already cancelled which should be stopped confirming the financial liability or the part of it. Our company could stop confirming the currently financial liability and begin to confirm the newly financial liability if the loaner made an agreement that they would assume the new way of financial liability which replace the current one, and make sure the newly financial liability is totally different from the old one in contract with our company. Stop admitting the financial liability or a part of it, and at mean time we could admit the newly financial liability which is in new insertions of contract as the newly financial liability if the current financial liability has been revised.

Stop admitting the balance of value of financial liability and consideration (Including the roll-out of non-cash assets or financial liabilities) which could be consider as current profits and losses.

Stop and continue admitting a part of value, and distribute the value of financial liability, if our company repurchased the part of financial liability. And the balance of value of which distributed to the part of stopping admitting and paid (Including the roll-out of non-cash assets or financial liabilities) which could be consider as current profits and losses.

### 5. Recognition basis of financial assets and financial liabilities

All fair values of financial assets and financial liabilities are recognized with reference to the price in the active market (Using valuation technique, etc.) .

#### 6. Impairment provision for financial assets

##### (1) Impairment provision for financial assets for sale:

If the fair value of financial assets for sale greatly drops at the end of the period, or after considering all the relevant factors and expecting decrease trend is non-temporary, the impairment should be confirmed, and the accumulative loss formed by the decrease of fair value of owner's equity originally included should be transferred out altogether and confirmed as impairment loss.

##### (2) Holding the impairment provision of expired investments:

The measurement of holding the impairment provision of expired investment will be according to the method of the measurement of impairment provision for receivables.

#### 7. Offset between financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are separately shown in the balance sheet and not allowed to offset.

### 10. Provision for bad debts of accounts receivable

#### (1) Receivables of individual account with significant amount and accrued provision for bad debt

##### Recognition Criterion for individually significant amounts:

The receivables with more than RMB 1 million shall be recognized as the significant receivables;

##### The accruing method of the receivables with individually significant amounts:

The Group should make the impairment test separately or in combination and accrue the bad debt provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

#### (2) Accounts receivable accrued bad debt provision by portfolio

##### a. The basis for determining the characteristics of credit risk:

For accounts receivable of which the single amount is not significant, together with which the single amount is significant by testing alone without impairment, are divided into several portfolio according to the characteristics of credit risk. considering the the actual loss rate of receivable portfolio of significant individual amount of receivables with division according to the features of credit risk with similar credit risk characteristics in previous years and the situation in the year, we determined the amount of provision.

The basis for determining the portfolio:

Portfolio name	provisioning approach	The basis for determining the portfolio
Portfolio of related party in consolidation	no provision for bad debts	Portfolio of related party in consolidation
No risk portfolio	no provision for bad debts	According to the nature of the business, identified as no credit, including employees public reserve fund, social security, payment in advance and employee loan

Portfolio of the aging analysis method	aging analysis method	Accounts receivable besides the portfolio mentioned above, company make a best estimate on the proportion of accounts receivable according to the previous experience, and carry on the classification on credit risk portfolio considering the age of receivables
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**Accounting aging analysis method:**

Use the accounting aging of the receivables as the credit risk characteristics to classify the portfolio. Accrue the bad debt provision by accounting aging analysis method .

Aging	Proportion for Provision for bad debt (receivable) %	Proportion for Provision for bad debt (other receivable) %
Within 1 year	5	5
1-2 years	20	20
2-3 years	50	50
Over 3 years	100	100

**(3) Individually insignificant amount accounts receivable but accrued bad debt provision**

**Recognition Criterion for individually insignificant amounts:**

Where there are obvious evidences suggesting impairment: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time.

**The accruing method of the receivables with individually insignificant amounts:**

The Group should make the impairment test separately or in combination and accrue the bad debt provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

**11. Inventory**

The inventories of the Group include mainly property development products, raw materials, commodity stocks, low-value consumables and others.

The property development products include the properties under construction (including the land to be developed) and as-built properties (including the leased property available for sale). Actual costs of real estate development products include land-transferring cost, supporting infrastructure cost, construction & installation cost, loans before completion of the development projects and other relevant cost during development. Actual costs of delivered real estate development products are determined by specific identification of costs.

Actual cost accounting is adopted for construction contract, including direct costs and indirect costs from contract signing to completion of the contract and related to fulfillment of the contract. The net amount after the offset of accumulated cost and accumulated recognized gross profits (loss) for the properties under construction and the settlement is listed as net amount after offset in the balance sheet. Where the sum of accumulated cost and accumulated recognized gross profits (loss) for the properties under construction is more than the settlement, the balance is listed as inventories; where the latter is more than the former, the balance is listed as unearned revenue.

Travel expenses, tender expenses, etc. for construction contract signing can be separately distinguished and reliably calculated. For contracts probably to be concluded, expenses are recognized

into contract cost upon receiving the contract; otherwise, expenses are recognized into current profits or losses.

One-off amortization method is adopted for receipt of low-value consumables and other inventories.

The ending inventory is measured by the cost and net reliable value whichever is lower. When the net reliable value of the property development product is less than the cost, the inventory falling price reserve shall be withdrawn. Net reliable value refers to the amount of the predicted sale price less predicted as-built cost and expenses arising from sale and taxes during normal production and operation process. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made and take into consideration the purpose for which the inventory is held and the influences of events occurring after the balance sheet day.

After the accrual of devaluation provision for inventory, where affecting factors for former write-down of inventory value has disappeared, the write-down amount shall be recovered and reversed in the formerly accrued depreciation provision amount, and reversed amount shall be included in current profit or loss and reversed amount shall be included in current profit or loss.

## **12. Divided as assets held for sale**

### **(1) Recognition criteria of the assets held for sale**

The Group recognizes the enterprise compose part (or the non-current assets, similarly hereinafter) that simultaneously meets with the following conditions as assets held for sale:

- a. The compose part must be immediately sold only according to the usual terms of selling the compose part of this kind under the current conditions;
- b. The relevant power institutions of the Group had made agreement on disposing the compose part, if receive the approval from the shareholders according to the rules, which equals to had received the approved of the Annual General Meeting or the corresponding power institution;
- c. The Group has signed the irrevocable transfer agreement with the assignee;
- d. The sale transaction is highly probable to be completed within one year.

### **(2) Accounting treatments of the assets held for sale**

Non-current assets held for sale include single-item assets and disposal groups. Where a disposal group is an asset group and the goodwill obtained in the business combination is apportioned to the asset group according to the “Accounting Standard No. 8 for Business Enterprises—Asset Impairment”, or a disposal group is an operation in such an asset group, the disposal group shall include the goodwill in the business combination.

As for the non-current assets and disposal group which be classified held for sale by the Group, shall be measured at the lower one of the net amounts of the book value and the fair value after deducting the disposal expense. If the net amount the fair value minuses the disposal expenses is lower than the original book value, the difference should be included in the current gains and losses as the assets impairment losses; if the held for sale is the disposal group, the assets impairment losses should be firstly distributed to the goodwill and then included in the current gains and losses by amortized according to the proportion and attributed to the other non-current assets within the held for sale assets scope. The deferred income tax assets, the financial assets standardized by No.22 of ASBE-Recognition and Measurement of Financial Instruments, investment property and biological assets measured by fair value, contacts rights occurred from the insurance contacts and the assets occurred from the employee benefits are not suit for the held.

### 13. Long-term equity investments

The long-term equity investment of the Group includes mainly the investment to the subsidiaries, associated enterprises and joint ventures.

The basis for the Group to define joint control is that all participating parties or the combination of the parties control the arrangement jointly and the policies relevant to the activities of the arrangement must be agreed by such parties.

The Group will be generally deemed to have significant impact on the invested entity if the Group holds 20% (inclusive) to 50% of voting right of an invested entity directly or indirectly through its subsidiaries. Where the Group holds less than 20% of voting right of an invested entity, the Group's significant impact on the invested entity will depend on whether the Group has its representative in the Board of Director or any similar organ of power of the invested entity, whether the Group participates in the formulation of financial and operation policies of the invested entity, whether the Group has important deals with the invested entity, whether the Group dispatches management personnel to the invested entity or whether the Group provides the invested entity with key technical data.

Any entity under the control of the Group is the subsidiary of the Group. The long-term equity investment acquired through merging with an enterprise under common control, the book value of net asset of the acquiree in the consolidated financial statements of the ultimate controller on the day of merger is taken as the initial investment cost of the long-term equity investment. Where the book value of net asset of the acquiree on the day of merger is negative, the cost of the long-term equity investment is recognized as zero.

Where the long-term equity investment is acquired through merging with an enterprise not under common control, the merger cost is taken as initial investment cost. The merger cost is the fair value of the assets given, debt assumed or borne and equity securities issued by the Group for acquiring the controlling right of the acquiree on the day of merger.

Aside from the above long-term equity investment acquired by the merger of enterprises, long-term equity investment acquired by cash payment adopts the actual paid purchase amount as the investment cost; long-term equity investment acquired by issuance of equity securities adopts the fair value of issued equity securities as the investment cost; long-term equity investment invested by investors adopts the value reached in the investment contract or agreement as the investment cost.

The investment of the Group to the subsidiaries is calculated with cost method, and equity method is applied for joint ventures and associated enterprises.

For the long-term equity investment with cost method applied for subsequent measurement, in case investment is added, the book value of the long-term equity investment cost is added with the fair value of additional investment cost and resulting transaction expenses. The cash dividend or profit distributed by an invested entity is recognized as current return on investment based on the distributed amount.

For the long-term equity investment with equity method applied for subsequent measurement, the book value of the long-term equity investment is increased or decreased with the change in the ownership equity of the invested entity. The proportion of net profit or loss of the invested company to be enjoyed or assumed by the Group is confirmed by taking the fair value of recognizable assets of the invested company upon obtaining the investments as the base, and offsetting the proportion of internal transaction profits and losses occurring between the associated enterprises and joint ventures which is due to the investing enterprise according to shareholding proportion and adjusting the net profit of the invested unit.

For disposal of long-term equity investment, the difference between the book value and the actual received payment shall be recognized into current income. For the disposal of the long-term equity

investments which are calculated with equity method and recognized into the owner equity due to the changes in owner equity other than the net profits and losses of the invested company, the part initially recognized into the owner equity shall be carried over to current income and losses in corresponding proportion.

Where losing joint control over or significant impact on the invested entity is a result of such fact as disposing partial equity investment, the remaining equity is calculated as the finance asset available for sale and the balance between the fair value and the book value of the remaining equity on the day of losing joint control or significant impact is included in current profits and losses. For other comprehensive income of the original equity investment recognized with equity method, the basis same as that of the invested entity directly disposing relevant asset or debts is applied for accounting when the equity method is ceased to be used.

Where losing control over the invested entity is a result of disposing partial long-term equity investment and the Group has a common control over or have significant impact on the invested entity by using the remaining equity, the equity method is applied, the balance between the book value and disposal consideration of the disposed equity is included in the return on investment, and the remaining equity is adjusted as if it was calculated with equity method since the acquiring of such equity. In case the Group cannot have a common control over or have significant impact on the invested entity by using the remaining equity, regulations for financial assets available for sale are applied and the balance between the book value and disposal consideration of the disposed equity is included in the return on investment, and the balance between the fair value and book value of the remaining equity on the day of losing control is included in current profits and losses.

#### 14. Investment property

The investment property of the Group includes the leased land use right, the land use right it is entitled to for assignment after appreciation, the leased properties and the properties it holds for sale. Cost model is applied for measurement.

The investment property of the Group is amortized with the average service life method. Estimated service life, net residual value rate and annual amortization rate of investment property are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
land usage rights	50 years	0.00-10.00	1.80-2.00
House and Building	20-28 years	0.00-10.00	3.56-4.50

After initial recognition, the Company adopts the cost model to measure its investment properties. The Company amortizes or depreciates its investment properties measured using cost model in the same way as fixed assets and intangible assets. If the Group had definite evidence indicated the usage of the property had changed, when transferring the self-used real estate or the inventories as the investment real estate or transferring the investment real estate as the self-used real estate, the book value before the transfer should be regarded as the entry value after transfer.

The Group values the investment property measured using cost model at the lower of its cost and its recoverable amount at the end of the period. Where the cost exceeds the recoverable amount, the difference shall be recognized as impairment loss. Once a provision for impairment loss is made, it cannot be reversed.

An investment real estate is derecognized on disposal or when the investment real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment real estate less

its carrying amount and related taxes and expenses is recognized in profit or loss in the period in which it is incurred.

## 15. Fixed assets

The Group's fixed assets are tangible assets that: (1) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; (2) have useful lives more than one year; and (3) have unit value more than RMB 2,000.

The fixed assets can be recognized only when their economic interests may flow into the Group and their costs can be reliably measured. Fixed assets of the Group are classified as houses and buildings, machines and equipment, transportation equipment, office facility, etc.

All fixed assets, apart from those fixed assets that have been depreciated and accrued but are still in use and those lands that are transferred into fixed assets separately according to actual values, are depreciated and accrued by the Group. The average service life method is applied for accrual of depreciation.

The classification, depreciation years, estimated net residual value rate and depreciation rate of fixed assets are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
House and Building	20-28 years	5.00	3.39-4.75
Machinery equipment	4-5 years	5.00	19.00-23.75
Transportation equipment	5-20 years	5.00	4.75-19.00
Other equipment	3-5 years	5.00	19.00-31.67

The Group shall check the useful life of fixed assets, expected net salvage value and depreciation method not later than the end of the year. Any change will be disposed as accounting estimation change.

## 16. Construction in progress

The valuation of the construction in progress: recognizes the engineering cost according to the cost actual occurred. The cost of construction in progress also includes the borrowing expenses and exchange gains and losses which should be capitalized.

The company should transfer the construction in progress into fixed assets when the construction in progress is ready for their intended use. If the built construction had reached the state ready for intended use but had not settled the fixed assets of completion settlement, should be recognized as fixed assets according to the estimated value as well as withdrawn and depreciated; after executing the completion settlement procedure, it should adjust the original provisional estimate value according to the actual cost but not the original withdrawn depreciation amount.

Impairment of construction in progress refers to accounting policy "Long-term assets impairment" of the Group.

## 17. Borrowing costs

### (1) Recognition principles for capitalization of borrowing costs and capitalization period

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. When the borrowing costs can be directly attributable to the construction or production of assets eligible for capitalization, and the asset disbursements or the borrowing costs have already incurred, and the construction or production activities which are necessary to prepare the asset for its intended use or sale

have already started, the capitalization of borrowing costs begins. When the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recognized as expenses when incurred.

The assets which can fulfill the principles for capitalization refers to fixed assets, investment property and inventories which need a long time to be in use or for sale .Capitalization of borrowing costs starts when:

a. The assets expenditures have incurred. Asset expenditures include the payment of cash, transfer of non-cash assets or the occurrence of interest bearing debt in the form of assets that are in line with the conditions of capitalization for the purchase and construction or production;

b. The borrowing costs have incurred;

c. The acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced.

### **(2) Capitalization of borrowing costs**

The period of capitalization refers to the period from the start point of capitalization to the stop point of capitalization, the suspension period is not included.

When the assets in construction or production which can meet the capitalization conditions were in use or sale status, the cost of borrowing need stop the capitalization.

When the assets in construction or production which can meet the capitalization conditions were partly completed and can be used separately, the cost of borrowing need stop the capitalization.

Each part of the assets in construction or production are respectively completed, and it can only be used or sold after the completion of the whole, at the time when the asset wholly completed need the cost of borrowing stop the capitalization.

### **(3) Suspended during the period of capitalization**

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs should be recognized directly in profit or loss during the current period. However, capitalization of borrowing costs during the suspended periods should continue when the interruption is a necessary part of the process of bringing the asset to working condition for its intended use.

### **(4)Calculation method of capitalized amount of borrowing costs**

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average rate of the general borrowings.

During the period of capitalization, the exchange balance on foreign currency special borrowings shall be capitalized; the exchange balance on foreign currency general borrowings shall be recorded into current profits and losses.

## **18. Biological Assets**

The biological assets in the company are consumptive biological assets and productive biological assets. Consumptive biological assets include baby breeding and fat breeding. Productive biological assets are hens.

Biological assets are recognized only when the following criteria are met simultaneously:

- (1) The company acquired the biological assets because of past transactions or events.
- (2) The potential economic benefits generated by the biological assets may flow into the company
- (3) The cost of biological assets can be calculated reliably

The purchase and disposal of biological assets: the costs of biological assets after the transfer of purpose are same as the book value before the transfer of purpose; When biological assets are sold, destroyed or have inventory loss, the differences between the proceeds of disposal and the book value plus relevant taxes are included in the profit and loss of the current period.

The initial cost of biological assets includes purchase price, transportation cost, insurance cost, and other cost directly attributed to purchasing the assets. The initial cost of self-breeding productive biological assets (before the expected condition for use) includes breeding cost, wages and other indirect costs. Before the expected condition for use, cost of biological assets, including breeding and protection, are recorded in profits and losses of the current period.

Biological assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated useful lives. For the biological assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, residual rates and annual depreciation rates are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
Chicken and Eggs	1 years	5.00	95
Boar 、 sheep for breeding	3 years	5.00	31.67

At the balance sheet date, if potential impairment of biological assets exists, estimation of its net realizable value shall be made. Recognizing impairment loss where net realizable value below its book value. Once an impairment loss is recognized, it is not reversed in a subsequent period.

When biological assets are sold, destroyed or have inventory loss, the difference between the revenue from disposal and its book value plus relevant taxation are recorded into profits and losses of the current period.

## 19. Intangible assets

The intangible assets of the Group include the land use right and software acquired for the construction of self-used properties. The land use right acquired for daily operation is calculated as the inventory. Intangible assets are measured at actual cost upon acquisition, where, the actual cost of intangible assets purchased consists of the actual payment and relevant expenses; and the cost input by the investors in intangible assets is determined in accordance with the value stipulated in the investment contract or agreement; unless the contract or agreement stipulates that the value is not fair, then the actual cost is measured at the fair value.

Land use right is amortized averagely according to transfer term counted from transferring date; software and other intangible assets shall be amortized averagely according to the shortest term among anticipated service life, beneficiary years stipulated in contract and valid terms formulated by law. Amortized amount is included in relevant asset cost and current profit or loss by beneficiaries. Estimated

service life and amortization method of intangible assets with limited service life are rechecked at the end of each year, treatment of changes in accounting estimates is adopted for any change.

**As for the intangible assets with limited life, its service life shall be estimated at the year-end**

<b>Item</b>	<b>Amortisation periods</b>	<b>Basis</b>
Land use rights	50 years	Less than the period stated at contracts or included in other legal rights
Patent, brand, software and technology	5 years	Less than the period stated at contracts or included in other legal rights

**20. Impairment of long-term assets**

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

**21. Goodwill**

The balance of the equity investment costs or consolidation costs not under the same control greater than the fair value of the share of net assets or recognizable net assets of the invested unit or seller acquired from enterprise consolidation is recognized as goodwill.

Goodwill related to the subsidiary is separately listed on the consolidated financial statements;

goodwill related to the associated enterprises and joint ventures is included in the book value of long-term equity investment.

Impairment test is carried out for goodwill at the end of the year, no matter whether there is any sign of impairment. The goodwill was, together with the related asset group or combination of asset groups, subject to the impairment test. That is, the book value of goodwill was reasonably apportioned to the asset group or combination of asset groups which benefit from the synergy of business merger from the purchase date. If the recoverable amount of the asset group or combination of asset groups of goodwill with apportionment is less than its book value, the related impairment loss shall be recognized. Impairment loss is firstly amortized to the carrying values of goodwill in asset group or asset group portfolio, and then deducted for the carrying value of other assets in according to the percentage occupied of other assets (except goodwill) in the asset group or asset group portfolio.

## **22. Long-term deferred expenses**

The Company recognizes all expenses which have occurred during the period but shall be amortized beyond one year, such as improvement expenditures of operating leased fixed assets, as long-term deferred expenses. The Company amortizes long-term deferred expenses using straight-line method according to relevant beneficial periods.

Long term deferred expenses which have a clear benefit period are made according to the average amortization period, in other situation , amortization need be made according to the average amortization period of 5 years.

## **23. Employee remuneration**

### **(1) Accounting treatment of short-term compensation**

Employee compensation refers to the reward or compensation of various modes provided by the Group which wants to receive the service offering by the employees or to execute the release of the labor relationship. The employee compensation including the short-term salary, departure benefits, demission benefits and other long-term employee benefits. The Group provides the benefits for the spouses, children, supported families of the employees, the members of the deceased's employees and other beneficiaries, which are also employee compensations.

The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost except for those be required or permitted to included in the assets cost by other ASBE.

### **(2) Accounting treatment of the welfare after demission**

The Group divides the departure benefits plan into defined contribution plans and defined benefit plans. Benefits plan of after demission refer to the agreement between the Group and employees on the departure benefits, or the regulations or methods formulated by the Group for providing welfare after demission for the employees. Of which, defined contribution plans refers to the departure benefits plan that the Group no more undertake the further payment obligations after the payment and deposit of the fixed expenses for the independent funds; defined benefit plans refers to the departure benefits plan except for the defined contribution plans.

#### **a. Defined contribution plans**

During the accounting period when providing the service for the employees, the Group will recognize the deposited amount as the liabilities which measured by defined contribution plans and

include in the current gains and losses or the relevant assets cost.

b. Defined benefit plans

Other long-term employee benefits the Group had not executed the defined contribution plans or met with the conditions of defined benefit plans.

**(3) Accounting treatment of the demission welfare**

When the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the demission welfare, should recognize the payroll liabilities from the demission welfare and include in the current gains and losses.

**24. Estimated liabilities**

When the businesses related to contingencies like external guarantee and pending actions or arbitration conform to the following conditions at the same time, they will be recognized as the debt by the Group: the obligation is the current obligation undertaken by the Group; the implementation of such obligation may probably cause the outflow of economic interests from the Group; and the amount of that obligation can be measured reliably.

**(1) Recognition criteria of estimated liabilities**

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions: That obligation is a present obligation of the enterprise; It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation; A reliable estimate can be made of the amount of the obligation.

**(2) Measurement of estimated liabilities**

To fulfill the present obligations, which initially measured by the best estimate of the expenditure required to settle the liability. Where there is a continuous range of possible amounts of the expenditure required to settle the liability, as all kinds of possibilities are at same level, the best estimate should be determined according to the average of the lower and upper limit of the range. In other cases, the best estimate should be determined in accordance with the following methods:

Where the contingency involves a single item, the best estimate involves a single item, the best estimate should be determined according to the most likely outcome;

Where the contingency involves several items; The best estimate should be determined by weighting all possible outcomes by their associated probabilities of occurrence.

To determine the best estimate, it should be considered with factors such as: related contingency risks, uncertain matters and time value of currency. If time value of currency has a significant impact, the best estimate should be measured at its converted present value through the relevant future cash outflows.

Where some or all of the expenditures are expected to be reimbursed by a third party, the reimbursement should be separately recognized as an asset only when it is virtually received. The amount of the reimbursement should not exceed the carrying amount of the liability recognized.

**25. Share payment**

The equity-settled share-based payment to exchange the provision of service by employees is measured by the fair value of the equity instrument conferred to the employees on the grant date. Where it is exercisable upon finishing the service within the waiting period or satisfying the regulated performance conditions, based on the optimal estimation of the exercisable equity instrument quantity within the waiting period, the fair value amounts are included in relevant cost or expense after calculation

by the method of line, with relevant capital surplus increased.

## **26. Recognition and measurement of income**

The operation revenue of the Group mainly include the sales revenue, lease revenue and property management revenue of real estate development products and revenue recognition policies are as follows:

### **(1) The revenue of real estate development products are recognized under the following conditions:**

- a. Seller and Purchaser sign the sales contract and file a record in the land department;
- b. The revenue of real estate development products are completed and are qualified in acceptance;
- c. The company has received full house-purchase price or obtained the right of collecting the full purchase price (e.g. the written commitment letter for releasing mortgage payment from bank);
- d. The formalities of property delivery are handled or the customers are deemed to accept the property according to the terms in the purchase contract.

### **(2) Lease revenue:**

The lease revenue of investment property is recognized as the lease revenue by the method of line according to rent agreed in the contract or agreement over the lease term.

### **(3) Property management revenue:**

When property management service has been provided and its relevant economic benefit has obtained by the Company, meanwhile, relevant revenue and cost can be measured reliably, the realization of utilities revenue is recognized.

## **27. Government subsidies**

Government subsidies refer to monetary assets and non-monetary assets acquired without any charge from the government. Government subsidies can only be recognized upon meeting the condition that the Company meets all conditions of government subsidy and is able to receive the government subsidy.

If government subsidies are monetary assets, it shall be calculated according to the received; if the government subsidy is distributed subject to fixed quota standard or if there is definite evidence showing that it is in conformity with relevant requirements of the financial support policies, it shall be calculated according to the receivable amount; and if the government subsidy is non-monetary assets, it shall be measured at the fair value; and if the fair value fails to be obtained reliably, it shall be calculated according to nominal amount (RMB 1).

Government subsidies in relation to assets are recognized as deferred income and allocated equally within the service life of relevant assets, which will then be included in current profit or loss. Government subsidies relevant with incomes and that are used to make up future expenses or losses will be recognized as deferred income and recognized into current profits and losses within the recognition period of relevant expenses; government subsidies used to make up incurred relevant expenses or losses are included into current profits or losses directly.

## **28. Deferred income tax assets and deferred income tax liabilities**

The Company executes the accounting treatments of the income tax by adopting the balance sheet liability method.

### **(1) Deferred income tax assets**

Where there are deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets arising from deductible temporary differences should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

### **(2) Deferred income tax liabilities**

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

### **(3) Other notes**

The current income tax assets and liabilities of the Group should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Group should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

## **29. Leasing**

The leasing business of the Group is operating lease.

The rent paid by the Group as the Lessee in the operating lease is included in related asset costs or current profits and losses by the method of line over the lease term.

## **30. Business Termination**

The subsidiary which meet one of the following conditions, and the part has been disposed or classified as part of a separate part that can be separately classified as a part of the termination of operation.

(1) the part represents an independent main business or a separate main business area.

(2) The part refers to a part of related plan to be disposed of for an independent main business or a separate main business area.

(3) the part refers to a subsidiary made specifically for resale.

The operating profit and loss and the disposal gains and losses, such as the impairment loss and the reversal amount of the termination business, are listed as profit and loss in the profit and loss of the termination business statement.

### 31. changes in important accounting policies and accounting estimates

(1) changes in accounting policy

For details of the changes in accounting policies during the reporting period, please refer to Note 4 (32).

(2) Change in accounting estimates

No changes were made to the main accounting estimates during the reporting period.

### 32. Statement of changes in financial statements

On June 15, 2018, the Ministry of Finance issued the Notice on Amending the 2018 Annual Financial Statements of General Enterprises (Accounting [2018] No. 15), revised the financial statements of general enterprises, and merged some of the balance sheet items, splitting part of the income statement project; and on September 7, 2018, issued the “Interpretation of the Issues Concerning the Format of Financial Statements for General Enterprises in 2018”, clearly requiring that the withholding of personal income tax fees be returned to “other income”. The government subsidies actually received, whether related to assets or related to income, are presented as cash flows from operating activities when preparing the cash flow statement.

The Company has prepared financial statements in accordance with the requirements of the new corporate financial statement format. If the presentation items of the financial statements have changed, they have been comparable in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements”. The comparison data during the period is adjusted.

The impact on the presentation of items and amounts in the financial statements for comparable periods is as follows:

Presentation of the project on December 31, 2017 / 2017	Pre-adjustment amount	Amount affected	Post-adjustment amount
Bill receivable	---	---	---
Accounts receivable	17,608.00	-17,608.00	---
Bill receivable and accounts receivable	---	17,608.00	17,608.00
Interest receivable	---	---	---
Dividend receivable	---	---	---
Other receivables	58,740,204.94	---	58,740,204.94
Bills payable	---	---	---
accounts payable	15,487,833.06	-15,487,833.06	---
Bill payable and accounts payable	---	15,487,833.06	15,487,833.06
Interest payable	---	---	---

Presentation of the project on December 31, 2017 / 2017	Pre-adjustment amount	Amount affected	Post-adjustment amount
Dividend payable	---	---	---
Other payables	25,952,193.34	---	25,952,193.34
Management costs	29,677,261.30	-124,889.69	29,552,371.61
Research and development expenses	---	124,889.69	124,889.69

## V. Taxation

### 1. Main taxes and tax rates

Tax category	Tax basis	Tax rate
Value Added Tax	Sales of goods, taxable sales and service income, intangible assets or immovable property	5%、16%
Land value-added tax	Land VAT or pre-requisitioned	Super rate progressive rate
City maintenance and construction tax	Transfer tax payable	5%
Education surcharge	Transfer tax payable	3%
Local education surcharge	Transfer tax payable	2%
Housing property tax	Rental income or original value of real estate	12% or 1.2%

According to the Notice of the Ministry of Finance and the General Administration of Taxation on the Adjustment of VAT Tax Rate (No. 32 of Finance and Taxation, 2018), the company has engaged in VAT taxable sales or imported goods since May 1, 2018. The original application rates of 17% and 11% are adjusted to 16% and 10% respectively.

### 2. Corporate income tax

Company	Tax rate
Parent company	25%
Chengde Nanjiang trading Co., Ltd.	25%
Chengde kefeng engineering project management Co., Ltd.	25%
Chengde Dongfeng investment Co., Ltd.	25%
NanJiang Asia investment Co., Ltd.	16.5%
Chengde kefeng trading Co., Ltd.	25%
Hangzhou Dongfeng technology Co., Ltd.	25%
Dongguan Dongfeng technology development Co., Ltd.	25%
Chengde kefeng aerospace technology development Co., Ltd.	25%
DongGuan DongFeng power Co., Ltd.	25%
Chengde Dongfeng ecological agriculture Co., Ltd.	25%
Chengde Nanjiang technology Co., Ltd.	25%

Company	Tax rate
Chengde huijing property service Co., Ltd.	25%
Dongguan zhongzhong innovation energy technology Co., Ltd.	25%
Dongguan Dongfeng intelligent technology Co., Ltd.	25%
Dongguan AoLin new materials Co., Ltd.	25%
DongGuan HaiZhuo energy technology Co., Ltd.	25%

NOTE: NanJiang Asia Investment Co., Ltd. is in special administrative region, and the applicable corporate income tax rate is 16.5%.

### 3. The company withhold individual income tax.

## VI. Notes to Major Items in Consolidated Financial Statement

With respect to the following data disclosed in the Financial Statements, unless otherwise stated, "the beginning of the year" refers to January 1, 2018; "the end of the year" refers to December 31, 2018; "this year" refers to the period between January 1, 2018 to December 31, 2018, and the "previous year" refers to the period between January 1, 2017 to December 31, 2017. The currency unit is RMB.

### 1. Monetary fund

Items	Closing Balance	Opening Balance
Cash on hand	368,614.69	61,945.60
Bank deposit	12,986,115.85	68,045,443.09
Other monetary fund	22,952,094.56	6,697,820.37
Total	36,306,825.10	74,805,209.06
Of which: the total amount deposited overseas	5,626,045.88	5,356,719.91

Restricted monetary fund during the reporting period are shown below:

Item	Closing Balance	Opening Balance
guaranteed deposit for housing mortgages	2,793,908.11	6,697,820.37
Total	2,793,908.11	6,697,820.37

### 2. Accounts receivable

Item	Closing Balance	Opening Balance
Trade Receivable	11,171.25	17,608.00
Total	11,171.25	17,608.00

#### (1) Types of accounts receivable

Categories	Closing Balance		
	Book balance	Provision for bad debts	Book value

Categories	Closing Balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount with bad debt provision separately accrued	2,320,047.40	94.84	2,320,047.40	100.00	---
Accounts receivable withdrawn bad debt provision by portfolio	82,138.85	3.36	70,967.60	86.40	11,171.25
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	44,172.00	1.81	44,172.00	100.00	---
<b>Total</b>	<b>2,446,358.25</b>	<b>100.00</b>	<b>2,435,187.00</b>	<b>99.54</b>	<b>11,171.25</b>

Continued:

Categories	Opening Balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount with bad debt provision separately accrued	2,320,047.40	94.84	2,320,047.40	100.00	---
Accounts receivable withdrawn bad debt provision by portfolio	82,138.85	3.36	64,530.85	78.56	17,608.00
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	44,172.00	1.80	44,172.00	100.00	---
<b>Total</b>	<b>2,446,358.25</b>	<b>100.00</b>	<b>2,428,750.25</b>	<b>99.28</b>	<b>17,608.00</b>

**Notes for Category:**

**a. Accounts receivable with significant single amount with bad debt provision separately accrued:**

Accounts receivable (classified by units)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Beijing xiang e qing industry and trade co., LTD	2,320,047.40	2,320,047.40	100.00	Uncollectible

Total	2,320,047.40	2,320,047.40	---	---
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**b. In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:**

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	---	---	---
1 to 2 years	10,150.00	2,030.00	20
2 to 3 years	6,102.50	3,051.25	50
Over 3 years	65,886.35	65,886.35	100
Total	82,138.85	70,967.60	86.40

**c. Accounts receivable with insignificant single amount for which bad debt provision separately accrued are inapplicable.**

Accounts receivable (classified by units)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Inner Mongolia A Jin Nai Ma culture development Co., LTD	44,172.00	44,172.00	100	Uncollectible
Total	44,172.00	44,172.00	---	---

**(2) Provision for bad debts withdrawn, recovered or reversed in the current period**

In the current period, the provision for bad debts was RMB 6,436.75; there was no bad debt provision for reversal or recovery in the current period.

**(3) There was no write-off the accounts receivable during the reporting period.**

**(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party.**

Name of units	Closing balance	Proportion of the total year-end balance of the accounts receivable(%)	Closing balance of bad debt provision
Beijing xiang e qing industry and trade co., LTD	2,320,047.40	94.84	2,320,047.40
Electricity Authority of Chengde county	82,138.85	3.36	70,967.60

Name of units	Closing balance	Proportion of the total year-end balance of the accounts receivable(%)	Closing balance of bad debt provision
Inner Mongolia A Jin Nai Ma culture development co., LTD	44,172.00	1.80	44,172.00
合计	2,446,358.25	100.00	2,435,187.00

(5) There was no account receivable which terminate the recognition owing to the transfer of the financial assets during the reporting period.

(6) There was no amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable during the reporting period.

### 3. Prepayments

(1) The aging analysis of prepayments is as follows:

Aging	Closing Balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	61,088,678.72	99.98	171,695.28	93.52
1-2 years	3,431.50	0.01	11,899.78	6.48
2-3 years	6,899.45	0.01	---	---
Total	61,099,009.67	100.00	183,595.06	100.00

(2) There was no prepayment with an aging above 1 year.

(3) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Name of Units	Closing balance	Closing balance of bad debt provision	Aging	Reason
Chengde Wanxuan Construction Engineering Co., Ltd.	60,038,761.00	98.26	Within 1 year	undue settlement period
Beijing Jianyan United Architectural Design Consulting Co., Ltd.	600,000.00	0.98	Within 1 year	undue settlement period
Erfa International Supply Chain Management Co., Ltd.	205,784.00	0.34	Within 1 year	undue settlement period

Name of Units	Closing balance	Closing balance of bad debt provision	Aging	Reason
Wu Xiaojie	122,400.00	0.20	Within 1 year	undue settlement period
Shenzhen Xinma Technology Co., Ltd.	11,500.00	0.02	Within 1 year	undue settlement period
Total	60,978,445.00	99.80	---	---

#### 4. Other receivables

Item	Closing Balance	Opening Balance
Other Receivables	8,588,597.44	58,740,204.94
合计	8,588,597.44	58,740,204.94

##### (1) Classification of other receivables

Type	Closing Balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	2,709,273.00	19.47	2,709,273.00	100.00	---
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	9,117,720.05	65.53	544,864.61	5.98	8,572,855.44
Combination 1: risk-free combination	5,092,866.55	36.60	---	---	5,092,866.55
Combination 2: Aging analysis combination	4,024,853.50	28.93	544,864.61	5.98	3,479,988.89
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	2,087,074.08	15.00	2,071,332.08	99.25	15,742.00
Total	13,914,067.13	100.00	5,325,469.69	38.27	8,588,597.44

Continued:

Type	Opening Balance		
	Book balance	Provision for bad debts	Book value

	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	2,709,273.00	4.24	2,709,273.00	100.00	---
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	59,168,537.55	92.50	442,594.61	0.75	58,725,942.94
Combination 1: risk-free combination	57,983,812.83	90.65	---	---	57,983,812.83
Combination 2: Aging analysis combination	1,184,724.72	1.85	442,594.61	0.75	742,130.11
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	2,085,594.08	3.26	2,071,332.08	99.32	14,262.00
Total	63,963,404.63	100.00	5,223,199.69	8.17	58,740,204.94

**Notes for Category:**

**a. Other receivables which single amount is significant and bad debts reserve is withdrawn at the end of the year**

Name of Units	Closing Balance			
	Other receivables	Provision for bad debts	Accruing proportion (%)	Reasons for Accrual
Chengde county administration of non-tax revenue	1,500,000.00	1,500,000.00	100.00	Expected irrecoverable
Creditor's right from auctions	1,209,273.00	1,209,273.00	100.00	Expected irrecoverable
Total	2,709,273.00	2,709,273.00	100.00	---

Other receivables which single amount is significant refer to receivables which the single amount is not less than RMB 1,000,000. After specific identification of those which single amount is significant, the receivables from Chengde county administration of non-tax revenue (RMB 1,500,000.00) and Creditor's right from auctions (RMB 1,209,273.00) are identified irrecoverable and were made Provision for bad debts totally.

**b. Other receivable with provisions of bad debts accrued by aging analysis method in the group.**

Aging	Closing Balance
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	Other receivables	Provision for bad debts	Accruing proportion (%)
Within 1 year	3,581,860.41	179,929.56	5.00
1 to 2 years	67,447.43	13,489.49	20.00
2 to 3 years	48,200.00	24,100.00	50.00
Over 3 years	327,345.66	327,345.56	100.00
Total	4,024,853.50	544,864.61	13.54

**c. Other receivable with provisions of bad debts accrued by other method in the group.**

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
ChengDe NanJiang Trading Co., Ltd,	135,241.42	---	---
Tax Bureau of Chengde County	4,942,346.42	---	---
Social insurance	14,928.06	---	---
LIMITED	350.65	---	---
Total	5,092,866.55	---	---

**d. Other receivables of individual account with insignificant amount and accrued for provision for bad debts at the end of the year**

Accounts Receivable	Book Amount	Bad debt provision	Aging(year)	Accruing proportion(%)	Reasons for Accrual
Qizhong Yan	270,000.00	270,000.00	More than 5 years	100.00	Expected irrecoverable
zifei Wang	61,360.00	61,360.00	More than 2 years	100.00	Expected irrecoverable
Cheng Sun	10,800.00	10,800.00	3-4	100.00	Expected irrecoverable
Fangyao Lv	5,157.10	5,157.10	2-3	100.00	Expected irrecoverable
Beijing Ju Convenience Science and Technology Co.,Ltd	10,080.00	10,080.00	More than 1 year	100.00	Expected irrecoverable
Tsinghua University	100.00	100.00	More than 1 year	100.00	Expected irrecoverable
Xiashu Wang	72,290.62	72,290.62	More than 2 years	100.00	Expected irrecoverable
Wenbo Yin	15,742.00	---	within 1 year	---	---
Ansheng Wang	141,005.79	141,005.79	More than 5 years	100	Expected irrecoverable

Degang Bao	356,838.00	356,838.00	More than 5 years	100	Expected irrecoverable
Shuxia Li	2,000.00	2,000.00	More than 5 years	100	Expected irrecoverable
Chunwei Zhang	2,000.00	2,000.00	More than 5 years	100	Expected irrecoverable
Chengjin Liu	300,000.00	300,000.00	More than 5 years	100	Expected irrecoverable
Haihong Zhou	642,689.25	642,689.25	More than 5 years	100	Expected irrecoverable
Guangtong Company	119,000.00	119,000.00	More than 5 years	100	Expected irrecoverable
Coal money	14,000.00	14,000.00	More than 5 years	100	Expected irrecoverable
Guilong Zhu	50,000.00	50,000.00	1-2	100	Expected irrecoverable
Administration Bureau of Chengde County	2,000.00	2,000.00	3-4	100	Expected irrecoverable
Chengde public security bureau	1,000.00	1,000.00	3-4	100	Expected irrecoverable
Chengde Landscape Bureau	2,000.00	2,000.00	2-3	100	Expected irrecoverable
Chengde Zhaoyuan Property Service	9,011.32	9,011.32	2-3	100	Expected irrecoverable
Total	2,087,074.08	2,071,332.08	---	---	---

**(2) Provision for bad debts withdrawn and returned back (taken back) in this year**

Provision for bad debts extract in this year is RMB 102, 270. 00 ; the amount of bad debt provision for the current period is not reversed or recovered.

**(3) There was no other receivables were actually written off during the reporting period.**

**(4) Classification of other receivables by nature**

Fund nature	Book balance at the end of the year	Book balance at the beginning of the year
Cash deposit	1, 520, 000. 00	1, 762, 154. 50
Petty cash	1, 485, 155. 23	872, 244. 72
Creditor's right from auctions	1, 209, 273. 00	1, 209, 273. 00
The purchase payment of land	---	51, 360, 000. 00
Other	9, 699, 638. 9	8, 759, 732. 41
Total	329, 644, 254. 30	63, 963, 404. 63

**(5) The top five other accounts receivable**

Debtors Ranking	Fund nature	Ending balance	Aging	Proportion in total year-end balance of other receivables (%)	Year-end balance of provision for bad debts
Tax Bureau of	Draw back of	4, 942, 346. 42	Within 1 year	1. 04	---

Debtors Ranking	Fund nature	Ending balance	Aging	Proportion in total year-end balance of other receivables (%)	Year-end balance of provision for bad debts
Chengde County	increment tax on land value				
Chengde county administration of non-tax revenue	Cash deposit	1,500,000.00	More than 3 years	0.32	1,500,000.00
Creditor's right from auctions	Creditor's right from auctions	1,209,273.00	More than 5 years	0.26	1,209,273.00
Haihong Zhou	Other	642,689.25	4-5 years	0.14	642,689.25
Degang Bao	Other	356,838.00	More than 5 years	0.08	356,838.00
Total	---	8,651,146.67	---	1.84	3,708,800.25

(6) There was no receivables involved government subsidies during the reporting period.

(7) There was no other receivables recognized as a result of the transfer of financial assets during the reporting period.

(8) There was no amount of assets and liabilities formed by non-transfer of other receivables and continued involvement during the reporting period.

## 5. Inventories

### (1) Inventories Classification

Items	Closing Balance			Opening Balance		
	Book Balance	Provision	Net Book Balance	Book Balance	Provision	Net Book Balance
Raw Material	53,653.93	---	53,653.93	71,640.85	---	71,640.85
Cost of production	1,442,179.44	---	1,442,179.44	1,749,205.68	---	1,749,205.68
Finished goods	933,817.53	---	933,817.53	150,484.25	---	150,484.25
Circulation materials	118.83	---	118.83	28,170.33	---	28,170.33
Consumptive biological assets	---	---	---	2,916.05	---	2,916.05
Development costs	107,073,123.28	---	107,073,123.28	86,747,495.40	---	86,747,495.40
Product development	42,082,664.49	---	42,082,664.49	145,903,913.28	---	145,903,913.28

Items	Closing Balance			Opening Balance		
Total	151,585,557.50	---	151,585,557.50	234,653,825.84	---	234,653,825.84

**(2) Provision for diminution in value of inventories**

Category	Opening Balance	Increase during the current accounting period		Decrease during the current accounting period			Closing Balance
		Accrual	Other	Reversal	Written off	Other	
Finished goods	---	---	---	---	---	---	---
Consumptive biological assets	---	---	---	---	---	---	---
Total	---	---	---	---	---	---	---

**(3) Description of the ending balance of the inventory without the capitalization amount of the borrowing costs**

Item	Opening Balance	Increase during the current accounting period	Decrease during the current accounting period		Closing Balance	Capitalization rate of the recognized capitalization amount (%)
			Sales reduction	Other reduction		
TianXi	---	543,616.44	---	---	543,616.44	12.06
Total	---	543,616.44	---	---	543,616.44	12.06

**(4) Development Cost**

Item	Time for commencement	Estimation of time for completion	Estimation of total investment amount	Opening Balance	Current Increase	investment for new products development
TianXi	2018	2020	38,000.00	86,747,495.40	20,325,627.88	---
Total	---	---	38,000.00	86,747,495.40	20,325,627.88	---

Continued:

Item	Current Decrease	Closing Balance	Accumulated amount of interest capitalization	Of which: the amount of interest capitalization in the current period	Funds Provided
TianXi	---	107,073,123.28	543,616.44	543,616.44	Personal loan
Total	---	107,073,123.28	543,616.44	543,616.44	---

**(5)Product development**

Item	Time for completion	Opening Balance	Increase during the current accounting period	Decrease during the current accounting period	Closing Balance	Accumulative amount of interest capitalization
HuiJing TianDi	September 2016	145,903,913.28	---	103,821,248.79	42,082,664.49	---
Total	---	145,903,913.28	---	103,821,248.79	42,082,664.49	---

**(6)Consumptive biological assets**

Item	Closing Balance	Opening Balance
Animal husbandry	---	---
Chick	---	2,916.05
Total	---	2,916.05

**NOTE:** Compared to the opening balance, the closing balance of inventories decreased by RMB 83,068,268.34 , with the decreased rate of 35.40%. The main reason is Product development carry over cost last period due to the completion of HuiJing TianDi project.

**6. Other Current Assets**

Items	Closing Balance	Opening Balance
Provisional tax	10,986,874.66	2,029,505.29
Financial products	26,800,000.00	32,530,000.00
Total	37,786,874.66	34,559,505.29

**7. Assets available for sale financial assets****(1) List of available-for-sale financial assets**

Items	Closing Balance			Opening Balance		
	Book Balance	Impairment	Book Value	Book Balance	Impairment	Book Value
Available for sale equity instruments	25,000,000.00	8,668,962.92	16,331,037.08	25,000,000.00	8,329,596.87	16,670,403.13
Fair value	---	---	---	---	---	---
Cost	25,000,000.00	8,668,962.92		25,000,000.00	8,329,596.87	16,670,403.13
Others	---	---	---	---	---	---
Total	25,000,000.00	8,668,962.92	16,331,037.08	25,000,000.00	8,329,596.87	16,670,403.13

**(2) impairment of available for sale financial assets**

Invested Company	Shareholding	Book Balance			
		Opening Balance	Current Increase	Current Decrease	Closing Balance
DongGuan Dongfeng New Energy Tech Co., Ltd.	2.56%	25,000,000.00	---	---	25,000,000.00
Total	2.56%	25,000,000.00	---	---	25,000,000.00

Continued:

Invested Company	Impairment				Cash Dividend in this period
	Opening Balance	Current Increase	Current Decrease	Closing Balance	
DongGuan Dongfeng New Energy Tech Co., Ltd.	8,329,596.87	339,366.05	---	8,668,962.92	---
Total	8,329,596.87	339,366.05	---	8,668,962.92	---

## 8. Long-term equity investments

### 1. Long-term equity investment

Item	Closing Balance			Opening Balance		
	Book balance	impairment provision	book value	Book balance	impairment provision	book value
Associates:						
RunHua(TianJin) International Trading Co., Ltd.	9,170,370.00	9,170,370.00	---	9,170,370.00	9,170,370.00	---
Total	9,170,370.00	9,170,370.00	---	9,170,370.00	9,170,370.00	---

### 2. Changes in the impairment of long-term equity investments

Invested Company	Proportion of shares held by invested units (%)	Book balance			
		Opening Balance	Current Increase	Current Decrease	Closing Balance
RunHua (TianJin) International Trading Co., Ltd.	30.00	9,170,370.00	---	---	9,170,370.00
Total	30.00	9,170,370.00	---	---	9,170,370.00

Continued:

Invested Company	impairment provision				Current cash dividend
	Opening Balance	Current Increase	Current Decrease	Closing Balance	
RunHua (TianJin) International Trading Co., Ltd.	9,170,370.00	---	---	9,170,370.00	---
Total	9,170,370.00	---	---	9,170,370.00	---

## 9. Investment Property

Item	land-use right	Total
I. Original carrying value		
1. Beginning balance	5,051,773.92	5,051,773.92
2. Increase in the year	---	---
3. Decrease in the year	5,051,773.92	5,051,773.92
(1) Disposal	5,051,773.92	5,051,773.92
4. Ending balance	---	---
II. Accumulated depreciation (amortization)		
1. Beginning balance	815,427.58	815,427.58
2. Increase in the year	69,256.00	69,256.00
(1) Withdrawing or amortization	69,256.00	69,256.00
3. Decrease in the year	884,683.58	884,683.58
(1) Disposal	884,683.58	884,683.58
4. Ending balance	---	---
III. Provision for impairment		
1. Beginning balance	---	---
2. Increase in the year	---	---
3. Decrease in the year	---	---
4. Ending balance	---	---
IV. Book value		
1. Ending book value	---	---
2. Beginning book value	4,236,346.34	4,236,346.34

**NOTE:** Decrease in the period was due to the disposal of ChengDe NanJiang Trading Co., Ltd. And transferred its investment real estate.

## 10.Fixed assets

### (1) Statement of Fixed Assets

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
I. Original carrying value					
1. Beginning balance	5,259,168.09	2,220,348.20	5,204,758.70	1,393,816.06	14,078,091.05
2. Increase in the year	9,860,208.19	65,384.62	151,489.66	1,853,991.82	11,931,074.29
(1) Purchasing	8,203,689.11	65,384.62	151,489.66	1,844,661.82	10,265,225.21
(2) Carried over	---	---	---	---	---

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
from inventory/fixed assets/ intangible assets					
(3) Increase of corporate combination	---	---	---	9,330.00	9,330.00
(4) Other increases	1,656,519.08	---	---	---	1,656,519.08
3. Decrease in the year	2,076,831.05	---	---	189,796.00	2,266,627.05
(1) Disposal	1,784,350.35	---	---	5,200.00	1,789,550.35
(2) Carried over to inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Other decreases	292,480.70	---	---	184,596.00	477,076.70
4. Ending balance	13,042,545.23	2,285,732.82	5,356,248.36	3,058,011.88	23,742,538.29
<b>II. Accumulative depreciation and amortization</b>					
1. Beginning balance	249,808.69	1,262,321.81	1,884,384.94	1,007,178.62	4,403,694.06
2. Increase in the year	1,187,270.83	101,736.04	600,669.65	378,084.09	2,267,760.61
(1) Withdrawing or amortization	1,187,270.83	101,736.04	600,669.65	371,832.01	2,261,508.53
(2) Increase of corporate combination	---	---	---	6,252.08	6,252.08
(3) Other increases	---	---	---	---	---
3. Decrease in the year	38,411.97	---	3,248.04	189,536.02	231,196.03
(1) Disposal	10,626.21	---	3,248.04	4,940.02	18,814.27
(2) Other transfer-out	---	---	---	---	---
(3) Other decreases	27,785.76	---	---	184,596.00	212,381.76
4. Ending	1,398,667.55	1,365,589.69	2,482,839.71	1,193,161.69	6,440,258.64

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
balance					
III. Provision for impairment					
1. Beginning balance	---	---	---	---	---
2. Increase in the year	---	---	---	---	---
(1) Withdrawing	---	---	---	---	---
(2) Carried over from inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Increase of corporate combination	---	---	---	---	---
3. Decrease in the year	---	---	---	---	---
(1) Disposal	---	---	---	---	---
(2) Carried over to inventory/fixed assets/ intangible assets	---	---	---	---	---
4. Ending balance	---	---	---	---	---
IV. Book value					
1. Ending book value	11,643,877.68	920,143.13	2,873,408.65	1,864,850.19	17,302,279.65
2. Beginning book value	5,009,359.40	958,026.39	3,320,373.76	386,637.44	9,674,396.99

(2) There was no fixed assets which has not completed the property right certificate at the end of the period.

(3) The other transferred out of the data for the ChengDe NanJiang Trading Co., Ltd., other increased are merged into non-identical controls.

### 11. Construction in process

Items	Closing Balance	Opening Balance
Construction in process	101,650,833.16	2,267,164.04
Total	101,650,833.16	2,267,164.04

(1) construction in progress

Items	Closing Balance			Opening Balance		
	Book Balance	Impairment	Book Value	Book Balance	Impairment	Book Value
DongFeng New Energy Industrialization Project	101,650,833.16	---	101,650,833.16	2,267,164.04	---	2,267,164.04
Total	101,650,833.16	---	101,650,833.16	2,267,164.04	---	2,267,164.04

**(2)Changes in Construction-in-process**

Items	Opening Balance	Current increase	Fixed assets	Current decrease	Closing Balance
DongFeng New Energy Industrialization Project	2,267,164.04	99,383,669.12	---	---	101,650,833.16
Total	2,267,164.04	99,383,669.12	---	---	101,650,833.16

Continued:

Items	Budget (million)	Project investment accounts for the proportion of the budget (%)	Construction on progress (%)	Accumulative amount of interest capitalization	Among them: the amount of interest capitalization rate in this period	Interest capitalization rate in this period(%)	Funds provided
DongFeng New Energy Industrialization Project	38,000.00	87.00	87.00	2,271,233.65	2,271,233.65	100.00	Self-financing, bank borrowing
Total	38,000.00	87.00	87.00	2,271,233.65	2,271,233.65	100.00	---

**12. Productive Biological Assets**

Item	Husbandry industry	Total
I. Original carrying value		
1. Beginning balance	40,121.80	40,121.80
2. Increase in the year	218,050.20	218,050.20
(1)Purchasing	183,000.00	183,000.00
(2) cultivate	35,050.20	35,050.20
3. Decrease in the year	57,172.00	57,172.00
1) Disposal or discard as useless	57,172.00	57,172.00
4. Ending balance	201,000.00	201,000.00
II. Accumulated depreciation		

Item	Husbandry industry	Total
1. Beginning balance	22,150.41	22,150.41
2. Increase in the year	78,469.81	78,469.81
(1) Withdrawing	78,469.81	78,469.81
3. Decrease in the year	21,057.72	21,057.72
(1) Disposal or discard as useless	21,057.72	21,057.72
4. Ending balance	79,562.50	79,562.50
III. Provision for impairment		
1. Beginning balance	---	---
2. Increase in the year	---	---
3. Decrease in the year	---	---
4. Ending balance	---	---
IV. Book value		
1. Ending book value	121,437.50	121,437.50
2. Beginning book value	17,971.39	17,971.39

### 13. Intangible assets

#### (1) Details of intangible assets

Item	Land use rights	Total
I. Original carrying value		
1. Beginning balance	52,406,400.00	52,406,400.00
2. Increase in the year	6,951,748.89	6,951,748.89
(1) Purchasing	6,951,748.89	6,951,748.89
(2) Increase of corporate combination	---	---
(3) Other increases	---	---
3. Decrease in the year	---	---
(1) Disposal	---	---
(2) Decrease of corporate combination	---	---
(3) Other decreases	---	---
4. Ending balance	59,358,148.89	59,358,148.89
II. Accumulated amortization		
1. Beginning balance	701,088.96	701,088.96
2. Increase in the year	1,970,099.34	1,970,099.34

Item	Land use rights	Total
(1) Withdrawing	1, 970, 099. 34	1, 970, 099. 34
(2) Increase of corporate combination	---	---
(3) Other increases	---	---
3. Decrease in the year	---	---
(1) Disposal	---	---
(2) Decrease of corporate combination	---	---
(3) Other decreases	---	---
4. Ending balance	2, 671, 188. 30	2, 671, 188. 30
<b>III. Provision for impairment</b>		
1. Beginning balance	---	---
2. Increase in the year	---	---
(1) Withdrawing	---	---
(2) Other increases	---	---
3. Decrease in the year	---	---
(1) Disposal	---	---
(2) Other decreases	---	---
4. Ending balance	---	---
<b>IV. Book value</b>		
1. Ending book value	56, 686, 960. 59	56, 686, 960. 59
2. Beginning book value	51, 705, 311. 04	51, 705, 311. 04

#### 14. Development expenditure

Item	Beginning balance	Increase in the year		Decrease in the year			Ending balance
		Development expenditure inside	Other	Included in the current profits and	fix as intangible assets	Fix as inventory	

				losses			
The airship project	2,543,414.10	881,531.28	---	3,424,945.38	---	---	---
Wind cooling hydrogen fuel cell power system for vehicle	31,847.46	3,333,663.53	---	269,385.86	---	---	3,096,125.13
ZS01 alumina fibre	938,300.00	4,547,118.05	---	645,862.23	---	---	4,839,555.82
Real-time hydrogen production equipment	---	5,819,388.91	---	408,659.39	---	---	5,410,729.52
Total	3,513,561.56	14,581,701.77	---	4,748,852.86	---	---	13,346,410.47

**Notes:**

The air-cooled hydrogen fuel cell power system for vehicles has its capitalization starting point on September 26, 2017. The project has a total of four phases. By the end of the period, the research and development phase has been completed to the third phase; real-time hydrogen production equipment, its capitalization begins. The time is September 26, 2017. The project has a total of four stages. By the end of the period, the research and development stage has been completed to the third stage; the capitalization of ZS01 alumina fiber began on September 26, 2017, and the project has three phases. As of the end of the period, the specific basis for capitalization from the completion of the R&D phase to the third phase is: 1. The intangible asset has been completed to enable it to be used or sold technically feasible; 2. The intangible asset has been completed to enable it The ability to use or sell is technically feasible; 3. The way in which intangible assets generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets exist in the market; if the intangible assets are to be used internally, Prove its usefulness; 4. There are sufficient technical, financial and other resources to support the development of the intangible asset and the ability to use or sell it Intangible asset; 5. attributable to the development stage of the intangible asset can be reliably measured.

**15. Goodwill**

**(1) Original value of goodwill**

The company be invested or the events	Beginning balance	Increase in the year	Decrease in the year	Ending balance
---------------------------------------	-------------------	----------------------	----------------------	----------------

formed goodwill		Fromed of corporate combination	Other	Disposal	Other	
Aolin New material	1,294,711.56	---	---	---	---	1,294,711.56
Haizhuo Energy	---	249,074.85	---	---	---	249,074.85
Total	1,294,711.56	249,074.85	---	---	---	1,543,786.41

### (2) Provision for goodwill

Invested company	Beginning balance	Increase of this year		Decrease of this year		Ending balance
		Withdrawing	Others	Disposal	Others	
Aolin New material	---	---	---	---	---	---
Aolin New material	---	---	---	---	---	---
Total	---	---	---	---	---	---

### (3) Information about the asset group or asset group combination in which the goodwill is located

Aolin New Material, the subsidiary operates as an independent economic entity after the merger, so it is regarded as an asset group during the impairment test, the book value (including goodwill) is 22,976,448.90 yuan, and the asset group or asset group combination Consistent with the asset group or asset group combination determined on the purchase date.

Haizhuo Energy, the subsidiary operates as an independent economic entity after the merger, so it is treated as an asset group during the impairment test, and the carrying amount (including goodwill) is 24,868,222.86 yuan, and the asset group or asset group combination The asset group or asset group combination determined on the purchase date is consistent.

### (4) Goodwill impairment test process, parameters and confirmation method of goodwill impairment loss

At the end of the company, the asset group related to goodwill is tested for impairment. When the impairment test is conducted, the book value of goodwill is apportioned to the asset group or asset group combination expected to benefit from the synergy of the business combination, and then the assets are The book value of the group is compared with the recoverable amount to determine whether the asset group (including goodwill) has been impaired. The test results show that the recoverable amount of the asset group including the assessed goodwill is lower than the book value, and the corresponding impairment loss is confirmed. The specific test process is as follows:

The recoverable amount of the asset group is based on the five-year forecast prepared by the company's management based on the future development trend and business plan, using the future cash flow to convert the present value. After testing, the recoverable amount of Olin New Materials is RMB 35,341,494.01, which is greater than the carrying amount (including goodwill) of RMB 22,976,448.90, and the recoverable amount of Haizhuo Energy is RMB 34,721,467.79, which is greater than the carrying amount (including goodwill) of RMB 24,868,222.86. Asset groups including goodwill are not impaired and no impairment provision is required.

## 16. Long Term Deferred Expenses

Items	Opening Balance	Increase in this period	Amortization amount in this period	Other decrease in this period	Closing Balance
Office's Decoration fee	149,963.84	---	129,408.36	---	20,555.48
Factory Decoration fee	---	154,847.48	13,786.17	---	141,061.31
Color steel room	---	99,496.91	4,229.14	---	95,267.77
Fire engineering	70,000.00	---	60,000.00	---	10,000.00
<b>Total</b>	<b>219,963.84</b>	<b>254,344.39</b>	<b>207,423.67</b>	<b>---</b>	<b>266,884.56</b>

## 17. Deferred income tax assets and deferred income tax liabilities

### (1) Non-offset deferred income tax assets

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	---	---	3,102,581.64	775,645.41
<b>Total</b>	<b>---</b>	<b>---</b>	<b>3,102,581.64</b>	<b>775,645.41</b>

### (2) Unconfirmed details of deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	25,599,989.61	22,049,335.17
Deductible losses	144,594,924.49	135,919,643.05
<b>Total</b>	<b>170,194,914.10</b>	<b>157,968,978.22</b>

Whether sufficient taxable income in the future can be obtained is uncertain, so there is no deductible temporary difference and deductible losses deferred income tax assets which can be recognized as deferred income tax assets in this period.

### (3) Unrecognized deductible losses of deferred income tax assets will be expired at the end of following years

Year	Amount at the end of the year	Amount at the beginning of the year	Remarks
2019	30,576,125.82	30,576,125.82	2014
2020	33,429,382.84	33,429,382.84	2015
2021	19,481,015.78	19,481,015.78	2016
2022	52,327,940.32	52,433,118.61	2017
2023	8,780,459.73	---	2018
<b>Total</b>	<b>144,594,924.49</b>	<b>135,919,643.05</b>	<b>---</b>

## 18. Other non-current assets

Items	Closing Balance	Opening Balance
-------	-----------------	-----------------

Items	Closing Balance	Opening Balance
Advance payment of project	120,392,369.00	---
Advance payment of lands	---	10,427,021.55
Advance payment of equipments	1,350,783.36	---
<b>Total</b>	<b>121,743,152.36</b>	<b>10,427,021.55</b>

### 19. Accounts payable

Item	Ending balance	Beginning balance
Accounts payable	6,668,789.67	15,487,833.06
<b>Total</b>	<b>6,668,789.67</b>	<b>15,487,833.06</b>

#### (1) Accounts payable

Item	Ending balance	Beginning balance
Payment of construction	6,596,413.67	15,406,565.98
Payment of raw material	33,996.00	---
Payment of goods	---	7,994.50
Payments of equipments	20,200.00	8,700.00
Others	18,180.00	64,572.58
<b>Total</b>	<b>6,668,789.67</b>	<b>15,487,833.06</b>

#### (2) Significant accounts payable aging over one year

Company Name	Closing Balance	Reason for unsettle
XingCheng(Chengde) Construction Co., Ltd.	1,474,499.03	Engineering Warranty
Chengde Great Wall Group Co., Ltd.	1,353,100.46	Engineering Warranty
LiCheng(Chengde) Construction Co., Ltd	1,276,900.24	Engineering Warranty
YongWang(Chengde) Construction Co., Ltd.	867,887.22	Engineering Warranty
Hanyi (Handan) Construction Engineering Co., Ltd.	400,000.00	Engineering Warranty
<b>Total</b>	<b>5,372,386.95</b>	<b>---</b>

### 20. Advance account receivable

#### (1) List of advance account receivable

Item	Opening Balance	Closing Balance
Receipt of Pre-sale Property of HuiJing TianDi	14,427,450.03	62,427,764.58
Goods' receivable in advance	64,400.00	---
Heating fee receivable in advance	1,561,464.19	1,530,016.02
Others	216,005.77	207,928.77
<b>Total</b>	<b>16,269,319.99</b>	<b>64,165,709.37</b>

#### (2) List of Receipt of Pre-sale Property

Item	Opening Balance	Closing Balance	Estimated completion time	Proportion of pre-sale (%)
HuiJing TianDi	14,427,450.03	62,427,764.58	December 2016	95.89
Total	14,427,450.03	62,427,764.58	---	---

(3) There was no significant advance account receivable over one year in the closing balance.

## 21. Payroll payable

### (1)List of Payroll payable:

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
The short-term salary	2,177,237.35	19,219,751.03	20,456,998.72	951,151.59
Post-employment benefit-defined contribution	24,431.58	1,738,973.07	1,733,466.65	29,938.00
Termination benefits	---	350,910.00	350,910.00	---
Total	2,201,668.93	21,309,634.10	22,541,375.37	981,089.59

### (2)List of the short-term salary:

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
1.Wage, bonus, allowance and subsidy	2,159,954.12	16,584,879.67	17,820,532.20	924,301.59
2.Employee welfare	---	1,048,726.37	1,048,726.37	---
3.Social insurance charges	16,390.01	800,082.26	799,002.27	17,470.00
Including: a. Essential medical insurance charges	14,341.26	660,767.95	659,634.21	15,475.00
b.Supplement medical insurance charges	---	---	---	---
c. Work related injury	682.92	67,528.45	67,774.37	437.00
d. Maternity insurance	1,365.83	71,785.86	71,593.69	1,558.00
4.Housing fund	495.00	793,613.40	784,728.40	9,380.00
5.Trade union and educational fees	398.22	3,611.26	4,009.48	---
6.Short-term accumulation of absence with pay	---	---	---	---
7.Short-term profit sharing plan	---	---	---	---
8.Other	---	---	---	---
Total	2,177,237.35	19,230,912.96	20,456,998.72	951,151.59

### (3)List of Defined Contribution Plan(DCP):

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Essential endowment insurance	23,646.10	1,694,363.43	1,688,889.53	29,120.00
Unemployment insurance	785.48	44,609.64	44,577.12	818.00
Total	24,431.58	1,738,973.07	1,733,466.65	29,938.00

## 22. Tax payable

Items	Closing Balance	Opening Balance
VAT	364,882.08	41,473.25
Urban construction tax	20,216.47	432.35
Land VAT	468,597.56	---
Corporate income tax	---	12,906,984.10
Land use tax	---	136,349.73
Individual taxable income	12,830.10	47,250.06
Education surcharge	12,129.88	354.44
Stamp tax	35,224.90	37,978.90
Local education surcharge	8,086.59	236.30
Total	921,967.58	13,171,059.13

## 23. Other Payable

Items	Closing Balance	Opening Balance
Interest payable	193,333.41	---
Other accounts payable	118,376,885.44	25,952,193.34
Total	118,570,218.85	25,952,193.34

### (1) Interest payable

Items	Closing Balance	Opening Balance
Interest on Long-term Loans Payable by Stages	193,333.41	---
Total	193,333.41	---

### (2) Other accounts payable

#### 1 Other accounts payable listed by nature of the account

Categories	Closing Balance	Opening Balance
Deposit and margin	971,041.20	712,541.20
Commission	309,178.00	1,525,800.00
Intercourse funds	16,327,166.66	22,953,440.32
Withholding and remitting tax	10,679.28	22,061.90
Warranty	18,000,000.00	---
Non-financial institution borrowing	79,143,616.44	---
Others	3,615,203.86	738,349.92

Total	118,376,885.44	25,952,193.34
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**2 □ Important other payables aged over one year**

Company Name	Amount	Reason for unsettle
Dongguan Dongfeng New Energy Technology Co., Ltd.	7,810,000.00	---
Total	7,810,000.00	---

**3 □ The details of other payables with larger amounts are as follows:**

Company Name	Amount	Nature
Dongguan Dongfeng New Energy Technology Co., Ltd.	15,310,000.00	Current payment
Chengde Wanxuan Construction Engineering Co., Ltd.	18,000,000.00	Quality guarantee
Total	33,310,000.00	---

## 24.Long-term loans

Loan category	Closing Balance	Opening Balance
Mortgage loan	101,710,000.00	---
Total	101,710,000.00	---

As of December 31, 2018, the company's long-term loan balance of Dongguan Bank Co., Ltd. Songshan Lake Technology Sub-branch was 101.71 billion yuan, and the loan was limited to the follow-up construction of Dongfeng New Energy Equipment Industrialization Project. Dongfeng Technology Group Co., Ltd., Dongguan Dongfeng Technology Development Co., Ltd., Dongguan Zhongxin Energy Technology Co., Ltd., Dongguan Olin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., together with the guarantee of guarantee; the collateral: Guangdong (2017) Dongguan Real Property No. 0121786 Land Use Right and Above-ground Buildings; Pledge: Dongguan Dongfeng Technology Development Co., Ltd. holds 100% equity of Dongguan Dongfeng Intelligent Technology Co., Ltd.

## 25.Share capital

Items	Opening Balance	Increase (+) and decrease (-) in this period					Closing Balance
		Issue new shares	Share bonus	Reserves transfer to shares	Other	Sub-total	
1 limited shares							
(1) shares held by government	---	---	---	---	---	---	---
(2) shares held by State-own Legal-person	---	---	---	---	---	---	---
(3) shares held by other domestic capital	---	---	---	---	---	---	---
Including: shares held by Legal person	23,147,309.00	---	---	---	---	---	23,147,309.00
Shares held by natural person	221,652,691.00	---	---	---	---	---	221,652,691.00
(4) shares held by foreign capital	---	---	---	---	---	---	---
Including: shares held by foreign Legal person	---	---	---	---	---	---	---
shares held by foreign nature person	---	---	---	---	---	---	---
(5) Other	---	---	---	---	---	---	---

Items	Opening Balance	Increase (+) and decrease (-) in this period					Closing Balance
		Issue new shares	Share bonus	Reserves transfer to shares	Other	Sub-total	
Sub-total for limited shares	244,800,000.00	---	---	---	---	---	244,800,000.00
2. Unlimited shares				---			
(1) Ordinary shares in RMB	---	---	---	---	---	---	---
(2) Domestic listed foreign shares	461,520,000.00	---	---	---	---	---	461,520,000.00
(3) Foreign listed foreign shares	---	---	---	---	---	---	---
(4) Other	---	---	---	---	---	---	---
Sub-total for unlimited shares	461,520,000.00	---	---	---	---	---	461,520,000.00
Total	706,320,000.00	---	---	---	---	---	706,320,000.00

## 26. Capital reserves

Items	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
1.Capital premium (share capital premium)	---	---	---	---
(1) Capital from investors	397,808,090.32	---	---	397,808,090.32
(2) Effect of business combination under the common control	---	---	---	---
Sub-total	397,808,090.32	---	---	397,808,090.32
2.Other capital reserve*	65,873,219.23	---	---	65,873,219.23
Total	463,681,309.55	---	---	463,681,309.55

## 27. Treasury stock

Items	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Equity-based Incentive Repurchase	---	19,718,613.55	---	19,718,613.55
Total	---	19,718,613.55	---	19,718,613.55

## 28. Surplus reserves

Items	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Statutory surplus reserves	76,791,550.17	---	---	76,791,550.17
Total	76,791,550.17	---	---	76,791,550.17

## 29. Retained profits

Items	Closing Balance	Withdrawal or allocation proportion
Opening balance of retained profits before adjustments	-882,864,082.85	---
Total opening balance of retained profits before adjustments (increase+, decrease -)	---	---
Opening balance of retained profits after adjustments	-882,864,082.85	---
Add: Net profit attributable to owners of the Company	7,383,835.76	---
Less: Withdrawal of statutory surplus reserves	---	10%
Withdrawal of discretionary surplus reserves	---	---
Dividend of common stock payable	---	---
Dividend of common stock transfer into share capital	---	---
Add: Other transfer	---	---
Less: surplus reserves for recovery of loss	---	---
Closing Balance	-875,480,247.09	---

### 30. Revenues and operating costs

#### (1) Revenues and operating costs

Items	This period		Last Period	
	Income	Cost	Income	Cost
Principal business	123,462,309.48	108,747,731.24	248,704,998.16	236,724,015.73
Other business	45,774.42	---	1,366,864.91	459,123.94
Total	123,508,083.90	108,747,731.24	250,071,863.07	237,183,139.67

#### (2) Principal business income and cost (by industry)

Industry	This period		Last Period	
	Income	Cost	Income	Cost
Agriculture	72,510.07	108,219.97	43,700.16	193,734.40
Property management industry	4,582,079.48	4,818,262.48	3,855,595.87	4,964,668.31
Real Estate industry	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Total	123,462,309.48	108,747,731.24	248,704,998.16	236,724,015.73

#### (3) Principal business income and cost (by products)

Product	This period		Last Period	
	Income	Cost	Income	Cost
Agriculture product	72,510.07	108,219.97	43,700.16	193,734.40
Heating and Property management	4,582,079.48	4,818,262.48	3,855,595.87	4,964,668.31
Real Estate	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Including: Hui Jing Tian Di	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Total	123,462,309.48	108,747,731.24	248,704,998.16	236,724,015.73

#### (4) Principal business income and cost (by district)

District	This period		Last Period	
	Income	Cost	Income	Cost
Chengde District	123,462,309.48	108,747,731.24	248,704,998.16	236,724,015.73
Total	123,462,309.48	108,747,731.24	248,704,998.16	236,724,015.73

#### (5) The operating income from the top five customers

Customer name	This period	Last Period
Huijing Tiandi	118,807,719.93	244,805,702.13
Total	118,807,719.93	244,805,702.13

### 31. Tax and surcharges

Items	This Period	Last Period
Business tax	547,780.45	9,120,014.46
Urban maintenance and construction tax	207,179.94	607,169.86
Education surcharge	129,234.81	364,301.93
Local education surcharge	77,945.15	242,867.96
Land VAT	-2,214,613.09	-1,865,748.43
Property tax	109,230.51	90,831.37
Others	895,409.34	1,231,857.33
Total	-247,832.89	9,791,294.48

### 32. Sales expenses, Administrative expenses, R&D expenses and financial expenses

#### (1) Sales expenses

Item	This Period	Last Period
Repair expense	---	196,990.00
Wages	89,350.00	---
Advertise expense	1,200.00	148,130.00
Harbor expense	---	61,286.00
Product packing	4,902.12	162,064.81
Commission	---	13,848,419.45
Others	19,894.59	200.00
Total	115,346.71	14,417,090.26

#### (3) Administrative expenses

Item	This Period	Last Period
Wages	11,289,704.54	13,255,871.45
Intermediary fees	2,712,227.89	3,684,947.19
Business entertainment	4,503,880.70	4,067,254.25
Accumulated amortization	3,993,026.12	2,160,421.40
Travel expense	1,299,616.63	1,615,666.00
Office expense	723,349.13	928,976.58
Transportation	47,218.03	199,479.05
Low-valued consumption goods	111,693.84	35,015.42

Item	This Period	Last Period
Long-term deferred expenses	41,682.82	153,935.87
Repair charge	415,429.92	245,340.37
Material consumption	390,272.71	354,911.66
Rental fees	5,700.00	201,720.00
Insurance expenses	129,447.86	117,794.81
Residual premium	8,746.67	169,852.55
Others	3,564,651.61	2,361,185.01
Total	29,236,648.47	29,552,371.61

### (3) R & D expenses

Item	This Period	Last Period
Wages	2,989,415.84	120,080.00
Fuel & power costs	15,191.25	---
Material cost	305,017.96	4,809.69
Depreciation cost	131,417.67	---
Others	1,307,810.14	---
Total	4,748,852.86	124,889.69

### (4) Financial expenses

Item	This Period	Last Period
Interest expense	---	1,617,172.91
Less: interest income	175,090.92	645,550.99
Exchange gain or loss	-269,681.12	330,220.97
Bank charges	59,219.06	44,334.40
Total	-385,552.98	1,346,177.29

### 33. Asset impairment loss

Item	This Period	Last Period
Provision for bad debt	108,706.75	367,061.18
Provision for inventory	---	-3,960.15
Impairment of available for sale financial assets	339,366.05	6,113,728.80
Total	448,072.80	6,476,829.83

### 34. Other income

#### (1) Details of other income

Sources of other income	This Period	Last Period
Government subsidies	2,896,903.64	---
Total	2,896,903.64	---

#### (2) Government Subsidies Included in Other Benefits

Item	This Period	Last Period	Asset-related/ Revenue-related
Subsidies for Renewable Energy Building Demonstration Projects	2,890,000.00	---	Revenue-related
Employment subsidy	6,000.00	---	Revenue-related
VAT reduction and exemption	903.64	---	Revenue-related
Total	2,896,903.64	---	---

### 35. Government subsidy

#### (1) Basic situation of government subsidies

Type	This Period	Amount included in current profit and loss	Remarks
Government subsidies that include other income	2,896,903.64	2,896,903.64	See note 37 in Note 5 for details.
Total	2,896,903.64	2,896,903.64	---

### 36. Investment income

#### (1) Details of investment income

Item	This Period	Last Period
1.Financial assets	---	---
Investment income from bank financial products in this period	1,144,246.03	2,482,382.07
2.Long-term equity	---	---
Long-term equity (investment income accounted by equity)	---	-980,509.06
3.Investment income arising from disposal of long-term equity investments	18,501,800.54	---
Total	19,646,046.57	1,501,873.01

### 37.Asset disposal income

Items	This period	Last period
Income arising from disposal of biological assets	-18,684.68	-304,370.98
Income arising from disposal of intangible assets	---	17,692,850.63
Income arising from disposal of fixed assets	4,544,930.26	47,671,503.99
Total	4,526,245.58	65,059,983.64

### 38.Non-operating gains

Item	This Period	Last Period	Recorded in the amount of the non-recurring gains and losses this period
Other	3,125.00	24,633.24	3,125.00
Total	3,125.00	24,633.24	3,125.00

### 39. Non-operating expenses

Item	This period	Last period	Recorded in the amount of the non-recurring gains and losses in this period
Disposal of non-current assets	259.98	43,889.51	259.98
Donations contributed	384,980.00	700,000.00	384,980.00
Including: Public welfare donations contributed	---	---	---
Compensation and Tax penalty	2,373.71	32,943.78	2,373.71
Compensation	---	30,000.00	---
Other	86,330.73	16,529.25	86,330.73
Total	473,944.42	823,362.54	473,944.42

### 40. Income tax expense

#### (1) Lists of income tax expense

Item	This Period	Last Period
Current income tax calculated based on tax law and relevant rules	110,309.68	12,906,984.10
Deferred income tax adjustment	775,645.41	---
Total	885,955.09	12,906,984.10

#### (2) Adjustment process of accounting profit and income tax expense

Item	This period
Total profits	7,443,194.06
Current income tax expense accounted by tax and relevant regulations	1,860,798.52
Influence of different tax rate suitable to subsidiary	-44,438.79
Influence of income tax adjustment for the internal transaction	---
Impact from tax preferential rate in certain subsidiaries	---
Influence of income tax before adjustment	110,309.68
Influence of non taxable income	---
Influence of not deductible costs, expenses and losses	659,772.96
Influence of deductible losses of deferred income tax assets derecognized used in previous period	-4,756,971.25

Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	3,056,483.97
Income tax expense	885,955.09

#### 41. Notes to the cash flow statement

##### (1) Other cash receive relevant from operating activities

Item	This Period	Last Period
Interest income	175,090.92	645,550.99
Intercourse funds	47,378,409.76	20,201,421.06
Subsidy income	2,896,000.00	---
Other	65,681,669.90	2,997,789.75
Total	116,131,170.58	23,844,761.80

##### (2) Other cash paid relevant to operating activities

Item	This Period	Last Period
Expenditure	264,339.21	17,015,616.01
Donation expense	384,980.00	700,000.00
Intercourse funds	163,483.99	20,683,332.74
Penalty and late fee	2,373.71	32,943.78
Other expense	38,401.80	3,374,469.10
Total	853,578.71	41,806,361.63

##### (3) Other cash paid relevant to financing activities

Item	This Period	Last Period
Restricted currency fund changes	---	698,492.97
Repurchase stock funds	19,718,613.55	---
Total	19,718,613.55	698,492.97

#### 42. Supplementary information on cash flow statement

##### (1) Supplemental information for statement of cash flow

Supplemental information	This Period	Last Period
1. Adjustments to reconcile net profit to net cash provided by operating activities:		
Net profit	6,557,238.97	4,036,213.49
Add: impairment provision for assets	448,072.80	6,476,829.83

<b>Supplemental information</b>	<b>This Period</b>	<b>Last Period</b>
Depreciation of fixed assets, consumption & depreciation of fuel and gas, depreciation of productive biological assets	2,261,508.53	1,751,789.36
Amortization for intangible assets	1,970,099.34	747,346.80
Amortization for long-term prepayment	207,423.67	153,935.87
Loss on disposal of fixed assets, intangible assets and other long-term assets	-4,526,245.58	-66,313,983.64
Loss upon rejection of fixed assets	259.98	43,889.51
Loss on variance of fair value	---	---
Finance cost	---	---
Loss in investment	-19,646,046.57	-1,501,873.01
Decrease of deferred tax assets	775,645.41	---
Increase of deferred tax liability	---	---
Decrease of inventories	83,068,268.34	107,315,235.57
Decrease of operating receivable account items	-58,983,097.43	6,341,395.52
Increase of operating payable account items	22,432,921.85	-143,602,353.58
Other	---	---
Net cash flow from operating activities	34,566,049.31	-84,551,574.28
<b>2 Significant investing and financing activities for non-cash items</b>		
Liabilities capitalized	---	---
Convertible bonds payable mature in one year	---	---
Financing leased fixed assets	---	---
<b>3. Net increase (decrease) for cash and cash equivalents</b>		
Closing balance for cash	33,512,916.99	68,107,388.69
Less: opening balance for cash	68,107,388.69	126,970,834.83
Add: closing balance for cash equivalent	---	---
less: opening balance for cash equivalent	---	---
Net increase (decrease) for cash and cash equivalents	-34,594,471.70	-58,863,446.14
<b>(2) Cash and cash equivalent</b>		
<b>Item</b>	<b>This Period</b>	<b>Last Period</b>
1.Cash	33,512,916.99	68,107,388.69
Including: Cash in hand	368,614.69	61,945.60

Item	This Period	Last Period
Cash at bank	33,144,302.30	68,045,443.09
Other cash and cash equivalents	---	---
2.Cash equivalent	---	---
Including: Bond matured within three months	---	---
3.Closing balance for cash and cash equivalents	33,512,916.99	68,107,388.69
Including: the use of restricted cash and cash equivalents by the parent company or a group subsidiary	---	---

**Notes on the supplementary information of the cash flow statement:**

The final balance of cash and cash equivalents in December 31, 2018 was RMB 33,512,916.99, and the final balance of money funds was RMB 36,306,825.10, with a difference of RMB 2,793,908.11. It was mainly due to the existence of a housing mortgage deposit that could not be freely changed within three months of the final balance of money and money. In 2017, it was the same.

## VII. Consolidation scope change

### (1) business combination under different control

#### 1. Different control business combination occurred in the current period

Name of the purchaser	Equity acquisition point	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition way	purchase date	Basis for determining the purchase date	Revenue from the purchaser to the end of the period	Net profit of the purchaser to the end of the period
Haizhuo Energy	2018-3-6	15,956,000.00	62.00	business combination under different control	2018-3-6	*1	---	-465,527.38

Note:

\*1: The investment agreement has been approved by the board of directors, has undergone industrial and commercial changes, and the equity investment has been paid 100%. In fact, the financial and operating policies of the merged party have been controlled.

Note:

DongGuan HaiZhuo Energy Technology Co., Ltd. was established on September 15, 2015 with a registered capital of RMB 25 million. On December 28, 2017, it signed a capital increase agreement with Dongguan Dongfeng Technology Co., Ltd., increasing its registered capital from RMB 9.5 million to RMB 25 million. Dongguan Hangda Venture Capital Co., Ltd. and Dongfeng Technology Development agreed to increase the capital of DongGuan HaiZhuo Energy Technology Co., Ltd. with

RMB 15.956 million, of which RMB 15.5 million was used as capital for registered capital and RMB 0.456 million was recorded as capital reserve of DongGuan HaiZhuo Energy Technology Co., Ltd. On March 06, 2018, Dongguan Dongfeng Technology Co., Ltd. invested RMB 15.5 million, accounting for 62.00% of the registered capital.

## 2. Identified assets and liabilities of acquiree on the purchase date.

Items	DongGuan HaiZhuo Energy Technology Co., Ltd.	
	Fair value at the date of purchase	Book value at the date of purchase
Current assets	25,267,549.36	25,267,549.36
Non-current assets	172,368.64	172,268.64
Less: current liabilities	106,167.76	106,167.76
Non-current liabilities	---	---
Net assets	25,333,750.24	25,333,650.24
Less : Minority shareholders' equity	9,626,825.09	9,626,787.09
Net assets acquired	15,706,925.15	15,706,863.15
Current assets	106,361.24	106,360.82
Non-current assets	15,600,563.91	15,600,502.33
Net assets acquired	25,267,549.36	25,267,549.36

### (2) business combination under common control

#### 1. Common control business combination occurred in the current period

Name of the combined party	Proportion of equity acquired in business combination (%)	Combination date	Income of the combined party from the beginning of current period to the date of merger	Net profit of the combined party from the beginning of current period to the date of merger
Dongfeng Power	100.00	2016-4-7	---	---

#### Notes:

Dongfeng Power was established on April 7, 2016 by Tibet Dongsheng Investment Co., Ltd., and its ultimate owner is Mr. Wang Dong, who is the company's largest shareholder, so it is under the same control. The earliest time is April 7, 2016.

#### 2. Combination cost

Dongfeng Power was established on April 7, 2016 with a registered capital of RMB 70 million. On August 28, 2018, Dongguan Dongfeng Technology Co., Ltd. and Tibet Dongfeng Investment Co., Ltd. signed an equity transfer agreement, and the agreement price was RMB 0.00 to transfer 100% equity. On December 25, 2018, Dongguan Dongfeng Technology Co., Ltd. signed a shareholder transfer agreement with the company, and the agreement price was RMB 0.00 to transfer 100% equity.

#### 3. Book value of assets and liabilities on the combination date

Items	DongGuan DongFeng Power Co., Ltd.,
-------	------------------------------------

Items	DongGuan DongFeng Power Co., Ltd.,	
	Combination date	Last period
Other payables	500.00	500.00
Net assets	-500.00	-500.00
Less : Minority shareholders' equity	---	---
Net assets acquired	-500.00	-500.00

**(3) Disposal of subsidiaries**

**1. Single disposal of investment in subsidiaries and loss of control**

Name of subsidiaries	Equity disposal price	Equity disposal ratio (%)	Equity disposal way	Time of loss of control	Basis for determining the point of loss of control	The difference between the disposal price and the net assets share of the subsidiary at the level of consolidated financial statements corresponding to the disposal investment
ChengDe NanJiang Trading Co., Ltd	22,639,500.00	100.00	sell	2018-8-30	Transfer of control	18,328,070.03

continued:

Name of subsidiaries	Proportion of remaining equity on the date of loss of control (%)	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Re-measure the gain or loss arising from the remaining equity at fair value	Determination method and main assumption of the fair value of remaining equity on the date of loss of control	The amount of other comprehensive income related to the equity investment of original company transferred into investment gains and losses
ChengDe NanJiang Trading Co., Ltd	---	---	---	---	---	---

**Note:**

The company transferred the 100% equity of Chengde Nanjiang Trading Co., Ltd. held by the company to Chengde Chengjin Trading Co., Ltd. on August 14, 2018. Therefore, Chengde Nanjiang Trading Co., Ltd. will no longer be included in the consolidated balance sheet. However, according to the "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements": if the parent company disposes of the subsidiary during the reporting period, it shall include the income, expenses and profits of the subsidiary from the beginning of the period to the disposal date into the consolidated income statement. Cash flows from the beginning of the subsidiary to the disposal date

are included in the consolidated cash flow statement. Therefore, the income, expenses and profits of Chengde Nanjiang Trading Co., Ltd. from the beginning to the date of cancellation are still included in the scope of consolidation.

## VIII. Rights and interests in other parties

### 1. Rights and interests in subsidiary

#### (1) Organization of enterprise group

Name of subsidiary	Main businesses land	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Kefeng Construction Co., Ltd.	ChengDe County, HeBei Province	ChengDe County, HeBei Province	Construction project management and consulting	100	---	set up
NanJiang Asia Investment Co., Ltd.	ChengDe County, HeBei Province	ChengDe County, HeBei Province	International investment	100	---	set up
Chengde Dongfeng ecological agriculture co., Ltd.	ChengDe County, HeBei Province	ChengDe County, HeBei Province	Production of coarse cereals and edible fungus; Planting of fruit, vegetable and Chinese medical herbs	---	100	set up
Chengde Dongfeng Investment Co., Ltd.	ChengDe County, HeBei Province	ChengDe County, HeBei Province	Investment of Industry	100	---	set up
Kefeng Trade Co., Ltd.	ChengDe County, HeBei Province	ChengDe County, HeBei Province	Business trading	100	---	set up

Name of subsidiary	Main businesses land	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Hangzhou Dongfeng Co., Ltd.	Hangzhou city, Zhejiang Province	Hangzhou city, Zhejiang Province	Research, development of technical services	100	--	set up
Dongguan Dongfeng Science and Technology Co., Ltd.	Dongguan	Dongguan	New material technology research	70	---	set up
Dongguan Dongfeng Power Co., Ltd.	Dongguan	Dongguan	Clean energy technology development	100.00	---	Corporate consolidation under the same control
Nanjiang Science and Technology Co., Ltd	ChengDe	ChengDe	Production and sales of inflatable cysts and graphene	---	100	set up
ChengDe KeFeng Aerospace Technology Development Co., Ltd	ChengDe	ChengDe	Aerospace product technology research and development, technical advice,	100	---	set up
Huijing property company Co., Ltd	Chengde	Chengde	Estate management	---	100	Set up
Zhongchuangxin Energy Co., Ltd	Dongguan	Dongguan	Research of new energy	---	60.98	Corporate consolidation not under the same control

Name of subsidiary	Main businesses land	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Dongguan Dongfeng Intelligence Co., Ltd	Dongguan	Dongguan	Technical research in the new realm of science	---	100	Corporate consolidation under the same control
Aolin New Material Co., Ltd	Dongguan	Dongguan	Nanotechnology materials	---	62	Corporate consolidation not under the same control
DongGuan HaiZhuo Energy Technology Co., Ltd.	Dongguan	Dongguan	Technical development of new materials	---	62.00	Corporate consolidation not under the same control

**(1) The shareholding ratio of the subsidiary is different from the proportion of voting rights**

This was not happened in the current year.

**(2) Hold half or less of the voting rights but still control the investee**

This was not happened in the current year.

**(3) Basis for holding more than half of the voting rights but not controlling the invested units**

This was not happened in the current year.

**(4) Basis for important structured subject control to be included in the scope of consolidation**

This was not happened in the current year.

**(5) Determine the basis for the company to be an agent or a principal**

This was not happened in the current year.

**(6) Other statement:**

\*1. On October 9 2012, ChengDe NanJiang Investment Co., Ltd. was established and invested by Chengde Rongyida Real Estate Development Co., Ltd. The registered capital was RMB 50,000,000.00 and RongYiDa accounted for 100% of NanJiang Investment's equity. On December 21 2012, RongYiDa transfer 100% of NanJiang Investment's equity to the company at the price of RMB 50,000,000.00. After the transfer, the company held 100% of NanJiang Investment's equity. On

January 6 2013, NanJiang increase share capital of NanJiang Investment by RMB 40,000,000.00. After the increment, the registered capital of NanJiang Investment reach RMB 90,000,000.00..

\*2. On October 24 2012, ChengDe NanJiang Ecological Agriculture Co., Ltd. established and invested by ChengDe NanJiang Investment Co., Ltd. The registered capital was RMB 5,000,000.00 and NanJiang Investment held 100% of Ecological Agriculture's equity. On April 18 2013, NanJiang Investment increase share capital of NanJiang Ecological Agriculture by RMB 5,000,000.00. After the increment, the registered capital of NanJiang Ecological Agriculture reach RMB 10,000,000.00.

\*3. On November 14, 2013, NanJiang Asia Investment Co., Ltd. ("NanJiang Asia") was invested by NanJiang, with the register capital of USD 20 million. Paid-in share capital is USD 797,538.34 and the register place is Hong Kong.

\*4. On January 24, 2013, Chengde Nanjiang Technology Co., Ltd. ("Nanjiang Technology") was invested by NanJiang and Morsh (NingBo) Technology Co., Ltd, with the register capital of RMB 50,000,000.00: NanJiang contribute RMB 45,000,000.00, accounting for 90% of the total share capital; Morsh (NingBo) Technology contribute RMB 5,000,000.00, accounting for 10% of the total share capital.

\*5. On November 18, 2013, Chengde HuiJing property Co., Ltd ("HuiJing Property") was invested by NanJiang Investment, with the register capital of RMB 500,000.00. NanJiang Investment contributes RMB 500,000.00, accounting for 100% of share capital.

\*6. Dongfeng Power was established on April 7, 2016 by Tibet Dongsheng Investment Co., Ltd. with a registered capital of RMB 70 million and actual capital contribution of RMB 0. On August 28, 2018, it signed an equity transfer agreement with Dongguan Dongfeng Technology to make it 100%. The equity of company was transferred to Dongguan Dongfeng Technology for RMB0.00. On December 25, 2018, Dongguan Dongfeng Technology transferred its 100% equity to the company at RMB0.00. As of December 31, 2018, it has not actually invested.

\*7. On September 21 2016, HangZhou HangFeng Technology Co., Ltd. established and invested by ChengDe NanJiang Investment Co., Ltd. The registered capital was RMB 50 million with the actual investment 30 million yuan..

\*8. On December 12, 2016, Chengde KeFeng Aerospace Technology Development Co. Ltd. Established, invested by ChengDe NanJiang Investment Co., Ltd. The registered capital was RMB 30 million. As of December 31, 2018, it has not actually invested.

\*9. KeFeng Construction and KeFeng Trading is a new company established in March 6, 2017, with the registered capital of 500 thousand yuan and 8 million 500 thousand yuan respectively, and Dongfeng Technology Group contributed 100% of its registered capital.

\*10. Dongguan Dongfeng Technology Co. Ltd. was established on August 17, 2017, the registered capital of 100 million yuan, on September 2017 Dongfeng Technology Group invested RMB100 million , accounting for 100% of the registered capital.

\*11. The Public Innovative Energy Co. Ltd. was established on July 4, 2017, with a registered capital of RMB 24.6 million. In September 5, 2017, Dongguan DongFeng Technology Development and Dongguan Airlines venture capital investment signed a capital increase agreement, the registered capital increased from RMB 1 million to RMB 24.6 million, Dongguan DongFeng science and technology development of RMB 15 million, with money, accounting for 60.98%. In October 24, 2017, Dongguan DongFeng invested RMB 15 million in science and technology.

\*12. Dongguan DongFeng Intelligence Co. Ltd. was set up on 14 February, 2017. The registered capital was RMB 60 million. December 5, 2017, Dongguan science and technology development

and Dongguan Dong New Energy signed an agreement on equity transfer, the price of the agreement was RMB 15 million, and the registered capital was paid RMB 45 million in December 27, 2017, and the proportion of the stock was 100%.

\*13. Aolin New Material Co. Ltd. was set up in October 23, 2015, with a registered capital of RMB25 million. In December 4, 2017, it signed a capital increase agreement with Dongguan DongFeng Technology. It increased the registered capital of 9 million 500 thousand yuan to 25 million yuan before the increase of capital and expansion. The Dongguan Airlines venture Capital Co., Ltd. And Dong Feng Technology Development agreed to increase the capital of new materials to the new materials with 16 million 402 thousand and 500 yuan. Of which, 15 million 500 thousand yuan is registered capital increase, and 902 thousand and 500 yuan is the capital surplus added to the new material of Olin. In December 29, 2017, Dongguan DongFeng Technology invested 15 million 500 thousand yuan, accounting for 62% of the registered capital.

\*14. Dongguan Haizhuo Energy Co., Ltd. was established on September 15, 2015 with a registered capital of RMB 25 million. On December 28, 2017, it signed a capital increase agreement with Dongguan Dongfeng Technology Co., Ltd., increasing its registered capital from RMB 9.5 million to RMB 25 million. Dongguan Hangda Venture Capital Co., Ltd. and Dongfeng Technology Development Co., Ltd agreed to increase the capital of Haizhuo Energy with RMB 15.956 million, of which RMB 15.5 million was used as capital for registered capital and RMB 456,000 was recorded as capital reserve for Haizhuo Energy Co., Ltd. On March 06, 2018, Dongguan Dongfeng Technology Co., Ltd invested RMB 155,000, accounting for 62.00% of the registered capital.

## 2. Change of owner's equity share in subsidiaries and subsidiaries still under control

Not Applicable.

## 3. Equity in joint ventures or associated enterprises

### Important joint ventures or associated enterprises

Name of joint ventures or associated enterprises	Main business place	Registered place	Business nature	shareholding ratio (%)		Accounting treatment method
				Directly	Indirectly	
Joint venture	---	---	---	---	---	---
Runhua Rural Water (Tianjin)Water Saving Technology Co., Ltd	Tianjin	Tianjin	International trade	30	---	equity

## IX. Related parties and related transaction

### 1. Relation of affiliated parties

#### (1) Controlling shareholder and ultimate controller

The company has no parent company. The related parties with controlling relationship of the Company refer to Mr. Wang Dong, who held 29.49% equity of the Company.

## (2) Subsidiary

See VIII-1-(1) - Organization of enterprise group.

## (3) Joint ventures and associated enterprises

Name of related parties	Relationship	Organizational Code
Runhua Rural Water (Tianjin) Water Saving Technology Co., Ltd	Joint venture	91120116679414567F

## (4) Other related party:

Name of related parties	Relationship
Runhua Rural Water Industrial development Co.	The controller of Joint venture
MinFeng (ShanXi) Material industry chemical industry Co.Ltd	The controller of Joint venture
Dongguan Hangda Venture Capital Co., Ltd.	Non-controlling shareholder of a subsidiary of the company

## 2. Related transactions

(1) The subsidiaries which are under control in the consolidation ,its transaction with each other and with parent company and have already been set off in consolidation scope.

(2) Related transaction regarding purchasing products and obtaining labor services

Not Applicable.

(3) Related transactions regarding selling goods and providing services

Not Applicable.

(4) Associated managed enterprise

Not Applicable.

(5) Related contract situation

Not Applicable.

(6) Associated rental condition

Company charter:

Lessor name	Type of leased assets	Lease fee is confirmed in the current period.	Lease fee confirmed in the previous period
Dongguan Hangda Venture Capital Co., Ltd.	Factory and dormitory	1,268,486.50	---
Total	---	1,268,486.50	---

### Notes:

Leasing factory: Dongguan Hangda Venture Capital Co., Ltd. leased to Dongguan Olin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., Dongguan Zhongchuang New Energy Technology Co., Ltd. The factory is located in Dongguan Songshan Lake High-tech Industrial Development Zone Industrial East No. 24, Modern Enterprise Accelerator Unit No. 6 Building 101--102, with a total construction area of 6,399.60 square meters, of which Dongguan Olin New Materials Co., Ltd. leased a building area of 3,226.95 square meters. Dongguan Haizhuo Energy Technology Co., Ltd. leased construction area 2,008.20 square meters, Dongguan Zhongchuang New Energy Technology Co., Ltd. leased a building area of 1,164.45 square meters; of which the factory rent standard (including property management fee) was 36.00 yuan / m2 / month (including tax),

Rental Dormitory: Dongguan Hangda Venture Capital Co., Ltd. leased to Dongguan Olin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., Dongguan Zhongchuang

New Energy Technology Co., Ltd. The dormitory is located in Dongshan Industrial Zone, Songshan Lake, Dongguan City Road No. 24 Modern Enterprise Accelerator 8 dormitories on the 7th floor, a total of 19 sets of single-family units. Among them, Dongguan Olin New Materials Co., Ltd. leased 8 sets of dormitory including 706, 707, 708, 709, 710, 711, 712, 713; Dongguan Haizhuo Energy Technology Co., Ltd. leased dormitory 6 sets including 714, 715, 717, 718, Room 719□ 720, Dongguan Zhongchuang New Energy Technology Co., Ltd. leased 5 sets of dormitory including 701, 702, 703, 704, 705 rooms, dormitory rent standard (including property management fee) for a single apartment type 620 yuan / set / month (including tax).

**(7) Status of Associated Guarantee**

The company as a guarantor

The secured party	Guarantee amount	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Dongguan Dongfeng Intelligent Technology Co., Ltd.	20,000.00	2018-7-2	2023-7-2	No
Total	20,000.00	---	---	---

**Notes:**

In order to meet the operation and development needs of Dongguan Dongfeng Intelligent Technology Co., Ltd. (hereinafter referred to as “Dongfeng Intelligent”), which is the holding company of Dongfeng Technology Group, the application amount of Dongguan Bank’s Songshan Lake Technology Sub-branch is not more than RMB 200 million. Yuan's comprehensive credit, with a credit period of two years and a single-use period of no more than five years, is dedicated to the construction of the Dongfeng New Energy Equipment Industrialization Project located on the east side of Fuxing Road, Dongguan Ecological Park. And the company's controlling subsidiary Dongguan Dongfeng Technology Development Co., Ltd. (hereinafter referred to as “Technology Development”) holds the 100% equity of Dongfeng Intelligent as the pledge guarantee, and Dongfeng Intelligent uses its own land and above-ground buildings as collateral guarantee. Dongfeng Technology Group, Science and Technology Development, Dongguan Zhongchuang New Energy Technology Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd. and Dongguan Aolin New Materials Co., Ltd. are jointly and severally guaranteed. The guarantee period is 5 years.

As of December 31, 2018, Dongfeng Intelligent obtained the long-term loan balance of Dongguan Bank Co., Ltd. Songshan Lake Technology Subsidiary of RMB 101,710 million. The borrowing was limited to the follow-up construction of Dongfeng New Energy Equipment Industrialization Project. Dongfeng Technology Group Co., Ltd., Dongguan Dongfeng Technology Development Co., Ltd., Dongguan Zhongchuang New Energy Technology Co., Ltd., Dongguan Aolin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., together with the guarantee of guarantee; the collateral: Guangdong ( 2017) Dongguan Real Property No. 0121786 Land Use Right and Above-ground Buildings; Pledge: Dongguan Dongfeng Technology Development Co., Ltd. holds 100% equity of Dongguan Dongfeng Intelligent Technology Co., Ltd.

**(8) Inter-bank lending of affiliated parties**

Not Applicable.

**(9) Important related transactions with joint investments**

Not Applicable.

**(10) Re-numeration for key management personnel**

Not Applicable.

**(11) Key management personnel compensation**

Unit: RMB 10,000

Item name	This period	Last period
Key management personnel compensation	221. 56	181. 60

**(12) Accounts receivable from related parties**

**a. Receivables**

Not Applicable.

**b. payables**

Not Applicable.

**X. Commitments and contingencies**

**1.Important commitments**

Not Applicable.

**2.Important contingencies existing on the balance sheet date**

By the end of December 31, 2018, the closing balance of housing mortgage deposit, for the purchaser of commercial houses, was RMB 70,740,000.00.

In addition to the above contingencies, as at 31 December 2018 the company has no other material contingencies that should be disclosed

**XI. Events after the Balance Sheet Date**

**(1) Important non-adjusting matters**

On March 13, 2019, at the 10th meeting of the 7th Board of Directors, the company plans to increase the capital of Dongguan Dongfeng Technology Development Co., Ltd. by RMB 100,000,000 and increase the registered capital of Dongguan Dongfeng Technology from RMB 100,000,000 to RMB 200,000,000, the company still holds 100% equity. As of the date of approval of the financial report, the company has not actually increased its capital. As of December 31, 2018, the controlling shareholder did not hold equity pledge.

Except for the events after the balance sheet date mentioned above, as of the date of approval of the financial report, the company has no other matters that should disclose.

**XII. Other Important Events**

**1.Business termination**

Item	Nanjing Trading termination items	
	This period	Last period
Income of Business termination	---	66, 640, 312. 36
Expenses of Business termination	3, 949, 752. 19	13, 970, 394. 00
Profit of Business termination	-3, 949, 752. 19	52, 669, 918. 36

Item	Nanjing Trading termination items	
	This period	Last period
Taxes of Business termination	110,309.68	12,906,984.10
Net profit of Business termination	-4,060,061.87	39,762,934.26
Including: Net profit of Business termination attributed to parent company	-4,060,061.87	39,762,934.26
Profit and loss of Business termination	---	---
Income tax costs of Business termination	---	---
Business termination & Disposal net loss	---	---
Business termination & Disposal net loss attributed to parent company	---	---
cash flow of Profit and loss of Business termination	-96,600.88	-2,253,430.86
Including: Net cash flow of operating activities	12,784,053.62	-14,558,880.64
Net cash flow of investing activities	---	21,305,449.78
Net cash flow of financing activities	-12,880,654.50	-9,000,000.00

### XIII. Notes to Main Items of Financial Statements of Parent Company

#### 1. Other receivable

Item	Closing Balance	Opening Balance
Other receivable	80,991,042.06	27,954,251.88
Total	80,991,042.06	27,954,251.88

#### (1) Disclosure of other receivables by category

Categories	Closing Balance				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	16,668,186.90	16.98	16,665,104.90	99.98	3,082.00
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	81,270,949.93	82.79	282,989.87	0.35	80,987,960.06
Combination 1: risk-free combination	77,635,291.98	79.08	---	---	77,635,291.98
Combination 2: Aging analysis combination	3,635,657.95	3.71	282,989.87	0.35	3,352,668.08
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	229,787.72	0.23	229,787.72	100.00	---
Total	98,168,924.55	100.00	17,177,882.49	17.50	80,991,042.06

Continue:

Categories	Opening Balance				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	17,782,439.90	38.66	17,686,906.90	99.46	95,533.00
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	27,989,554.17	60.84	130,835.29	0.47	27,858,718.88
Combination 1: risk-free combination	27,181,447.41	59.09	---	---	27,181,447.41
Combination 2: Aging analysis combination	808,106.76	1.75	130,835.29		677,271.47
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	229,787.72	0.50	229,787.72	100.00	---
Total	46,001,781.79	100.00	18,047,529.91	39.23	27,954,251.88

**a. Other receivables which single amount is significant and bad debts reserve is withdrawn at the end of the year.**

Unit	Closing Balance			
	Receivables	Provision for bad debts	Accruing proportion (%)	Reason
Dongfeng Ecological Agriculture	16,668,186.90	16,665,104.90	99.98	Excepted irrecoverable
Total	16,668,186.90	16,665,104.90	---	---

**b. Other receivable with provisions of bad debts accrued by aging analysis method in the portfolio**

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
Within 1 year	3,499,589.52	174,979.38	5
1 to 2 years	17,447.43	3,489.49	20
2 to 3 years	28,200.00	14,100.00	50
Over 3 years	90,421.00	90,421.00	100
Total	3,635,657.95	282,989.87	7.78

**c. Other receivable with provisions of bad debts accrued by other method in the portfolio**

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
Nanjiang trading Co., Ltd	135,241.42	---	---
Chengde County Taxation Bureau	4,942,346.42	---	---
NanJiang Asia Investment Co., Ltd.	4,971.22	---	---
Kefeng Construction Co., Ltd	112,000.00	---	---
HuiJing Property company	7,380,732.92	---	---
. ChengDe KeFeng Aerospace Technology Development Co. Ltd	60,000.00	---	---
DongGuan DongFeng Technolgy Co., Ltd.	65,000,000.00	---	---
Total	77,635,291.98	---	---

**Notes for determining the basis of the portfolio:**

In the portfolio, the provision for bad debts in other methods is RMB 0.00, mainly considering that the expected unrecoverable risk is extremely low.

**d. Other receivables of individual account with insignificant amount and accrued for provision for bad debts at the end of the year**

Accounts Receivable	Book Amount	Bad debt provision	Accruing proportion(%)	Reasons for Accrual
Qizhong Yan	70,000.00	70,000.00	100.00	Expected irrecoverable
Zifei Wang	61,360.00	61,360.00	100	Expected irrecoverable
Cheng Sun	10,800.00	10,800.00	100	Expected irrecoverable
Fangyan Lv	5,157.10	5,157.10	100	Expected irrecoverable
Beijing Jufangbian Technology Co., Ltd.	10,080.00	10,080.00	100	Expected irrecoverable
Tsinghua University	100.00	100.00	100	Expected irrecoverable
Xiashu Wang	72,290.62	72,290.62	100	Expected irrecoverable
Total	229,787.72	229,787.72	100.00	---

**(2) Provision for bad debts withdrawn and returned back (taken back) in this year**

Provision for bad debts extract in this year is RMB152,154.58, bad debts reserve returned back or taken back in this year is RMB1,021,802.00.

**(3) No other receivables were actually written off during the reporting period.**

**(4) Classification of other receivables by nature**

Fund nature	Book balance at the end of the year	Book balance at the beginning of the year
Intercourse fund	89,225,891.04	44,963,887.31
Employees deposit	1,399,398.05	800,332.72
Refundable land value added tax	4,942,346.42	---
Others	2,601,289.04	237,561.76
Total	98,168,924.55	46,001,781.79

**(5) The top five other accounts receivable**

Debtors Ranking	Fund nature	Ending balance	Aging	Proportion in total year-end balance of other receivables (%)	Year-end balance of provision for bad debts
Dongguan Kefeng Science and Technology Co., Ltd.	Intercourse fund	65,000,000.00	Within 1 year,	66.21	---
ChengDe NanJiang Ecological Agriculture Co., Ltd.	Intercourse fund	16,668,186.90	Within 1 year,1-2years,2-3 years	16.98	16,665,104.90
HuiJing Property Co., Ltd.	Intercourse fund	7,380,732.92	Within 1 year,1-2years,2-3 years	7.52	---
Chengde County Taxation Bureau	Intercourse fund	4,942,346.42	Within 1 year	5.03	---
Chengde Liyuan Investment Consulting Co., Ltd.	Intercourse fund	1,776,513.60	Within 1 year	1.81	---
Total	---	95,767,779.84	---	97.56	16,665,104.90

(6) There was no other receivables which are in termination due to the transfer of financial assets.

(7) There was no amount of assets and liabilities that are formed by the transfer of other receivables and the continued involvement.

**2. Long-term equity investments**

Nature	opening balance			closing balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Subsidiaries	272,803,036.40	---	272,803,036.40	248,114,466.37	---	248,114,466.37
Joint venture/affiliated concern	9,170,370.00	9,170,370.00	---	9,170,370.00	9,170,370.00	---
Total	281,973,406.40	9,170,370.00	272,803,036.40	257,284,836.37	9,170,370.00	248,114,466.37

**(1)Subsidiaries**

<b>Invested Company</b>	<b>Accounting method</b>	<b>Initial investment cost</b>	<b>Opening Balance</b>	<b>Increase</b>	<b>decrease</b>	<b>Closing Balance</b>	<b>Impairment accrued in this period</b>	<b>Impairment in Closing Balance</b>	<b>Stake ratio (%)</b>	<b>Voting right (%)</b>
NanJiang Trading Company	Cost methods	5,311,429.97	5,311,429.97	---	5,311,429.97	--	---	---	---	---
NanJiang Investment	Cost methods	90,000,000.00	90,000,000.00	---	---	90,000,000.00	---	---	100.00	100.00
NanJiang Asia	Cost methods	5,000,166.64	5,000,166.64	---	---	5,000,166.64	---	---	100.00	100.00
HangZhou DongFeng	Cost methods	30,000,000.00	30,000,000.00	---	---	30,000,000.00	---	---	100.00	100.00
Kefeng Trading Company	Cost methods	45,147,154.77	45,147,154.77	---	---	45,147,154.77	---	---	100.00	100.00
Kefeng Construction Company	Cost methods	2,655,714.99	2,655,714.99	---	---	2,655,714.99	---	---	100.00	100.00
Dongguan Dongfeng Science and Technology	Cost methods	70,000,000.00	70,000,000.00	30,000,000.00	---	100,000,000.00	---	---	100.00	100.00
Dongguan Dongfeng Power	Cost methods	---	---	---	---	---	---	---	100.00	100.00
<b>Total</b>		278,114,466.37	248,114,466.37	30,000,000.00	5,311,429.97	272,803,036.40	---	---	---	---

(2) long-term equity investments of Joint venture/affiliated concern.

Investment unit	Opening Balance	Changes in the current period			
		Additional investment	Reduced investment	Confirmation of equity method	Other comprehensive income adjustments
Joint venture					
---	---	---	---	---	---
Sub Total	---	---	---	---	---
Associates					
Runhua Agriculture Water	9,170,370.00	---	---	---	---
Sub total	9,170,370.00	---	---	---	---
Total	9,170,370.00	---	---	---	---

Investment unit	Changes in the current period				Closing balance	Closing balance of impairment allowances
	Changes in other equity	Statement of cash dividends&profit	Allowance for depreciation reserves	Other		
Joint venture						
---	---	---	---	---	---	---
Sub Total						
Associates						
Runhua Agriculture Water	---	---	---	---	9,170,370.00	9,170,370.00
Sub Total	---	---	---	---	9,170,370.00	9,170,370.00
Total	---	---	---	---	9,170,370.00	9,170,370.00

### 3. Revenues and operating costs

#### (1) Classification of Revenues and operating costs

Items	This period		Last Period	
	Income	Cost	Income	Cost
Principal business	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Other business	2,264,150.96	---	8,002,407.74	55,952.94
Total	121,071,870.89	103,821,248.79	252,808,109.87	231,621,565.96

#### (2) Principal business income and cost (by industry)

Industry	This period		Last Period	
	Income	Cost	Income	Cost
Real Estate industry	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Total	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02

#### (3) Principal business income and cost (by products)

Product	This period		Last Period	
	Income	Cost	Income	Cost
Hui Jing Tian Di	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Total	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02

#### (4) Principal business income and cost (by district)

District	This period		Last Period	
	Income	Cost	Income	Cost
Chengde District	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02
Total	118,807,719.93	103,821,248.79	244,805,702.13	231,565,613.02

#### (5) The operating income from the top five customers

Customer name	This period	Last Period
Hui Jing Tian Di	118,807,719.93	244,805,702.13
Total	118,807,719.93	244,805,702.13

### 4. Investment Income

#### 1□Details of investment income

Item	This period	Last period
Investment income on long-term stockholder's equity	17,328,070.03	---
Long-term equity (investment income accounted by cost)	36,240,654.50	---
Investment income from bank financial products	204,560.53	---
Total	53,773,285.06	---

## XIV. Supplemental information

### 1. Current non-recurring gains and losses

Items	This period	Notes
1 Losses/gains on disposal of non-current assets	4, 526, 245. 58	---
2. Government subsidies included in the current profits and losses (government subsidies which are closely related to the Company's business and received at national statutory standard and amount are excluded)	2, 896, 000. 00	---
3. Gains or loss from delegation investment	---	---
4. Except for the effective hedging business related to the normal business of the company, the gains and losses from changes in fair value arising from the holding of trading financial assets and trading financial liabilities, as well as the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets Investment income	1, 144, 246. 03	Income of financial products
5.Gains or loss from the contingency irrelevant with normal operation	---	---
6.Other non-operating revenue and expense	-470, 819. 42	---
7. Other non-recurring gains and losses	18, 501, 800. 54	Disposal subsidiary
8. Effect of income tax on non-recurring losses and gains	6, 649, 368. 19	---
Total	19, 948, 104. 54	---

Notes: All non-recurring items are disclosed before taxation.

### 2. Return on equity and earnings per share

Profit in the reporting period	Weighted average of Return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders holding ordinary shares of the Company	2. 01	0. 01	0. 01
Net profit attributable to shareholders holding ordinary shares of the Company after deducting non-recurring gains and losses	-3. 42	-0. 02	-0. 02

### 3. Description of abnormal situation and cause of main accounting statement items

Item	Closing Balance	Opening Balance	Variable interest rate □ % □	Reason
------	-----------------	-----------------	------------------------------	--------

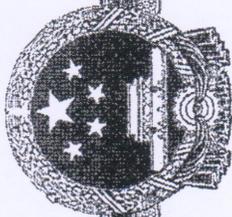
Item	Closing Balance	Opening Balance	Variable interest rate □ % □	Reason
Monetary funds	36,306,825.10	74,805,209.06	-51.47	Mainly due to the decrease in prepayments in the current period.
Accounts receivable	62,449,793.03	183,595.06	33,914.96	Mainly due to the advance payment of new projects in the current period
Advance payment	8,588,597.44	58,740,204.94	-85.38	Mainly due to the decrease in current transactions
Inventory	151,585,557.50	234,653,825.84	-35.40	Mainly due to the development of products in the current period
Fixed assets	17,302,279.65	9,674,396.99	78.85	Mainly due to the purchase of fixed assets in the current period
Construction in process	101,650,833.16	2,267,164.04	43.84	Mainly due to new construction in progress during the period
Productive biological assets	121,437.50	17,971.39	575.73	Mainly due to the purchase of productive biological assets in the current period
Development expenditure	13,346,410.47	3,513,561.56	279.85	Mainly due to new development projects in this period
Other non-current assets	120,392,369.00	10,427,021.55	1054.62	Mainly due to the increase in prepaid engineering funds
Trade payable	6,668,789.67	15,487,833.06	-56.94	Mainly due to the reduction of the amount payable for the project in the current period
Advance payment	16,269,319.99	64,165,709.37	-74.65	Mainly due to the decrease in sales of properties in the current period
Payroll	981,089.59	2,201,668.93	-55.44	Mainly due to the reduction of employees in the current period
Taxes payable	921,967.58	13,171,059.13	-93.00	Mainly due to the disposal of land for income tax in the current period
Other payable	118,570,218.85	25,952,193.34	356.88	Mainly due to the increase in current payments
Operating income	123,508,083.90	250,071,863.07	-50.61	Mainly due to the decrease in sales of properties in the current period
Taxes and surcharges	-247,832.89	9,791,294.48	-102.53	Mainly due to the tax refund for land value-added tax in the current period
Sales cost	115,346.71	14,417,090.26	-99.20	Mainly due to no advance sales agent fees in this period
Financial cost	-385,552.98	1,346,177.29	-128.64	Mainly due to non-interest expenses in the current period
Investment income	19,646,046.57	1,501,873.01	1208.10	Mainly due to the receipt of dividends and disposal of subsidiaries in the current period

<b>Item</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Variable interest rate □ % □</b>	<b>Reason</b>
Asset disposal income	4,526,245.58	65,059,983.64	-93.04	Mainly due to the reduction of disposal of fixed assets and intangible assets in the current period.
Income tax costs	110,309.68	12,906,984.10	-99.15	Mainly due to the payment of income tax on the disposal of assets in the previous period

**Dongfeng Sci-Tech Group CO., LTD.**

**(Official seal)**

**April 11, 2019**



# 营业执照

(副本) (5-1)

统一社会信用代码  
91110108590676050Q



扫描二维码登录  
“国家企业信用  
信息公示系统”  
了解更多登记、  
备案、许可、监  
管信息

名称	大华会计师事务所(普通合伙)	成立日期	2012年02月09日
类型	特殊普通合伙	合伙期限	2012年02月09日至长期
经营范围	梁春	主要经营场所	北京市海淀区西四环中路16号院7号楼1101



审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算等审计业务；提供税务咨询；法律、行政法规规定的其他业务；（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

**本证仅用于业务报  
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2019年 03月 19日

登记机关



# 会计师事务所 执业证书

名称：大华会计师事务所(特殊普通合伙)

首席合伙人：梁春

主任会计师：

经营场所：北京市海淀区西四环中路16号院7号楼12层

组织形式：特殊普通合伙

执业证书编号：11010148

批准执业文号：京财会许可[2011]0101号

批准执业日期：2011年11月03日



证书序号：0000093

## 说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。  
会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

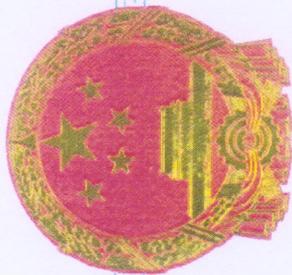
**此件仅用于业务报告专用，复印无效。**



发证机关：

二〇一七年十一月十七日

中华人民共和国财政部制



证书序号: 000398

# 会计师事务所 证券、期货相关业务许可证

经财政部 中国证券监督管理委员会审查, 批准  
大华会计师事务所(特殊普通合伙) 执行证券、期货相关业务



首席合伙人: 梁春

此件仅用于业务报告专用, 复印无效。



证书号: 01 发证时间: 二〇一〇年九月 十日  
证书有效期至: 二〇一〇年九月 十日



年度检验登记  
Annual Renewal Registration

本证书经检验合格，继续有效一年。  
This certificate is valid for another year after this renewal.



日 / 月 / 年



姓名 胡志明  
Full name  
性别 男  
Sex  
出生日期 1968-06-03  
Date of birth  
工作单位 大华会计师事务所(特殊普通合伙) 广州分所  
Working unit  
身份证号码 4221211968060379  
Identity card No.



420302953365  
广东省注册会计师协会  
2003年 11月 27日

此件仅用于业务报告专用，复印无效。

胡志明(420302953365)，已通过广东省注册会计师协会2017年任职资格检查。通过文号：粤注协(2017) 54号。

420302953365

年 月 日

年度检验登记  
Annual Renewal Registration  
本证书经检验合格，继续有效一年。  
The certificate is valid for another year after

胡志明(420302953365)，已通过广东省注册会计师协会2018年任职资格检查。通过文号：粤注协(2018) 58号。

420302953365

年 月 日

年度检验登记  
Annual Renewal Registration  
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年 月 日  
/ /



姓名 颜利胜  
Full name  
性别 男  
Sex  
出生日期 1974-08-14  
Date of birth  
工作单位 大华会计师事务所(特殊普通合伙) 广州分所  
Working unit  
身份证号码 430421197408145006  
Identity card No.



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广东省注册会计师协会

2016 年 01 月 29 日

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This certificate is valid for another year after

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年 月 日  
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年度检验登记  
Annual Renewal Registration

年度检验登记  
Annual Renewal Registration

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This certificate is valid for another year after this renewal

年 月 日  
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