Hainan Jingliang Holdings Co., Ltd.

Semiannual Financial Report in 2019

August 2019

Financial Report

I. Audit Report

Is the semi-annual report audited?

□ Yes √ No

The semi-annual financial report has not been audited.

II. Financial Statements

The unit of financial statements in notions is RMB yuan.

This Financial Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

1. Consolidated Balance Sheet

Organization Unit: Hainan Jingliang Holdings Co., Ltd.

June 30, 2019

Unit: Yuan

Program	June 30, 2019	31 December, 2018
Current Assets:		
Monetary Capital	662,196,984.69	924,870,016.78
Deposit Reservation for Balance		
Lending Funds		
Transactional Monetary Assets		
The financial assets that are measured at fair value and the changes are included in current profits and losses.		
Derivative Financial Assets	58,421,469.00	71,260,414.60
Notes Receivable		
Account Receivable	92,400,224.12	97,775,710.11
Receivables Financing		
Advance Payment	138,065,524.84	120,181,442.89
Receivable Premium		
Reinsurance Accounts Receivable		
Provision of Cession Receivable		
Other Receivables	44,773,393.44	18,256,513.93
Including: The Interest Receivable	3,199,806.95	2,400,877.51
Dividend Receivable		
Redemptory Monetary Capital for		

Sale		
Inventory	1,099,248,108.72	1,224,186,963.07
Contract Assets		
Holding Assets to be Sold.		
Non Current Assets Expiring within One Year		
Other Current Assets	910,653,871.75	288,821,816.63
Total Current Assets	3,005,759,576.56	2,745,352,878.01
Non-current Assets:		
offer loans and make advance		
Lending Investments		
Available-for-Sale Financial Assets		20,000,000.00
Other Investment on Bonds		
Held-to-Maturity Investment		
Long-term Receivables		
Long-term Equity Investment	185,669,644.32	182,827,226.11
Investment in other equity instruments	20,000,000.00	
Other non-current financial assets		
Investment Property	32,588,226.23	33,395,101.68
Fixed Assets	1,255,394,465.99	1,271,803,080.56
Construction in progress	23,919,886.30	37,369,757.78
Productive Biological Asset		
Oil and Gas Assets		
Right-of-Use Asset		
Intangible Assets	374,298,421.29	383,382,527.68
Development Expenditure		
Goodwill	191,394,422.51	191,394,422.51
Long-term Unamortized Expenses	24,161,942.12	34,671,018.22
Deferred Tax Asset	30,573,369.33	15,330,980.14
Other Non-current Assets	30,115,200.00	1,622,003.59
Non-current Assets in Total	2,168,115,578.09	2,171,796,118.27
Total Assets	5,173,875,154.65	4,917,148,996.28
Current Liability:		
Short-term Borrowing	1,593,532,494.10	1,437,715,080.91
Borrowing from the Central Bank		
Borrowing Funds		
Transactional Moneytary Liabilities		
The financial liabilities that are measured at fair value and the changes are included in current profits and losses.		
Derivative Financial Liabilities		
Notes Payable		
Accounts Payable	191,662,878.39	140,564,713.11
Account Collected in Advance	117,127,396.25	145,317,064.18
Financial Assets Sold for Repurchase		
Deposits from Customers and		

Interbank		
Receivings from Vicariously Traded Securities		
Receivings from Vicariously Sold Securities		
Employee Pay Payable	13,690,528.10	31,494,568.05
Tax Payable	27,575,740.15	35,783,819.84
Other payables	164,157,301.47	111,288,708.99
Including: The Payable Interest	25,298,027.68	26,972,826.90
Dividends Payable	18,267,759.97	11,197,317.01
Handling Charges and Commissions Payable		
Dividend Payable for Reinsurance		
Contract Liabilities		
Holding Liabilities to Be Sold		
Non Current Liabilities Expiring within One Year		
Other current liabilities		11,100,915.25
Total Current Liabilities	2,107,746,338.46	1,913,264,870.33
Non-Current Liabilities:		
Provision for Insurance Contracts		
Long-Term Loan		
Bonds payable		
Including: Preference Shares		
Perpetual Capital Securities		
Lease Obligation		
Long-term account payable		
Long-term employee pay payable	40,245,406.52	40,245,406.52
Anticipation liabilities		
Deferred Revenue	73,235,777.42	74,953,385.51
Deferred Income Tax Liabilities	60,932,994.98	49,618,839.47
Other Non-current Liabilities		
Total Non-current Liabilities	174,414,178.92	164,817,631.50
Total Liabilities	2,282,160,517.38	2,078,082,501.83
Owners Equity:		
Capital stock	685,790,364.00	685,790,364.00
Other equity instruments		
Including: Preference Shares		
Perpetual Capital Securities		
Capital reserve	1,595,711,805.31	1,595,711,805.31
Minus: Treasury Stock		
Other Comprehensive Income	51,382.85	438.33
Reasonable Reserve		
Surplus reserves	122,122,436.98	122,122,436.98
Generic Risk Reserve		
Undistributed profit	-79,644,214.78	-131,155,119.19
Total equity attributable to the shareholders of parent company	2,324,031,774.36	2,272,469,925.43

Minority Equity	567,682,862.91	566,596,569.02
Total owners' equity	2,891,714,637.27	2,839,066,494.45
Total liabilities and owner's equity	5,173,875,154.65	4,917,148,996.28

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

2. Balance sheet of parent company

Unit: Yuan

Program	June 30, 2019	December, 31, 2018
Current Assets:		
Monetary Capital	9,077,656.91	13,597,659.66
Transactional Monetary Assets		
The financial assets that are measured at fair value and the changes are included in current profits and losses.		
Derivative Financial Assets		
Notes Receivable		
Account Receivable	74,460.00	79,986.00
Receivables Financing		
Advance Payment	74,220.00	20,000.00
Other Receivables	12,472,102.45	227,353.10
Including: The Interest Receivable		
Dividend Receivable		
Inventory	4,824,035.45	4,824,035.45
Contract Assets		
Holding Assets to be Sold.		
Non Current Assets Expiring within One Year		
Other Current Assets	21,342,479.01	1,962,371.32
Total Current Assets	47,864,953.82	20,711,405.53
Non-current Assets:		
Lending Investments		
Available-for-Sale Financial Assets		20,000,000.00
Other Investment on Bonds		
Held-to-Maturity Investment		
Long-term Receivables		
Long-term Equity Investment	2,377,420,527.10	2,375,639,964.05
Investment in other equity instruments	20,000,000.00	
Other non-current financial assets		
Investment Property	5,627,576.03	5,778,794.33
Fixed Assets	3,202,409.24	3,260,620.04
Construction in progress		
Productive Biological Asset		
Oil and Gas Assets		
Right-of-Use Asset		

Intangible Assets	119,748.42	171,069.18
Development Expenditure		
Goodwill		
Long-term Unamortized Expenses	133,647.76	180,817.60
Deferred Tax Asset		
Other Non-current Assets		
Non-current Assets in Total	2,406,503,908.55	2,405,031,265.20
Total Assets	2,454,368,862.37	2,425,742,670.73
Current Liability:		
Short-term Borrowing		
Transactional Moneytary Liabilities		
The financial liabilities that are measured at fair value and the changes are included in current profits and losses.		
Derivative Financial Liabilities		
Notes Payable		
Accounts Payable		
Account Collected in Advance	38,896.41	38,896.41
Contract Liabilities		
Employee Pay Payable	303,774.93	438,195.96
Tax Payable	980,706.10	976,458.68
Other payables	500,322,646.64	449,947,050.56
Including: The Payable Interest	21,082,795.47	21,082,795.47
Dividends Payable	3,213,302.88	3,213,302.88
Holding Liabilities to Be Sold		
Non Current Liabilities Expiring within One Year		
Other current liabilities		
Total Current Liabilities	501,646,024.08	451,400,601.61
Non-Current Liabilities:		
Long-Term Loan		
Bonds payable		
Including: Preference Shares		
Perpetual Capital Securities		
Lease Obligation		
Long-term account payable		
Long-term employee pay payable		
Anticipation liabilities		
Deferred Revenue		
Deferred Income Tax Liabilities		
Other Non-current Liabilities		
Total Non-current Liabilities		
Total Liabilities	501,646,024.08	451,400,601.61
Owners Equity:		
Capital stock	685,790,364.00	685,790,364.00
Other equity instruments		
Including: Preference Shares		

Perpetual Capital Securities		
Capital reserve	2,173,387,468.71	2,173,387,468.71
Minus: Treasury Stock		
Other Comprehensive Income		
Reasonable Reserve		
Surplus reserves	109,487,064.39	109,487,064.39
Undistributed profit	-1,015,942,058.81	-994,322,827.98
Total owners' equity	1,952,722,838.29	1,974,342,069.12
Total liabilities and owner's equity	2,454,368,862.37	2,425,742,670.73

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

3. Consolidated Profit Statement

Unit: Yuan

Program	Half year of 2019	Half year of 2018
I. Gross Revenue	3,283,277,725.39	3,639,625,979.41
Including: operating income	3,283,277,725.39	3,639,625,979.41
Interest Income		
Earned Premium		
Handling charges and commissions income		
II. Total Operating Cost	3,253,814,226.61	3,560,869,369.98
Operating costs	3,040,678,741.14	3,335,328,124.32
Interest Expenditure		
Handling Charges and Commissions Expenditure		
Surrender Value		
Net Payments for Insurance Claims		
Net withdrawal of reserve fund for insurance contracts		
Bond Insurance Expense		
Reinsurance Expenses		
Tax and Surcharges	11,600,563.64	14,312,146.36
Selling Expenses	101,231,138.27	91,626,009.36
Administrative Expenses	81,298,228.37	83,375,112.60
Research and Development Expenditure	531,066.00	723,660.50
Financial Expenses	18,474,489.19	35,504,316.84
Including: The Interest Expense	22,981,293.07	52,050,362.69
Interest Income	4,120,628.58	15,797,297.89
plus: other income	9,871,098.22	5,517,293.77
Investment income ("-" refers to losses)	9,179,302.09	10,912,613.02
Of which: Income from investment in joint ventures		
The financial assets measured at amortized cost terminates the recognition of income ("-" refers to losses)		

Exchange Earning ("-" refers to losses)		
Net Open Hedging Income ("-" refers to losses)		
Income of Fair Value Changes ("-" refers to losses)	26,158,281.22	13,890,967.44
Credit Loss ("-" refers to losses)		
Assets Impairment Loss ("-" refers to losses)	-197,695.56	482,419.74
Assets Disposal Income ("-" refers to losses)	11,997,518.40	-188,228.18
III. Operating Profit ("-" refers to losses)	86,472,003.15	109,371,675.22
plus: Non-operating income	1,716,443.59	9,797,420.75
minus: Non-operating expenses	822,418.62	9,620,172.31
IV. Total Profit ("-" refers to total losses)	87,366,028.12	109,548,923.66
minus: income tax expense	22,121,776.12	34,990,271.41
V. Net Profit ("-" refers to net losses)	65,244,252.00	74,558,652.25
i. Classified Based on Business Continuity	65,244,252.00	74,558,652.25
1. Net income from continuing operation ("-" refers to net losses)	65,244,252.00	74,558,652.25
2. Net income from discontinuing operation ("-" refers to net losses)		
ii. Classified Based on the Attribution of the Ownership	65,244,252.00	74,558,652.25
1. Net income attributed to shareholders of parent company	51,510,904.41	59,918,995.68
2. Minority Interest Income	13,733,347.59	14,639,656.57
VI. Net of Tax of Other Comprehensive Income	50,944.52	185,407.75
Net of tax of other comprehensive income attributed to shareholders of parent company	50,944.52	185,407.75
i. Other Comprehensive Income That Can't Reclassify Income and Loss		
1. Re-measure the change value of defined benefit pension plans		
2. Other comprehensive income that can not reverse the income and loss under the equity law.		
3. Investment of other equity instruments in the fair value changes.		
4. The fair value changes of credit risk of the company		
5. Others		
ii. Other Comprehensive Income That Can Be Re-classified into the Income and Loss	50,944.52	185,407.75
1. Other comprehensive income that can reverse the income and loss under the equity law.		
2. Investment of other obligatory rights in the fair value changes.		

3. The fair value changes of financial assets that can be sold.		
4. Financial assets that can be re-classified into other comprehensive income		
5. Holding to maturity investment that can be reclassified as profit and loss of financial assets available for sale		
6. Credit impairment reserve for other creditor's rights investment		
7. Cash Flow Hedging Reserve		
8. The Balance of Conversion of Foreign Currency Financial Statements	50,944.52	185,407.75
9. Others		
Net of tax of other comprehensive income attributed to minority shareholder		
VII. Total Comprehensive Income	65,295,196.52	74,744,060.00
Total comprehensive income attributed to shareholders of parent company	51,561,848.93	60,104,403.43
Total comprehensive income attributed to minority shareholder	13,733,347.59	14,639,656.57
VIII. Earnings Per Share:		
i. Basic Earnings Per Share	0.08	0.09
ii. Diluted Earnings Per Share	0.08	0.09

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

4. Income Statement of Parent Company

Unit: Yuan

Program	Half year of 2019	Half year of 2018
I. Operating Income		
minus: operating costs		151,218.30
Tax and Surcharges	69,076.80	1,014,351.16
Selling Expenses		
Administrative Expenses	13,511,405.60	6,013,659.30
Research and Development Expenditure		
Financial Expenses	7,564,964.27	6,395,406.74
Of which: The Interest Expense	7,571,583.49	7,341,047.78
Interest Income	11,083.83	951,528.04
plus: other income		
Investment income ("-" refers to losses)		
Of which: Income from investment in joint ventures		
The financial assets measured at amortized cost terminates the recognition of income ("-" refers to losses)		

Net open hedging income ("-" refers to losses)		
Income of Fair Value Changes ("-" refers to losses)		
Credit Loss ("-" refers to losses)		
Assets Impairment Loss ("-" refers to losses)	-4,344.16	99,248.41
Assets Disposal Income ("-" refers to losses)		
II. Operating Profit ("-" refers to losses)	-21,149,790.83	-13,475,387.09
plus: Non-operating income		
minus: Non-operating expenses	469,440.00	100.00
III. Total Profit ("-" refers to total losses)	-21,619,230.83	-13,475,487.09
minus: income tax expense		
IV. Net Profit ("-" refers to net losses)	-21,619,230.83	-13,475,487.09
i. Net income from continuing operation ("-" refers to net losses)	-21,619,230.83	-13,475,487.09
ii. Net income from discontinuing operation ("-" refers to net losses)		
V. Net of Tax of Other Comprehensive Income		
i. Other comprehensive income that can't reclassify income and loss		
1. Re-measure the change value of defined benefit pension plans		
2. Other comprehensive income that can not reverse the income and loss under the equity law.		
3. Investment of other equity instruments in the fair value changes.		
4. The fair value changes of credit risk of the company		
5. Others		
ii. Other comprehensive income that can be re-classified into the income and loss		
1. Other comprehensive income that can reverse the income and loss under the equity law.		
2. Investment of other obligatory rights in the fair value changes.		
3. The fair value changes of financial assets that can be sold.		
4. Financial assets that can be re-classified into other comprehensive income		
5. Holding to maturity investment that can be reclassified as profit and loss of financial assets available for sale		

6. Credit impairment reserve for other creditor's rights investment		
7. Cash Flow Hedging Reserve		
8. The Balance of Conversion of Foreign Currency Financial Statements		
9. Others		
VI. Total Comprehensive Income	-21,619,230.83	-13,475,487.09
VII. Earnings Per Share:		
i. Basic Earnings Per Share		
ii. Diluted Earnings Per Share		

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

5. Consolidated Statement of Cash Flow

Unit: Yuan

Program	Half year of 2019	Half year of 2018
I. Cash flow from operating activities:		
Cash received for selling goods and providing services	3,560,970,102.54	4,489,940,451.03
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from the Central Bank		
Net increase in borrowing from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase of insured deposit and investment		
Cash charged with interest, handling fees and commissions		
Net increase in borrowing funds		
Net increase in repurchase funds		
Net Cash Received of Acting Trading Securities		
Refunds of Taxes Received	4,638,160.06	7,687,755.45
Other Cash Received Related to Business Activities	348,104,540.90	923,614,901.14
Subtotal of Cash flow of Operating Activities	3,913,712,803.50	5,421,243,107.62
Cash for Purchase of Goods and Labor Services	3,124,587,948.71	4,152,499,375.46
Net Increase in Customer Loans and Advances		
Net Increase in Deposits in the Central Bank and Other Banks		
Cash for Payment of Original Insurance Contract Claims		
Net Increase in Financial Assets Held for Trading Purposes		
Net Increase of Lending Funds		
Cash to Pay the Interest, Handling Fees and Commissions		
Cash to Pay the Policy Dividend		

Cash Paid to and for Employees	145,181,797.67	143,081,894.04
Tax Payments	83,586,844.52	105,936,471.03
Cash Payment of Other Related Business Activities	339,763,918.39	974,030,824.21
Subtotal of Cash Outflow of Operating Activities	3,693,120,509.29	5,375,548,564.74
Net Cash Flow from Operating Activities	220,592,294.21	45,694,542.88
II. Cash Flow from Investment		
Cash Received in Disinvestment	1,302,736,691.57	1,445,344,274.34
Cash Received in Return of Investment	3,600,120.65	21,669,125.78
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	66,511.68	868,775.86
Net Cash Received from Disposal of Subsidiaries and Other Operating Units		
Cash Received Related to Other Business Activities		
Subtotal of Cash flow of Operating Activities	1,306,403,323.90	1,467,882,175.98
Net Cash Payment for the Purchase of Fixed Assets, Intangible Assets and Other Long-term Assets	26,905,240.57	30,521,020.31
Cash Payment for Investment	1,870,848,788.60	1,373,516,008.52
Net Increase in Hypothecated Loan		
Net Cash Payment of Subsidiaries and Other Business Units		7,954,985.00
Cash Payment of Other Activities Related to Investment		
Subtotal of Cash Outflow of Investment Activities	1,897,754,029.17	1,411,992,013.83
Net Cash Flow from Investment Activities	591,350,705.27	55,890,162.15
III. Cash Flow from Financial Activities:		
Cash Received by Absorbing Investment		38,582,500.00
Of which: Cash Received by Subsidiaries in Absorbing Investment from Minority Shareholders		
Cash Received from Loans	1,441,114,788.78	1,087,306,254.51
Cash Received by Issuing Bonds		
Other Cash Received Related to Financial Activities		
Subtotal of Cash flow of Financial Activities	1,441,114,788.78	1,125,888,754.51
Cash Payment for Debt	1,268,871,965.95	1,094,921,869.63
Cash Paid for Distribution of Dividends, Profits or Interests	47,473,893.65	75,755,529.11
Of which: Dividends and Profits Paid by Subsidiaries to Minority Shareholders		
Cash Payment of Other Activities Related to Financial Activities		73,647,073.24
Subtotal of Cash Outflow of Financial Activities	1,316,345,859.60	1,244,324,471.98
Net Cash Flow from Financial Activities	124,768,929.18	-118,435,717.47
IV. The Impact of Change in Exchange Rate on Cash and Cash Equivalents	3,248,224.24	121,053.37
V. Net Increase in Cash and Cash Equivalents	-242,741,257.64	-16,729,959.07
Plus: Initial Cash and cash Equivalents Balance	867,870,016.78	1,014,438,663.43
VI. Cash and Cash Equivalents Balance at the End of the Period	625,128,759.14	997,708,704.36

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

6. Statement of Cash Flows of Parent Company

Unit: Yuan

Program	Half year of 2019	Half year of 2018
I. Cash Flow from Operating Activities:		
Cash received for selling goods and providing services		
Net Increase in Customer Deposits and Interbank Deposits		
Net increase in borrowing from the Central Bank		
Net increase in borrowing from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase of insured deposit and investment		
Cash charged with interest, handling fees and commissions		
Net increase in borrowing funds		
Net increase in repurchase funds		
Net Cash Received of Acting Trading Securities		
Refunds of Taxes Received	1,800.00	750.00
Other Cash Received Related to Business Activities	29,377,536.58	7,478,871.23
Subtotal of Cash flow of Operating Activities	29,379,336.58	7,479,621.23
Cash for Purchase of Goods and Labor Services		12,526.92
Net Increase in Customer Loans and Advances		
Net Increase in Deposits in the Central Bank and Other Banks		
Cash for Payment of Original Insurance Contract Claims		
Net Increase in Financial Assets Held for Trading Purposes		
Net Increase of Lending Funds		
Cash to Pay the Interest, Handling Fees and Commissions		
Cash to Pay the Policy Dividend		
Cash Paid to and for Employees	9,271,322.77	5,523,002.62
Tax Payments	71,408.74	5,608,734.95
Cash Payment of Other Related Business Activities	50,350,341.42	12,218,236.66
Subtotal of Cash Outflow of Operating Activities	59,693,072.93	23,362,501.15
Net Cash Flow from Operating Activities	-30,313,736.35	-15,882,879.92
II. Cash Flow from Investment		
Cash Received in Disinvestment		

Cash Received in Return of Investment		
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		-34,427.35
Net Cash Received from Disposal of Subsidiaries and Other Operating Units		
Cash Received Related to Other Business Activities		
Subtotal of Cash flow of Operating Activities		-34,427.35
Net Cash Payment for the Purchase of Fixed Assets, Intangible Assets and Other Long-term Assets	109,751.52	
Cash Payment for Investment	1,780,563.05	39,000,000.00
Net Increase in Hypothecated Loan		
Net Cash Payment of Subsidiaries and Other Business Units		
Cash Payment of Other Activities Related to Investment		
Subtotal of Cash Outflow of Investment Activities	1,890,314.57	39,000,000.00
Net Cash Flow from Investment Activities	-1,890,314.57	-39,034,427.35
III. Cash Flow from Financial Activities:		
Cash Received by Absorbing Investment		
Of which: Cash Received by Subsidiaries in Absorbing Investment from Minority Shareholders		
Cash Received from Loans	27,700,000.00	75,900,000.00
Cash Received by Issuing Bonds		
Other Cash Received Related to Financial Activities		
Subtotal of Cash flow of Financial Activities	27,700,000.00	75,900,000.00
Cash Payment for Debt		16,000,000.00
Cash Paid for Distribution of Dividends, Profits or Interests		3,649,220.00
Of which: Dividends and Profits Paid by Subsidiaries to Minority Shareholders		
Cash Payment of Other Activities Related to Financial Activities		
Subtotal of Cash Outflow of Financial Activities		19,649,220.00
Net Cash Flow from Financial Activities	27,700,000.00	56,250,780.00
IV. The Impact of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	-4,504,050.92	1,333,472.73
Plus: Initial Cash and cash Equivalents Balance	13,597,659.66	15,360,177.32
VI. Cash and Cash Equivalents Balance at the End of the Period	9,093,608.74	16,693,650.05

Legal representative: Li Shaoling Financial Director: Guan Ying Director of Accounting Institutions: Liu Quanli

7. Consolidated Statement of Change in Equity

Unit: Yuan

Program	Half year of 2019														
	Ownership interest attributable to the parent company													Minority Equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Generic Risk Reserve	Undistributed profit	Others	In total		
		Preference Shares	Perpetual Capital Securities	Others											
I. Ending Balance of Last Year	685,790,364.00				1,595,711,805.31		438.33		122,122,436.98		-131,155,119.19		2,272,469,925.43	566,596,569.02	2,839,066,494.45
Plus: Changes in Accounting Policies															
Early Error Correction															
Enterprise Merger under the Same Control															
Others															
II. Beginning Balance of This Year	685,790,364.00				1,595,711,805.31		438.33		122,122,436.98		-131,155,119.19		2,272,469,925.43	566,596,569.02	2,839,066,494.45
III. Changes in This Period ("-" refers to losses)							50,944.52				51,510,904.41		51,561,848.93	086,293.89	52,648,142.82
A. Total Comprehensive Income							31,507.57				51,510,904.41		51,542,411.98	13,733,347.59	65,275,759.57
B. Input and Capital Reduction of Owners														-1,800,000.00	-1,800,000.00
1. Common Stock Invested by the Owner														-1,800,000.00	-1,800,000.00
2. Invested Capital of Other Equity Instrument Holders															
3. Share Payment Included in Owner's															

Equity															
4. Others															
C. Profit Distribution														-10,847,053.70	-10,847,053.70
1. Withdrawal Legal Surplus															
2. Withdrawal Generic Risk Reserve															
3. Distribution of Owners (or Shareholders)														-10,847,053.70	-10,847,053.70
4. Others															
D. Internal Carry-over of Owner's Rights and Interests							19,436.95						19,436.95		19,436.95
1. Conversion of Capital Reserve to Additional Capital (Or Equity)															
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)															
3. Surplus Reserve Covers the Deficit															
4. Change of Benefit Plan Transferred to Retained Income															
5. Other Comprehensive Income Transferred to Retained Income															
6. Others							19,436.95						19,436.95		19,436.95
E. Special Reserve															
1. Current Withdrawal															
2. Current Use															
F. Others															
IV. Current Ending Balance	685,790,364.00				1,595,711,805.31		51,382.85		122,122,436.98		-79,644,214.78		2,324,031,774.36	567,682,862.91	2,891,714,637.27

Unit: Yuan

Program	Half year of 2018														
	Ownership interest attributable to the parent company													Minority Equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Generic Risk Reserve	Undistributed profit	Others	In total		
		Preference Shares	Perpetual Capital Securities	Others											
I. Ending Balance of Last Year	685,790,364.00				1,592,541,582.73				122,122,436.98		-299,111,700.34		2,101,342,683.37	499,079,730.54	2,600,422,413.91
Plus: Changes in Accounting Policies															
Early Error Correction															
Enterprise Merger under the Same Control															
Others															
II. Beginning Balance of This Year	685,790,364.00				1,592,541,582.73				122,122,436.98		-299,111,700.34		2,101,342,683.37	499,079,730.54	2,600,422,413.91
III. Changes in This Period ("-" refers to losses)							185,407.75				59,918,995.68		60,104,403.43	30,991,453.66	91,095,857.09
A. Total Comprehensive Income							185,407.75				59,918,995.68		60,104,403.43	14,639,656.57	74,744,060.00
B. Input and Capital Reduction of Owners														32,000,000.00	32,000,000.00
1. Common Stock Invested by the Owner														32,000,000.00	32,000,000.00
2. Invested Capital of Other Equity Instrument Holders															
3. Share Payment Included in Owner's Equity															
4. Others															
C. Profit Distribution														-15,648,202	-15,648,202

														.91	.91
1. Withdrawal Legal Surplus															
2. Withdrawal Generic Risk Reserve															
3. Distribution of Owners (or Shareholders)														-15,648,202.91	-15,648,202.91
4. Others															
D. Internal Carry-over of Owner's Rights and Interests															
1. Conversion of Capital Reserve to Additional Capital (Or Equity)															
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)															
3. Surplus Reserve Covers the Deficit															
4. Change of Benefit Plan Transferred to Retained Income															
5. Other Comprehensive Income Transferred to Retained Income															
6. Others															
E. Special Reserve															
1. Current Withdrawal															
2. Current Use															
F. Others															
IV. Current Ending Balance	685,790,364.00				1,592,541,582.73		185,407.75		122,122,436.98		-239,192,704.66		2,161,447,086.80	530,071,184.20	2,691,518,271.00

8. Statement of Change in Equity of Parent Company

Unit: Yuan

Program	Half year of 2019											
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preference Shares	Perpetual Capital Securities	Others								
I. Ending Balance of Last Year	685,790,364.00				2,173,387,468.71				109,487,064.39	-994,322,827.98		1,974,342,069.12
Plus: Changes in Accounting Policies												
Early Error Correction												
Others												
II. Beginning Balance of This Year	685,790,364.00				2,173,387,468.71				109,487,064.39	-994,322,827.98		1,974,342,069.12
III. Changes in This Period ("-" refers to losses)										-21,619,230.83		-21,619,230.83
A. Total Comprehensive Income										-21,619,230.83		-21,619,230.83
B. Input and Capital Reduction of Owners												
1. Common Stock Invested by the Owner												
2. Invested Capital of Other Equity Instrument Holders												
3. Share Payment Included in Owner's Equity												
4. Others												
C. Profit Distribution												
1. Withdrawal Legal												

Surplus												
2. Distribution of Owners (or Shareholders)												
3. Others												
D. Internal Carry-over of Owner's Rights and Interests												
1. Conversion of Capital Reserve to Additional Capital (Or Equity)												
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)												
3. Surplus Reserve Covers the Deficit												
4. Change of Benefit Plan Transferred to Retained Income												
5. Other Comprehensive Income Transferred to Retained Income												
6. Others												
E. Special Reserve												
1. Current Withdrawal												
2. Current Use												
F. Others												
IV. Current Ending Balance	685,790,364.00				2,173,387,468.71				109,487,064.39	-1,015,942,058.81		1,952,722,838.29

Unit: Yuan

Program	Half year of 2018											
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preference Shares	Perpetual Capital Securities	Others								
I. Ending Balance of	685,790,36				2,173,387,46				109,487,064	-975,186,549.4		1,993,478,347.65

Last Year	4.00				8.71				.39	5		
Plus: Changes in Accounting Policies												
Early Error Correction												
Others												
II. Beginning Balance of This Year	685,790,364.00				2,173,387,468.71				109,487,064.39	-975,186,549.45		1,993,478,347.65
III. Changes in This Period ("-" refers to losses)										-13,475,487.09		-13,475,487.09
A. Total Comprehensive Income										-13,475,487.09		-13,475,487.09
B. Input and Capital Reduction of Owners												
1. Common Stock Invested by the Owner												
2. Invested Capital of Other Equity Instrument Holders												
3. Share Payment Included in Owner's Equity												
4. Others												
C. Profit Distribution												
1. Withdrawal Legal Surplus												
2. Distribution of Owners (or Shareholders)												
3. Others												
D. Internal Carry-over of Owner's Rights and Interests												
1. Conversion of Capital Reserve to Additional Capital (Or Equity)												

2. Conversion of Surplus Reserve to Additional Capital (Or Equity)												
3. Surplus Reserve Covers the Deficit												
4. Change of Benefit Plan Transferred to Retained Income												
5. Other Comprehensive Income Transferred to Retained Income												
6. Others												
E. Special Reserve												
1. Current Withdrawal												
2. Current Use												
F. Others												
IV. Current Ending Balance	685,790,364.00				2,173,387,468.71				109,487,064.39	-988,662,036.54		1,980,002,860.56

Hainan Jingliang Holdings Co., Ltd.

Notions for the Semiannual Financial Report in 2019

Ⅰ.The Basic Information of the Company

(1) The registration place, organizational form and headquarter address of the company

Hainan Jingliang Holdings Co., Ltd.Hainan Jingliang Holdings Co., Ltd. is a limited company which was approved by No.1 Qiongfu Document (1992) of the General Office of Hainan Provincial People's Government and No. 6 Qiongyin document (1992) of Hainan Provincial People's Bank and was re-registered by Hainan Zhujiang Industrial Company on January 11, 1992. After the re-registration, the company issued 81,880,000 shares in which the net assets of the original company were exchanged with 60,793,600 shares and 21,086,400 shares were newly issued. The company's name is Hainan Pearl River Industrial Co., Ltd. The registration number of the business license of the joint stock company is 20128455-6, and the holding parent company, Guangzhou Zhujiang Industrial Company holds 36,393,600 shares, accounting for 44.45% of the shares. In December 1992, according to the No. 83 document issued by the Securities and Exchange Administration Office of the People's Bank of China in 1992, the company was approved to issue additional 21,086,400 shares which were traded on Shenzhen Stock Exchange. The company mainly involves the real estate industry.

On March 25, 1993, according to No. 028 document issued by the Office of the Leading Group of Hainan Stock-holding Pilot System (1993) and No. 099 document issued by Branch of Bank of China in Shenzhen Special Economic Zone(1993), the company increased its share capital by 2 shares in accordance with the original share capital allotment of 10 and 5, and then increased its share capital by 139,196,000 shares. At the end of 1993, the controlling shareholder, Guangzhou Pearl River Industrial Corporation held 48,969,120 shares, accounting for 35.18%.

In 1994, the capital stocks were increased by the ratio of 10:10 and the total stock capital was 278,392,000 shares. The dominant stockholder, Guangzhou Pear River Industrial Company held 97,938,240 shares, accounting for 35.18% of the shares.

In 1995, according to No. 45 document and No. 12 documented issued by Shenzhen Securities Office (1995), the company was approved to issue 50,000,000 B shares. Based on the additional B shares, the capital stock was increased by 10:1.5 ratio. The capital stock was 377,650,800 shares after the increase. The holding parent company Guangzhou Pearl River Industrial Corporation held 112,628,976 shares, accounting for 29.82% of the shares.

In 1999, Guangzhou Pearl River Industrial Group Co., Ltd. transferred 112,628,976 shares to Beijing Wanfa Real Estate Development Co., Ltd. After the equity transfer was completed in June 1999, Beijing Wanfa Real Estate Development Co., Ltd. held 112,628,976 shares, accounting for 29.82% of the total shares, and became the dominant stockholder of the company.

On January 10 of 2000, the company was changed to Hainan Pearl River Holdings Co., Ltd. and the business license of business license for legal person was renewed by the Administration for Industry and Commerce of Hainan Province.

On August 17 of 2006, the reform of the equity division structure of the company was implemented. The company increased its share capital to all shareholders in a ratio of 10 to 1.3. The total share capital increased by 49,094,604 shares. The original non-tradable shareholders transferred the additional shares to the tradable A-share shareholders. Beijing Wanfa Real Estate Development Co., Ltd. advanced the consideration shares of shareholders who didn't express their opinions clearly. After the increase of shares, the total capital stock was 426,745,404 shares. The former controlling shareholder, Beijing Wanfa Real Estate Development Co., Ltd., held 107,993,698 shares, accounting for 25.31% of the shares. In 2007, non-tradable shareholders repaid 3,289,780 shares in equity division consideration. In 2009,non-tradable shareholders repaid 1,196,000 shares in equity division consideration.

On September 2 of 2016, Beijing Wanfa Real Estate Development Co., Ltd., the former controlling shareholder, transferred 112,479,478 shares to Beijing Grain Group Co., Ltd. After the equity transfer was completed in September 2016, Beijing Grain Group Co., Ltd. held 112,479,478 shares, accounting for 26.36% of the total shares. In November 2016, based on the goal of the major assets reorganization and the confidence in the future of the company, Beijing Grain Group Co., Ltd. decided to increase its shares through competitive bidding in the secondary market, increased its shares to 123,561,963 shares, accounting for 28.95% of the total shares and become the first majority shareholder of the company.

According to the major assets reorganization plan and delivery agreement, the company determined July 31, 2017 as the delivery date of major assets. On September 14, 2017, in accordance with the resolution of the 2nd provisional shareholders' meeting of the company on November 18 of 2016 and the Approval of Hainan Pearl River Holding Company Limited to Purchase Assets and Raise Matching Funds from Beijing Grain Group Limited Company issued by China Securities Regulatory Commission on July 28, 2017 (Approval No. 1391 Supervisory License (2017) authorization: 1), the company purchases assets from the original shareholders of Beijing Grain Products Co., Ltd. by issuing 210,079,552 shares and paying the difference of transaction price (1,699,543,600 yuan). The face value of the issued share was 1.00 yuan, and the issue price was 8.09 yuan per share. 2. The company has issued 48,965,408 new shares to Beijing Grain Group in private as the matching funds to purchase the assets. The face value of the issued share was 1.00 yuan, and the issue price was RMB 8.82 per share. Beijing Grain Group purchased the shares with monetary capital. The registered capital after issuance is RMB 685,790,364.00 and the equity is RMB 685,790,364.00. Grain Group accounted for 42.06% of the total shares and became the largest shareholder of the company.

On March 10, 2018, the company completed the registration procedures for the change of company name, legal representative, registered capital and business scope, and obtained the Business License of Enterprise Legal Person approved and renewed by Hainan Administration for Industry and Commerce.

The company completed the procedures for the change of legal representative on April 16, 2019.

The relevant information after the change is as follows:

Company Name: Hainan Jingliang Holdings Co., Ltd.

Unified Social Credit Code: 914600002012845568

Type: Limited company (listed and state-owned holding company)

Registration Address: 29 Floor, Emperor Building, Pearl River Plaza, Binhai Avenue, Haikou.

Office Address: 29 Floor, Emperor Building, Pearl River Plaza, Binhai Avenue, Haikou.

Legal Representative: Li Shaoling

Registered Capital: 685,790,364 RMB

Register Date: March 22, 1988

Business Term: March 22 of 1988 to September 20 of 2025

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

(2) The Nature of the Company's Business and Its Main Business Activities

1、 Business Scope

The company involves the manufacturing and agricultural and farm and sideline food processing industries which mainly include the production and marketing of food, beverage, oil, and its by-products, plant protein and its products, organic fertilizer, microbial fertilizer and agricultural fertilizer, land consolidation, soil remediation, agricultural comprehensive planting and development, animal husbandry, aquaculture and the production and sales of agricultural equipment, investment on the computer network technology, communication projects, research and development and application of high-tech products, investment and consultation of environmental protection projects, animation, graphic design, import and export trade of goods and technology, leasing of self-owned houses. (General operating items are operated by the company independently, and special business activities shall be operated with license or approval documents) (Projects that need the approval of the government can only be carried out after approval by relevant departments.)

2、 The Nature of the Business and Main Business Activities of the Company

The company and its subsidiaries are mainly engaged in the processing, production and marketing of food, agricultural by-products, oils, and leisure foods.

3、 The Basic Structure of the Company

The company's basic organizational structure: the shareholders' meeting is the company's highest authority, the board of directors is the executive body of the shareholders' meeting, the board of supervisors is the internal supervisory body and the general manager is responsible for the daily management of the company. The company consists of the board of directors, the board of supervisors, the comprehensive affairs department, the securities affairs department, the strategic investment department, the finance department (settlement center), the internal risk control department, the human resources department, the party and the masses work department, and the discipline inspection and supervision department.

On May 6 of 2010, Beijing Investment Consulting Company, the branch of Hainan Pearl River Holding Co., Ltd. was established and the unified the social credit code is 91110107554875351W. Address: Room 5078, Building 3, Xijing Road, Eight High-tech Parks, Shijingshan District, Beijing. Business scope includes investment consulting, hotel investment and management, purchase and lease of construction equipment, sale of building materials, hardware and electrical appliances, furniture, plastics, daily necessities, leather products, rubber products, feedstuff, packaging seeds, grains, legumes, potatoes, flowers, grass and ornamental plants, fertilizers, non-metallic ores, etc. Metal products, metal ores, metal materials, import and export of goods, research, development and application of high-tech products. (1.No fund shall be raised in a public way without the approval of the relevant departments. 2. No securities products and financial derivative instruments shall be traded in public. 3. No loans shall be granted. 4. No guarantee shall be provided for enterprises other than the invested enterprises. 5. No commitment shall be made to investors that the investment will bring no loss or the minimum earnings can be ensured. Projects that need to be approved according to law can be put into the operation after being approved by relevant departments.) On August 3 of 2018, it was renamed as Beijing Branch of Hainan Jingliang Holdings Co., Ltd.

(3) The Approval of Financial Reports

This financial statement has been approved by the board of directors of the company on August 15, 2019.

(4) Scope of Consolidated Statements

At the 27th meeting of the 8th Board of Directors, Beijing Grain Company was approved to invest 50 million RMB to establish Beijing Grain Gubi Oil Company which has completed the business registration procedures on May 7, 2019. Beijing Grain Gubi Oil Co., Ltd. was included in the scope of the consolidated statements. Please see Note 7, changes in the scope of consolidation, Note 8, and rights and interests of other subjects.

Ⅱ. Preparation Basis of Financial Statement

1. Preparation Basis

The financial statements of the company are prepared on the basis of the going concern assumption, which are carried out in accordance with the actual transactions and events, the Enterprise Accounting Standards promulgated by the Ministry of Finance and its application guidelines, interpretations and other relevant provisions (collectively referred to as Enterprise Accounting Standards). In addition, the company also discloses relevant financial information in accordance with *No. 15 Rules for Statements Compilation of Information Disclosure of Companies with Public Issuance: General Regulations on Financial Reporting* (revised in 2014).

According to the relevant provisions of the enterprise accounting standards, the accounting of the company is based on accrual basis. Except for a few financial instruments, the financial statements are based on historical costs. The available-for-sale non-current assets shall be priced at a lower price from the comparison between the estimated expenses that are deducted from the fair value and the original book value that meet the conditions for holding non-current assets. If asset impairment is found, then provisions for impairment shall be made in accordance with relevant regulations.

2. Continuing Operation

This financial statement is prepared on the basis of continuing operation. The company should be in a continuing operation for at least 12 months from the end of the reporting period.

Ⅲ. Statement of Compliance with Enterprise Accounting Standards

The financial statements compiled by the company conform to the requirements of the accounting standards of the enterprise. They have truly and completely reflected the merger of the company on June 30, 2019, the financial information of the parent company, the merger of January to June, 2019, the business performance and the cash flow of the parent company.

Ⅳ. Important Accounting Policies and Accounting Estimates

1. Accounting Period

The accounting period of the company consists of annual and mid-term periods. The mid-term accounting period indicates the report period which is shorter than an annual accounting period. The company adopts the the Gregorian calendar year as the accounting year, which is from January 1 to December 31 each year.

2. Operating Cycle

The company takes 12 months as a business cycle which is also regarded as a partition criterion for liquidity of assets and liabilities.

3. Bookkeeping Base Currency

The company takes RMB as its bookkeeping base currency.

Beijing Food (Singapore) International Trade Co., Ltd., an offshore subsidiary of the company, determines the US dollar as the bookkeeping base currency in accordance with the main economic environment of its operation.

4. Accounting Processing Methods of Enterprise Merger under the Same Control and the Different Control

Enterprise merger refers to the consolidation of two or more separate enterprises into one reporting entity. Enterprise merger can be divided into enterprise merger under the same control and enterprise merger under the different control.

A. Enterprise Merger under the Same Control

The enterprise under the same control refers to the company that is involved in the merger and ultimately controlled by the same party or the same multi-party. And the control is not temporary. In the case of an enterprise merger under the same control, the merger party is the one that obtains control over the other enterprises involved in the merger on the combining date, and the other enterprises in the merger are the merged party. The combining date refers to the date when the merger party actually acquires control over the merged party.

The assets and liabilities acquired by the merger party are calculated on the book value of the merged party on the combining date. If the difference between the book value of net assets acquired by the merger party and the book value of the combined consideration paid (or the total face value of the issuing shares), the capital reserve (equity premium) shall be adjusted, and if the capital reserve (equity premium) is insufficient to offset, the retained earnings shall be adjusted.

The direct expenses of the merger party generated in the merger activity shall be included into the current profit and loss.

B. Enterprise Merger under Different Control

Enterprises participating in the merger are not ultimately controlled by the same party or the same multi-party before and after the merger, which is called the merger under different control. In a merger under the different control, the enterprise obtains the control over the other merged enterprises on the purchase date is called the acquirer and the other enterprises that particip ate in the merger are called the acquiree. The date of purchase refers to the date on which the acquirer actually obtains the control over the acquiree.

As for the merger under different control, the merger cost should be recorded into the current profits and loss which includes the assets, liabilities, the fair value of the issued equity securities, expenses of auditing, legal service and evaluation consultation and other management fees incurred or assumed by the acquirer on the day of purchase to gain control over the acquiree. The acquirer shall include the transaction cost of equity securities or debt securities issued in a consolidated consideration into the initial confirmation amount of equity securities or debt securities. The fair value of consideration shall be included in the merger cost at the date of purchase. If the consideration needs to be adjusted within 12 month after the date of purchase, the consolidated goodwill shall be adjusted. The merger costs incurred by the purchaser and the identifiable net assets acquired in the merger are calculated at the fair value on the date of purchase. If the merger cost is more than the fair value of net identifiable assets obtained by the acquiree on the date of purchase, then the difference between them is recognized as goodwill. If the merger cost is less than the fair valu e of the obtained net identifiable assets of the acquiree in the merger, then all the identifiable assets, liabilities, fair value with liabilities and the measurement of the merger cost shall be reviewed first. After the review, if the merger cost is still less than the fair value of the obtained net identifiable assets of the acquiree, then the difference shall be included into the current profits and losses.

If the purchaser obtains the deductible temporary difference of the purchased party and fails to confirm it on the date of purchase because it does not meet the conditions for confirmation of deferred income tax assets, the deferred income tax assets can be confirmed when the new information indicates that the relevant situation on the date of purchase already exists and the purchaser is expected to deduct the temporary difference within 12 months after the date of purchase. In addition, the goodwill will be reduced. If the goodwill is insufficient to offset, the difference will be recognized as the current profits and losses. Apart from the above circumstances, the deferred income tax assets related to the merger of enterprises will be included in the current profits and losses.

Enterprise mergers under different control are realized through multiple transactions. According to the criteria of package transactions in the Notice of the Ministry of Finance on Issuing Interpretation No.5 of the *Accounting Standards for Business Enterprise*s (No.19 in 2012) and Article 51 of the *Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements* (see Notes Ⅳ. 5), it can be determined whether the multiple transactions are the package transaction. As for the package transaction, it should be handled according to the rules of long-term equity investment in the previous paragraphs, notes Ⅳ. 14. For those that are not package transactions, please separate individual financial statements from consolidated financial statements and carry out relevant accounting treatment.

In individual financial statements, the book value of the equity investment of the purchased party held before the purchase date and the additional investment cost of the purchased day are taken as the initial investment cost of the investment. If the equity of the purchased party held before the purchase date involves other comprehensive income, then it will be dealt on the same basis as the assets or liabilities directly disposed of by the purchased party (Except the corresponding share in the changes caused by the acquiree's redetermination of the net liabilities or net assets of the beneficiary plan, the rest is recorded as the current investment profits).

In the consolidated financial statements, the equity of the purchased party held before the purchase date shall be re-measured according to the fair value of the equity on the purchase date. The difference between the fair value and its book value shall be included in the current investment income. If the equity of the purchased party held before the purchase date involves other comprehensive income, it shall be handled on the same basis as the assets or liabilities directly disposed of by the purchased party (Except for the corresponding share of the changes in the net liabilities or net assets of the beneficiary plan set up by the purchased party in accordance with the equity method, the rest shall be converted to the current investment income on the purchasing date).

5. Preparation Methods of Consolidated Financial Statements

A. Principles for the Determination of the Scope of Consolidated Financial Statements

The consolidation scope of consolidated financial statements is determined on the basis of control. Control means that the company has the control over the invested unit, enjoys variable returns by participating in the activities of the invested unit, and has the ability to use the power to influence the amount of the returns. The consolidation scope includes the company and all its subsidiaries. Subsidiary company refers to the subject controlled by the company.

Once the relevant facts and circumstances change, the company will reevaluate the relevant elements involved in the above definition of control.

B. Preparation Methods of Consolidated Financial Statements

From the date of acquiring the net assets of subsidiaries and the actual control of production and operation decision-making, the company began to incorporate them into the consolidation scope and from the date of losing the actual control, the company will stop incorporating them into the consolidation scope. For the disposed subsidiaries, the operating results and cash flow before the disposal date have been properly included in the consolidated profit statement and the consolidated cash flow statement. As for the subsidiaries disposed in the current period, the initial number of the consolidated balance sheet is not adjusted. The operating results and cash flow of subsidiary of emerged companies which are not under the same control are properly included in the consolidated profit statement and the consolidated cash flow statement. The opening balance and comparative figures of the consolidated financial statements are not adjusted. The operating results and cash flows of subsidiaries of the emerged enterprises under the same control from the beginning of the consolidation period to the consolidation date have been properly included in the consolidated profit statement and the consolidated cash flow statement. The contrast of the consolidated financial statements has been adjusted at the same time.

In the preparation of the consolidated financial statements, if the accounting policies or periods adopted by the subsidiary company are inconsistent with those of the company, it is necessary to make adjustments to the financial statements of the subsidiary company in accordance with accounting policies and accounting periods of the company. For subsidiaries acquired by enterprises emerged under different control, the financial statements shall be adjusted on the basis of the fair value of identifiable net assets on the purchase date.

All significant current balances, transactions and unrealized profits of the company shall be offset in the preparation of the consolidated financial statements.

The rights and interests of shareholder in the subsidiary company and the part of current net profit and loss that does not belong to the company are listed separately as the rights and interests and gains and losses of minority shareholder in the consolidated financial statements under the item of shareholder's rights and interests and net profit. The rights and interests of minority shareholders in the current net profit and loss of a subsidiary company shall be listed under the net profit item in the consolidated profit statement as the profits and losses of minority shareholders. If the loss shared by minority shareholders in the subsidiary company exceeds rights and interests enjoyed by minority shareholders at the beginning of the period in the subsidiary company, the rights and interests of minority shareholders should still be offset.

If the company looses the control over the original subsidiary company due to the disposal of equity investment or other reasons, the residual equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration acquired by equity disposal and the fair value of residual equity is subtracted from net assets that should be continuously calculated by the original subsidiary company from the purchase date. The difference shall be included into the current investment income when the control is lost. Other comprehensive returns related to the equity investment of the original subsidiary company are treated on the same basis of the the assets or liabilities directly disposed by the purchased party when the control power is lost (Except for changes in the net liabilities or net assets of the beneficiary plan of the original subsidiary company, the rest are converted to current return on investment.) Then, the residual equity is measured in accordance with the relevant provisions of *Accounting Standards for Enterprises No. 2 - -Long-term Equity Investment* or *Accounting Standards for Enterprises No. 22 - -Recognition and Measurement of Financial Instruments*.

If the company disposes of the equity investment on the subsidiary company through multiple transactions until it looses the control, it is necessary to distinguish whether the transactions of the equity investment on the subsidiary company belong to a package transaction. If the terms, conditions and economic effects of the transactions of the equity investment of subsidiary companies conform to one or more of the following situations, then it usually indicates that the multiple transactions should be treated as a package transaction: 1. These transactions are conducted at the same time or in consideration of the influence on each other. 2. The transactions should be regarded as a whole and then a complete commercial result can be achieved. 3. The occurrence of a transaction depends on the occurrence of at least one other transaction. 4. A single transaction is uneconomical, but it is economic when all transactions are considered as a whole. If the transactions are not a package transaction, it shall be treated according to the principles of disposal of long-term equity investment in subsidiaries without loss of control and loss of control over original subsidiaries due to disposal of partial equity investment or other reasons. Transactions that are a package transaction involving investment in subsidiary shares shall be treated as transactions that make the company loose control over subsidiary companies. However, before the loss of control rights, each disposal price corresponding to the disposal investment shall enjoy the difference of the net assets of the subsidiary company. The balance is recognized as other comprehensive gains in the consolidated financial statements and is transferred to the current profits and losses at the loss of control period.

6. Classification of Joint Venture Arrangements and Accounting Treatment of Joint Venture

Joint venture arrangement refers to an arrangement controlled jointly by two or more participants. According to the rights and obligations in the joint venture arrangement, the company divides the joint venture arrangement into joint operation and cooperative enterprise. Joint operation means that the company has the right to arrange relevant assets and bear the liabilities related to the arrangement. Cooperative enterprise indicates that the company only has the right for the arranged net assets.

The investment of the Cooperative enterprise shall be calculated by the equity method and shall be handled in accordance with the accounting policy described in Notes Ⅳ 14 “long-term equity investment”.

The company, as a party of joint venture recognizes its own assets and liabilities and holds assets and bears liabilities jointly according to the share of the company. In addition, the company can recognize the income generated from the sale income of the joint operation. And it is necessary to confirm the income based on the shares of the company. It needs to confirm the expenses incurred separately by the company and expenses incurred jointly in accordance with the shares of the company.

When the company jointly invests or sells assets as a joint venture (which does not constitute a business. Similarly hereinafter) or purchases assets from joint venture, the company only confirms that the profits and losses arising from the transaction belong to the other participants in the joint venture before selling such assets to a third party. Where the loss of impairment of assets occurs in accordance with the provisions of *Accounting Standards for Enterprises No. 8 - Impairment of Assets*, the company shall recognize the loss in full in the case of the investment or sale of assets from the company to the joint operation, and in the case of the purchase of assets by the company from the joint operation, the company shall recognize the loss in accordance with its share assumed.

7. Determination Standards for Cash and Cash Equivalents

The cash and cash equivalents of the company include cash in stock, deposits that can be used to pay at any time, the known amount of cash that is held by the company for short term (usually due within three months from the date of purchase) and easy for conversion with strong fluidity and investment with little risk of value change.

8. Foreign Currency Operation and Foreign Currency Statements Conversion

A. Conversion Method of Foreign Currency Transaction

At the initial confirmation , the foreign currency transactions of the company are converted into the amount of the book-keeping base currency at the spot exchange rate on the trading day. However, the foreign currency exchange business or transactions involving foreign currency exchange of the company are converted into the amount of the book-keeping base currency at the actual exchange rate.

B. Conversion Methods for Foreign Currency Monetary Items and Foreign Currency Non-monetary Items

On the balance sheet day, the spot exchange rate on the balance sheet date is used to convert foreign currency monetary items. The currency conversion differences are generated except the following contents. 1. The conversion differences arising from special foreign currency loans related to the purchase and construction of assets eligible for capitalization shall be treated in accordance with the principle of capitalization of borrowing costs. 2. As for the foreign currency goods available for sale, the currency translation differences arising from changes in book balances of monetary items except the amortized costs are included in other comprehensive income and losses of the current period.

The non-monetary items of foreign currency measured at historical cost are still measured by the book-keeping base currency converted at the spot exchange rate on the date of transaction. Foreign currency non-monetary items measured by fair value shall be converted by spot exchange rate on the date of determination of fair value. The difference between the converted amount of bookkeeping base currency and the original amount of the bookkeeping base currency shall be treated as changes in fair value (including changes in exchange rate), and shall be included in current profits and losses or other comprehensive income.

C. Conversion Method of Foreign Currency Financial Statements

In the preparation of consolidated financial statements that involves overseas operations, the exchange difference resulting from the change of exchange rate shall be recognized as conversion difference of foreign currency statements and confirmed as other comprehensive income if foreign currency monetary item constitutes a net investment in overseas operations. The overseas operations should be included in the current profits and losses.

Foreign currency financial statements of overseas operation are converted into RMB statements by the following methods: the assets and liabilities in the balance sheet are converted at the spot exchange rate on the balance sheet date. The shareholder equity items are converted at the spot exchange rate at the time of occurrence, except for the undistributed profit items. Income and expense items in the profit statement shall be converted on the date of transaction. The undistributed profit at the beginning of the period is the undistributed profit at the end of the previous year after the conversion. The undistributed profit at the end of the year is calculated and distributed as the converted profit and listed under the items. The difference between the total amount of the assets and liabilities items and the equity items of shareholders after the conversion is recognized as the conversion difference of the foreign currency statement and as other comprehensive income. When the company looses the control right in the disposal of the overseas operations, the balance of the converted foreign currency statements related to the overseas operations shown under the equity items of shareholders in the balance sheet shall be transferred to the current profits and losses of the disposal in full or in proportion to the disposal of the overseas operations.

Foreign currency cash flow and cash flow of overseas subsidiaries shall be converted at the average exchange rate of the current period on the date of cash flow occurrence. The impact of exchange rate changes on cash is a reconciling item, which should be presented separately in the cash flow statement.

The opening balance and the actual number of the previous period are shown as the amount converted from the previous financial statements.

In the treatment of all ownership interest, part of equity investment or other reasons that have resulted in the loss of control over the overseas operations, the converted balance of the foreign currency statements related to the overseas operations, which are attributable to the owner's rights and interests of the parent company, as shown below in the balance sheet, shall be transferred to the current profits and losses.

In the treatment of part of the equity investment or other reasons that led to the decrease of the holding proportionate interest of overseas operations rather than the loss of control over the overseas operations, the balance of foreign currency statement conversion related to the part of overseas operation and disposal shall be attributed to the rights and interests of minority shareholders and shall not be transferred to current profits and losses. In the disposal of some equity of overseas joint venture, the conversion difference of the of foreign currency statements related to the overseas operation shall be transferred to the current profits and losses according to the disposing proportion of the overseas operation.

9. Financial Instrument

When the company becomes a party of the financial instrument contract, it confirms a financial asset or financial liability.

A. Financial Assets

a. Classification, Confirmation Basis and Measurement Method of Financial Assets

According to the business model of financial assets management and the characteristics of contract cash flow of financial assets, the financial assets are divided into financial assets that are measured by amortized cost, financial assets that are measured by fair value and the changes are included into other comprehensive income, and financial assets that are measured by fair value and their changes are included into current profits and losses.

The company classifies financial assets that meet the following conditions as financial assets measured at amortized cost. 1. The business model of the financial assets management is to collect contract cash flow. 2. The clauses of the financial asset contract require that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of unpaid principal. Such financial assets are initially measured at fair value, and the related transaction costs are included in the initial confirmation amount, which will subsequently measured at the amortized cost. Except for those designated as hedged items, the difference between the initial amount and the amount due shall be amortized according to the actual interest rate method. The amortization, impairment, exchange gains and losses, as well as the gains and losses arising from the terminal confirmation shall be included in the current profits and losses.

The company classifies financial assets that meet the following conditions as financial assets measured at fair value and the changes are included in other comprehensive income. 1. The business model of the financial assets management aims to collect contract cash flow and sell the financial assets. 2. The clauses of the financial asset contract require that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of unpaid principal. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial confirmation amount. Except for those designated as hedged items, the other income and losses of such financial assets are included in other comprehensive income and losses except the losses or gains of credit impairment, exchange gains and losses and the interest of the financial assets calculated based on the effective interest method. When the recognition of financial assets is terminated, the accumulated gains or losses shall be transferred from the other comprehensive gains and shall be included in the current profits and losses.

The company confirms interest income in accordance with the effective interest method. Interest income is determined when the book balance of financial assets multiplies by the actual interest rate, except the following cases. 1. For financial assets that have been purchased or originated with credit impairment, interest income shall be determined by calculating the amortization cost of the financial assets and the actual interest rate adjusted by credit from the initial confirmation. 2. For purchased or originated financial assets in which the credit impairment was not found at first but the credit impairment is observed in the subsequent period, the interest income shall be determined based on the amortized cost and actual interest rate of the financial assets.

The company designates investment in non-tradable equity instruments as financial assets that are measured at fair value and the changes are included in other comprehensive income. The designation shall not be cancelled once it is made. The investments of non-tradable equity instruments designated by the company, which are measured at fair value and the changes are included in other comprehensive gains, are initially measured at fair value, and the related transaction costs are included in the initial confirmation amount. Apart from the dividends (except for the recovery of investment cost), they are included in the current profits and losses, and other related profits and losses (including exchange gains and losses) are included in the other comprehensive gains, which shall not be transferred to current gains and losses. When it terminates recognition, the accumulated gains or losses previously included in other comprehensive gains are transferred to retained earnings.

The financial assets are classified as those measured by the amortized cost and those measured by fair value and the changes are included in other comprehensive income. The company also classifies them as financial assets measured by fair value and the changes are included in current profits and losses. Such financial assets are initially measured by fair value, and related transaction costs are directly included in current profits and losses. The profits or losses of such financial assets shall be included in the current profits and losses.

Where the company recognizes or considers financial assets in the merger of enterprises under different control, the financial assets are classified as financial assets measured at fair value and the changes are recorded in the current profits and losses.

When the company changes its business model of financial assets management, it reclassifies all relevant financial assets that have been affected.

b. The Confirmation Basis and Measurement Method of Financial Assets Transfer

The company will give the derecognition of the financial assets which meet one of the following conditions. 1. The contractual right to collect cash flow from the financial assets is terminated. 2. The transfer of financial assets results in the risk transfer and returns in the ownership of the financial assets. 3. The financial assets are transferred, and the company neither transfers nor reserves all risks and returns in the ownership of financial assets and the company does not retain control over the financial assets.

If the transfer of financial assets satisfies the conditions derecognition, the book value of the transferred financial assets, the received consideration occurred in the transfer, cumulative amount of changes in the fair value that should be terminated in other comprehensive income (The terms of the contract relating to the transfer of financial assets stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal) should be included in the current income and losses.

If the transfer of financial assets satisfies the conditions for termination of recognition, the book value of the transferred financial assets as a whole shall be apportioned between the termination confirmation part and the non-termination confirmation part in accordance with their respective relative fair values. The sum of consideration received as a result of the transfer and the amount of the corresponding termination confirmation in the cumulative amount of changes in fair value (The terms of the contract relating to the transfer of financial assets stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal) and the difference from the overall book value of the financial assets is included in current profits and losses.

B. Financial Liabilities

a. Classification, Confirmation Basis and Measurement Method of Financial Liabilities

In the initial recognition, the financial liabilities of the company are divided into financial liabilities that are measured at fair value and the changes are included in current profits and losses and other financial liabilities.

Financial liabilities that are measured at fair value and the changes are included in current profits and losses, include the transactional financial liabilities and financial liabilities that are designated at the time of initial recognition and measured at fair value and the changes are included in current profits and losses which are subsequently measured at fair value. The gains or losses resulting from changes in fair value, the dividend and interest related to the financial liabilities and interest expenses shall be included in the current profits and losses.

Other financial liabilities are measured by effective interest method which are subsequently measured according to the amortized cost. The company classifies financial liabilities as financial liabilities measured at amortized cost except the following items. 1. Financial liabilities that are measured at fair value and the changes are included in current profits and losses, include transactional financial liabilities (including derivatives of financial liabilities) and designated financial liabilities that are measured at fair value and the changes are included in current profits and losses. 2. Financial liabilities resulting from the transfer or continued involvement of the transferred financial assets that do not meet the conditions for termination of recognition. 3. Financial guarantee contracts that do not meet the requirements of the first and second items, and loan commitments with lower market interest rates that do not meet the requirements of the first items.

If the company recognizes or considers financial liabilities in the merger of enterprises under different control as purchaser party, it shall be measured at the fair value and its changes shall be included in the current profits and losses.

b. Termination Confirmation Conditions of Financial Liabilities

When the current obligation of a financial liability has been discharged in whole or in part, the recognition of the discharged financial liabilities or obligation shall be terminated. The company and creditors sign an agreement to replace the existing financial liabilities by assuming new financial liabilities. If the terms of the contracts of the new financial liabilities and the existing financial liabilities are substantially different, then the existing financial liabilities shall be terminated and the new financial liabilities shall be recognized at the same time. If the company substantially amends all or part of the contract terms of the existing financial liabilities, it shall terminate the confirmation of the existing financial liabilities or part of them, and recognize the altered financial liabilities as a new financial liabilities at the same time. The difference between the book value of the termination confirmation part and the consideration paid shall be included in the current profit and loss.

C. Determination Method of the Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities is measured at the price of principal market in the company. If there is no principal market, the then fair value of financial assets and liabilities shall be measured at the price of the most advantageous market and the applicable valuation technique with sufficient available data and support of other information shall be adopted. The input values used in fair value measurement can be divided into three levels. The first level of the input values is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement day in the active market. The second level of the input value is the direct or indirect observable input value of related assets or liabilities except the first level of input value. The third level of input value is the unobservable input value of the related assets or liabilities. The company prefers the first level of input values, and the third level of input values is the last option. The level of the results of fair value measurement is determined by the lowest level of input values which are of great significance to fair value measurement as a whole.

The investment in equity instruments of the company is measured at fair value. However, in limited cases, if the information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, then the cost can represent its proper estimation on fair value in the range of distribution.

D. Setoff of Financial Assets and Liabilities

The financial assets and liabilities of the company are shown separately in the balance sheet which do not offset each other. However, when the following conditions are met at the same time, the net amount after mutual offset is shown on the balance sheet. 1. The company has the legal right to offset the recognized amount, and this legal right is currently enforceable. 2. The company plans to settle the financial assets or liquidate the financial liabilities at the same time for netting settlement.

E. Differentiation and Processing Methods of Financial Liabilities and Equity Instruments

The company distinguishes financial liabilities from equity instruments according to the following principles. 1. If the company fails to unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation is in line with the definition of financial liabilities. Although some financial instruments do not explicitly contain terms and conditions for the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. 2. If a financial instrument can only be settled with the own equity instrument of the company, it is necessary to consider whether the company's own equity instrument used for settlement is a substitute for cash or other financial assets, or is a method to enable the holder of the instrument to enjoy residual rights in the assets after all liabilities have been deducted. If it is a substitute for cash or other financial assets, then the instrument is the financial liability of the issuer. Else, the instrument is the equity instrument of the issuer. In some cases, a financial instrument contract stipulates that the company shall use its own equity instruments to settle the financial instrument, in which the amount of contractual rights or obligations is equal to the number of its own equity instruments available or to be delivered multiplied by the fair value at the time of settlement. Regardless of the amount of the contractual rights or obligations is fixed or totally or partially based on changes in variables other than the market price of the company's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), which are classified as financial liabilities.

When the company classifies financial instruments (or their components) in the consolidated statements, the company takes all terms and conditions reached between group members and holders of financial instruments into account. If the group assumes the obligation to deliver cash, other financial assets or settlement methods that result in the instrument becoming a financial liability, then instrument should be classified as a financial liability.

If the financial instruments or the components belong to financial liabilities, then relevant interest, dividends, gains or losses, as well as gains or losses arising from redemption or refinancing shall be included in the current profits and losses.

When the financial instrument or its components belong to an equity instrument and it is issued (including refinancing), repurchased, sold or cancelled, then the change of the fair value of the equity instrument shall not be recognized when the company deals with the change of equity.

10. Accounts Receivables

The Determination Method and Accounting Treatment Method of Anticipated Credit Loss of Notes Receivable and Accounts Receivable.

The company always measures its loss preparation according to the amount equivalent to the anticipated credit loss in the whole period for the accounts receivable formed by the transactions regulated by the Accounting Standards for Enterprises No. 14-Income and excluding major financing elements.

The judgment of whether credit risk has increased significantly since the initial recognition. By comparing the default probability of the financial instrument in the expected lifetime determined at the initial confirmation with the default probability of the instrument in the expected lifetime determined at the balance sheet date, the company can determine whether the credit risk of the financial instrument has increased significantly. However, if the company determines that the financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial confirmation. Usually, if the expiry exceeds 30 days, it will be regarded that the credit risk of financial instruments has increased significantly. Unless the company does not have to pay unnecessary additional costs or efforts to obtain reasonable and well-founded information, it can prove that credit risk has not increased significantly since the initial recognition even if the overdue period exceeds 30 days. In determining whether credit risk has increased significantly since the initial confirmation, the company obtains reasonable and valid information, including forward-looking information without unnecessary additional costs or efforts.

Assessment Based on Combination. For bills receivable and accounts receivable, the company can not obtain sufficient evidence of significant increase in credit risk at a reasonable cost at the single instrument level, but it is feasible to assess whether the credit risk increases significantly on the basis of combination. Therefore, the company should evaluate the credit risk according to the type of financial instruments, credit risk rating, initial confirmation date and residual contract duration. It is necessary to divide the notes receivable and accounts receivable and assess whether credit risk increased significantly on the basis of combination.

Measurement of Expected Credit Loss Expected credit loss refers to the weighted average value of credit loss of financial instruments weighted by the risk of default. Credit loss refers to the difference between the cash flow of all contracts discounted according to the original real interest rate and the expected cash flow of all contracts receivable according to the contract. It is the present value of all cash shortages.

The company calculates the expected credit loss of notes receivable and accounts receivable on the balance sheet date. If the expected credit loss is more than the current book value of notes receivable and the provision for impairment of accounts receivable, the company recognizes the difference as impairment loss of notes receivable and accounts receivable. The credit impairment loss is the debit and the bad-debt provision is the credit. On the contrary, the company recognizes the difference as impairment gains and makes the opposite accounting records.

If the company actually incurs credit losses and finds that the relevant receivables and accounts receivable can’t be recovered which are approved for cancellation, it shall debit bad debts preparation and credit notes receivable or accounts receivable according to the approved amount of write-off. If the amount of write-off is more than the loss provision that has been already accrued, the credit impairment loss shall be debited according to the difference.

Based on the actual credit losses of previous years and the forward-looking information of the current year, the company has adopted a portfolio-based accounting estimation policy to measure the expected credit losses which are as follows:

Overdue Duration	**Loss Given Default (%)**
Within One Year	2
One to Two Years	5
Two to Three Years	20
Three to Four Years	50
Four to Five Years	80
More Than Five Years	100

11. Other Receivables

The Determination Method and Accounting Treatment of Anticipated Credit Loss of Other Receivables.

The company measures the loss provisions of other receivables according to the following circumstances. 1. As for the financial assets of which the credit risk has not increased significantly since the initial confirmation, the company measures the loss provisions according to the amount of anticipated credit loss in the next 12 months. 2. Financial assets of which the credit risk has increased significantly since the initial recognition, the company shall measure the loss preparation according to the amount of anticipated credit loss in the whole duration of the financial instrument. 3. As for the purchased or originated financial assets, the company shall measure the loss provisions according to the amount of the anticipated credit loss in the whole duration.

Assessment Based on Combination. For other receivables, the company can't obtain sufficient evidence of significant increase in credit risk at a reasonable cost and a single instrument level. It is feasible to assess whether there is a significant increase in credit risk on the basis of the combination. Therefore, according to the common risk characteristics including the financial instrument type, credit risk rating, initial recognition date and residual contract duration, the company divides other receivables into groups and assesses whether the credit risk has increased significantly on the basis of combination.

Overdue Duration	Loss Given Default (%)
Within One Year	2
One to Two Years	5
Two to Three Years	20
Three to Four Years	50
Four to Five Years	80
More Than Five Years	100

12. Inventory

a. Classification of Inventory

Inventory mainly includes raw materials, revolving materials, finished products, development cost, inventory goods and materials in transit.

b. Valuation Method for Acquisition and Issuance of Inventories

Inventories are valued at actual cost when they are acquired, and the weighted average method is used to determine the actual of the inventories that have been sent out.

c. Recognition of Net Realizable Value of Inventory and Calculation Method of Depreciation Reserve

Inventories at the end of the period are priced on the basis of the principle of lower cost and net realizable value. As for the cost that is not expected to be recoverable because of the damages to the inventory, obsolescence in whole or in part, or lower selling price, the falling price reserves of the inventory shall be prepared. The falling price reserves of inventory extracted by the difference between the cost of a single inventory item and its net realizable value.

The net realizable value of the inventory is determined by the amount when the estimated sale price of the inventory subtracts the sales cost and related taxes.

After the inventory falling price reserves are extracted, if the factors that can affect the value of the previously written-down inventory have disappeared and the net realizable value of the inventory is higher than its book value, then it shall be reversed within the amount of the original inventory falling price reserves, which shall be included into the current profits and losses.

d. The inventory system is the perpetual system.

e. Amortization of Low-value Consumables and Packages

Low-value consumables and packages are amortized by the one-off amortization method or the divide second amortize method when they are consumed.

13. Holding Assets for Sale

If the company recovers its book value mainly by selling (including the exchange of non-monetary assets with commercial substance, the same below) rather than continuing to use a non-current asset or disposal group recouping the book value , it is classified as holding for sale. Specific criteria are as follows: a non-current asset or disposal group can be sold immediately in the current situation in accordance with the practice of selling such assets or disposal groups in similar transactions. The company has made a decision on the sale plan and obtained a definite purchase commitment. The sale is expected to be completed within one year. Among them, disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, and liabilities directly related to these assets transferred in the transaction. The asset group or portfolio of the disposal group apportions the goodwill acquired in the merger of enterprises in accordance with *Accounting Standards for Enterprises No. 8 - Assets Impairmen*t. The disposal group shall include the goodwill apportioned to the disposal group.

When the initial measurement or re-measurement is divided into the non-current assets held for sale and the disposal group on the balance sheet day, If the book value of the non-current assets held for sale is higher than the net amount of the fair value minus the selling expenses, the book value shall be written down to the net amount of the fair value minus the selling expenses. And the written down amount shall be recognized as the loss of the assets impairment, which should be included into the current profit and loss. At the same time, the impairment provision of assets held for sale shall be accrued. For the disposal group, the recognized impairment loss of assets first offsets the book value of goodwill in the disposal group, and then offsets proportionally the book value of non-flows assets specified in the measurement provisions of *Accounting Standards for Enterprises No. 42 - Holding Non-Current Assets for Sale, Disposal Group and Termination of Business* (hereinafter referred to as holding standards for sale) in the disposal group. If the fair value of the disposal group for sale at the subsequent balance sheet day subtracts the cost of sale and the net amount increases, then the amount previously written down shall be restored. The amount of loss of impairment of assets recognized by the criterion of holding the non-current assets for sale shall be turned back after being classified as holding the categories for sale, and the amount returned shall be included in the current profits and losses. The book value of non-current assets shall be increased in proportion which is applicable to the measurement requirement for holding for sale except goodwill. The book value of offset goodwill and the loss of the assets impairment before the non-current assets are classified as holding for sale which are applicable to the measurement of the criteria for holding for sale shall not be reversed.

No depreciation or amortization of the non-current assets held for sale is accrued. The interest and other expenses of the liabilities held in the disposal group for sale shall be recognized.

When the non-current assets or disposal group no longer meet the requirements for the classification of holding assets for sale, the company will no longer classify the non-current assets into holding categories for sale or remove them from the disposal group for sale, which are measured according to the lower of the following two items. 1. Before the holding categories for sale are classified and assumed not to be, the book value is divided into the adjusted amount of depreciation, amortization or impairment that should have been recognized in the case of holding the category for sale. 2. Recoverable amount.

14. Long-term Equity Investment

The long-term equity investment in this part refers to the long-term equity investment in which the company has control, joint control or significant impact on the invested enterprises. If the company has no control, joint control or significant impact on the invested entity, then the long-term equity investment shall be accounted for as financial assets for sale or measured at fair value and the changes are recorded in current profits and losses. The accounting policies of the company are detailed in Notes Ⅳ. 9 called Financial Instruments.

Joint control refers to the company's control over an arrangement in accordance with relevant agreements, and the related activities in the arrangement must be agreed by the participants that share the control rights before decisions are made. Important impact means that the company has the power to participate in the decision-making of the financial and operational policies of the invested enterprises, but it fails to control or jointly control the formulation of these policies with other parties.

a. Determination of Investment Cost

For the long-term equity investment obtained by the merger of enterprises under the same control, the initial investment cost of the long-term equity investment is based on the share of the book value of the equity of the merged shareholders in the consolidated financial statements of ultimate controlling party on the date of the merger. The difference between the initial investment cost of long-term equity investment and the cash paid, the transferred non-cash assets and the book value of the assumed debt shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Where equity securities are issued as merger consideration, the initial investment cost of long-term equity investment shall be the share of the book value of the equity of the merged shareholders in the consolidated financial statements of the ultimate controlling party on the date of merger. The total face value of the issued shares shall be the equity capital. The difference between the initial investment cost of long-term equity investment and the total face value of the issued shares should be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Through multiple transactions, the shares of the merged party under the same control are obtained and the merger under the same control shall be treated according to the rules of the package transaction. If the merger is a package transaction, the all transactions shall be treated as a transaction that has obtained the control. If it is not a package transaction, the initial investment cost of long-term equity investment shall be the share of the book value of the shareholders' equity of the merged party in the consolidated financial statements of ultimate controlling party on the date of merger. The difference between the initial investment cost of long-term equity investment and the book value of long-term equity investment before the merger and the sum of the book value of the new share payment on the merger date shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings will be adjusted. The equity investments held before the merger date shall not be processed for the time being because they are measured by equity method or other comprehensive gains recognized for the sale of financial assets.

For the long-term equity investment acquired by the merger of enterprises under different control, the initial investment cost of the long-term equity investment is the merger cost on the purchase date. The merger cost includes the sum of the fair value of the assets paid by the purchaser, the liabilities incurred or assumed by the purchaser and the issued equity securities. If the equity of the purchased party is acquired through multiple transactions and the merger of enterprises under different control is formed, it might be dealt with as a package transaction. If it is a package transaction, the transactions should be treated as a transaction to obtain the control right. If it is not a package transaction, the initial investment cost of long-term equity investment shall be calculated according to the book value of equity investment of the original holder and the sum of additional investment cost. As for the original equity that is measured by the equity method, the related other comprehensive earnings shall not be treated for the time being. If the original equity investment is a financial asset that can be sold, the difference between the fair value and book value, as well as the cumulative changes in fair value that was originally recorded in other comprehensive gains, are transferred to the current profits and losses.

The intermediary expenses such as auditing, legal services, evaluation consultation and other related management expenses incurred by the merger or purchaser for the merger shall be included in the current profits and losses.

Equity investments except long-term equity investments formed in the merger of enterprises are initially measured at cost. Since the long-term equity investments are acquired in different ways, the investment cost shall be determined in accordance with the actual cash purchase price paid by the company, the fair value of the equity securities issued by the company, the value agreed upon in the investment contract or agreement, the fair value or original book value of the assets exchanged in the non-monetary assets exchange transaction, and the fair value of the long-term equity investment. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. For the additional investment which can exert a significant impact on the invested units or joint control but fails to constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment and the additional investment cost in accordance with *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

b. Follow-up Measurement and Recognition Method of Profit and Loss

The long-term equity investments that have joint control over the invested entity (except the joint operation) or have significant impact on the invested entity shall be calculated with equity method. In addition, the cost method is adopted in the financial statements of the company to control the long-term equity investment of the invested enterprise.

1. Long-Term Equity Investment Based on Cost Method

When the cost method is adopted, long-term equity investment is priced at the initial investment cost, and it needs to add or recover the cost to adjust the cost of the long-term equity investment. Except for the actual price paid when the investment is obtained or the declared but not yet paid cash dividend or profit in the consideration, the current investment income shall be recognized in accordance with the cash dividend or profit declared by the invested unit.

2. Long-Term Equity Investment Based on Equity Method

If the initial investment cost of the long-term equity investment is more than the fair value of the identifiable net assets of the invested unit when the equity method is used, the initial investment cost of the long-term equity investment shall not be adjusted. If the initial investment cost is less than the enjoyed fair value of the identifiable net assets of the invested unit, the difference shall be included in current profits and losses, and the cost of long-term equity investment shall be adjusted.

When the equity method is adopted, the investment income and other comprehensive income should be recognized respectively according to the net profit and loss and other comprehensive income of the invested enterprise that should be enjoyed or shared. At the same time, the book value of long-term equity investment should be adjusted at the same time. The share should be calculated according to the profit or cash dividend declared by the invested enterprise. The book value of long-term equity investment should be reduced accordingly. For other changes in owner's rights and interests, net profit and loss, other comprehensive income and profit distribution, the book value of long-term equity investment should be adjusted and included in capital reserve. To recognize the enjoyed share of the net profit and loss of the invested enterprise, the net profit of the invested enterprise shall be adjusted and recognized on the basis of the fair value of the identifiable assets of the invested enterprise when the investment is obtained. If the accounting policies and periods adopted by the invested unit are inconsistent with those of the company, the financial statements of the invested unit shall be adjusted according to the accounting policies and periods of the company, and the investment income and other comprehensive income shall be confirmed accordingly. For transactions between the company and associated enterprises and joint ventures, when assets invested or sold do not constitute business, the unrealized internal trading gains and losses shall be offset by the portion attributable to the company in proportion to the share enjoyed, and the investment gains and losses shall be r ecognized on this basis. However, if the unrealized internal trading loss between the company and the invested unit is an impairment loss of the transferred asset, it shall not be offset. If the invested assets from the company to the joint venture or consortium constitute a business, and investors, therefore obtain the long-term equity investment, but not gain the control right, the fair value of the invested business is taken as the initial investment cost of the new long-term equity investment. The difference between the initial investment cost and the book value of the invested business is fully recorded in the current profit and loss. Where the assets sold by the company to a joint venture or consortium constitute a business, the difference between the consideration obtained and the book value of the business shall be fully recorded in the current profits and losses. If the assets purchased by the company from the joint venture and consortium constitute the business, the company shall conduct accounting treatment in accordance with the provisions of the *Accounting Standards for Enterprises No. 20 - Business Combination* to fully recognize the profits or losses related to the transaction.

When recognizing the net loss payable to the invested entity, the book value of the long-term equity investment and other long-term equity that substantially constitutes the net investment of the invested unit shall be reduced to zero. In addition, if the company is obligated to bear additional losses to the invested unit, the estimated liabilities shall be recognized according to the expected obligations and recorded into the current investment loss. When the invested unit makes a net profit during a subsequent period, the company shall resume the recognition of the income sharing amount after making up for the unrecognized loss sharing amount.

For the long-term equity investment in the joint venture and the joint venture held by the company before the implementation of the new Accounting Standards for the first time, if there is a difference between the equity investment debits related to the investment, the straight amortization amount of the original remaining term shall be recorded into the current profit and loss.

3.Purchase Minority Share Holding

When preparing and consolidating the financial statements, the difference between the new long-term equity investment due to the purchase of minority shares and the net asset share continuously calculated according to the new shareholding ratio since the purchase date (or merger date) shall be adjusted for the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

4. Dispose of Long-term Equity Investments

In the consolidated financial statements, the parent company partially disposes its long-term equity investment in the subsidiary company without losing the control right, and the difference between the disposal price and the disposal of long-term equity investment corresponding to the net assets of the subsidiary company was recorded into the shareholders' equity.When the parent company loses the control right of the subsidiary company due to the partial disposal of its long-term equity investment in the subsidiary company, it shall be treated in accordance with the relevant accounting policies described in Appendix IV, 5. D "Methods for Preparing Consolidated Financial Statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the disposed equity and the actual acquired price shall be recorded into the current profit and loss.

For long-term equity investment accounted by the equity method, if the residual equity after disposal is still checked by the equity method, the other comprehensive income originally included in the shareholders' equity shall be accounted by the same basis as the direct disposal of relevant assets or liabilities by the invested unit in accordance with the corresponding proportion at the time of disposal. Owners' equity recognized due to changes in owners' equity other than net gains and losses of the invested unit, other comprehensive income and profit distribution shall be converted into current profits and losses in proportion.

As to a long-term equity investment measured by the cost method still uses the cost accounting method after the disposal of the remaining stake, before its control on the invested unit, other comprehensive incomes confirmed by the equity method or financial instrument and checked by measurement criteria conduct the same accounting treatment with the same basis as the direct disposal of relevant assets or liabilities by the invested unit, and the current profits and losses shall be carried forward in proportion; changes in owners' equity other than net profit and loss, other comprehensive incomes and profits distribution in net assets of invested units confirmed by the equity method shall be carried forward to current profits and losses in proportion.

If the company loses the control on the invested unit due to the disposal of partial equity investment, when preparing individual financial statements, in case that the residual equity after disposal can exert common control or significant influence on the invested unit, it shall be accounted according to the equity method, and the residual equity shall be treated as self-acquired and adjusted by the equity method; if the residual equity after disposal cannot be jointly controlled or exert significant influence on the invested unit, it shall be confirmed by financial instrument relevant provisions of measurement standards, and the difference between its fair value and book value on the date of loss of control shall be recorded into current profits and losses. Before the company gaining the control on the invested unit, other comprehensive incomes confirmed by equity method or financial instrument and measurement standards shall be treated on the same basis as the invested unit directly disposes related assets or liabilities when losing the control on the invested unit. Changes in owners' equity other than net profit and loss, other comprehensive incomes and profits distribution in the net assets of the invested unit confirmed by the equity method are carried forward into current profits and losses when losing the control over the invested entity. When the residual equity after disposal is checked by the equity method, other comprehensive incomes and other owners' equity shall be carried forward in proportion; if the remaining equity after disposal is processed according to financial instrument and measurement standards, all other comprehensive incomes and other owners' equity shall be carried forward.

If the company loses the common control or significant influence on the invested unit due to the disposal of partial equity investments, the remaining equity after disposal shall be calculated according to the financial instrument and measurement standards, and the difference between the fair value and the book value on the date of the loss of the common control or significant impact shall be recorded into the current profit and loss. Other comprehensive incomes of the original equity by using the equity method shall be treated on the same basis as the invested unit directly disposes related assets or liabilities when stop adopting the equity method. Owners' equity confirmed due to changes in owners' equity other than net gains and losses, other comprehensive incomes and profits distribution of the invested unit shall be transferred into the current investment income upon termination of the equity method.

The company disposes the equity investment of subsidiary company step by step through multiple transactions until losing control right. If the above transaction belongs to the package deal, each transaction will be treated as one deal to dispose the equity investment of subsidiary company and lose control right. The difference between each disposal price and the book value of long-term equity investment corresponding to the disposed equity before losing the control right shall be first confirmed as other comprehensive income and then transferred into the current profit and loss when losing the control right.

15. Investment Property

The investment property is one that is held for rent, capital appreciation or both. It includes the use right of leased land, the land use right transferred after holding and preparing for appreciation, and the leased buildings. In addition, if the board of directors makes a written resolution to use the vacant buildings held by the company for operating and leasing, and they makes it clear that the intention of operating, leasing and holding the building will not change in a short term, the building will also be as investment property.

The investment property is initially measured by cost. Subsequent expenditures related to the investment property are included in the cost of the investment property if the economic benefits related to the assets are likely to flow in and reliably measured. Other subsequent expenditures shall be recorded into current profits and losses when incurred.

The company uses the cost model to carry out follow-up measurement of the investment property, and carries out depreciation or amortization in accordance with the policy consistent with the building or land use right.

Refer to Appendix IV. 21 "Impairment of Long-term Assets" for the impairment test method and impairment provision method of investment property.

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

When the investment property is disposed of, or permanently withdrawn from use, and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment property shall be terminated. The disposal income of selling, transferring, scrapping or damaging the investment property shall be recorded into the current profit and loss after deducting its book value and relevant taxes.

16. Fixed Assets

(1) Recognition Criteria of Fixed Assets

Fixed assets refer to the tangible assets held for producing commodities, providing labor services, lease or operation and management with a service life exceeding one accounting year. Fixed assets are recognized only when the economic benefits related to them are likely to flow into the company and their costs can be reliably measured. Fixed assets are initially measured at cost and taking into account the impact of estimated disposal costs.

(2) Depreciation Methods of Various Fixed Assets

The depreciation of fixed assets shall be calculated and withdrawn within the service life by using the life average method from the next month after the fixed assets reaching the intended serviceable state. The service life, expected net salvage value and annual depreciation rate of all kinds of fixed assets are as follows:

Type	Depreciation Method	Depreciation Term (Year)	Ratio of Remaining Value (%)	Yearly Depreciation Rate (%)
Building	Straight-line Depreciation	8-50	5	1.90-12.00
Electronic Equipment	Straight-line Depreciation	3-10	4、5	9.50—32.00
Machine Equipment	Straight-line Depreciation	5-28	4、5	3.39—19.20
Transportation Equipment	Straight-line Depreciation	5-10	4、5	9.50—19.20
Office Equipment	Straight-line Depreciation	3-10	4、5	9.50-32.00
Other Equipment	Straight-line	5-28	4、5	3.39—19.20

Type	Depreciation Method	Depreciation Term (Year)	Ratio of Remaining Value (%)	Yearly Depreciation Rate (%)
	Depreciation			

The estimated net residual value is the amount that the company currently obtains from the disposal of a fixed asset after deducting the estimated disposal expenses, assuming that the expected service life of the fixed asset is full and in the expected state at the end of its service life.

(3) Impairment Test Method and Impairment Provision Method for Fixed Assets

Refer to Appendix IV. 21 "Impairment of Long-term Assets" for the impairment test method and impairment provision method of fixed assets.

(4) Identification Basis and Valuation Method of Fixed Assets Leased by Financing

The finance lease is a lease that substantially transfers all the risks and rewards related to the ownership of assets, and its ownership may or may not be transferred eventually. Fixed assets leased in the form of finance lease shall be depreciated in accordance with the policy of owning fixed assets. If the ownership of the leased assets can be reasonably determined upon expiration of the lease term, the depreciation shall be accrued within the service life of the leased assets; if it is impossible to reasonably determine that the ownership of the leased assets can be acquired upon the expiration of the lease term, the depreciation shall be accrued within the shorter period between the lease term and the service life of the leased assets.

(5) Other Instructions

Subsequent expenditures related to a fixed assets, if the economic benefits related to the fixed assets are likely to flow in and are reliably measured, will be included in the cost of the fixed assets and ceased to confirm the book value of the replaced portion. Besides, other subsequent expenditures shall be recorded into current profits and losses when incurred.

The recognition of fixed assets shall be terminated when they are in the disposal state or no economic benefit is expected to be generated through the use or disposal. The difference of the disposal income of selling, transferring, scrapping or damaging fixed assets after deducting its book value and relevant taxes is recorded into current profits and losses.

The company shall review the service life, estimated net residual value and depreciation method of fixed assets at least at the end of each year, and any change occured will be treated as accounting estimate alteration.

17. Construction in Progress

The cost of the construction in progress shall be determined according to the actual project expenditure, including all the project expenditure during the construction period, the capitalized borrowing expense before the construction reaching the expected usable state and other related expenses. The construction in progress is carried over to fixed assets after reaching a scheduled usable state.

Refer to Appendix IV 21 "Impairment of Long-term Assets" for the impairment test method and impairment provision method of construction in progress.

18. Borrowing Expenses

The borrowing expenses include interest on borrowing, amortization of discount or premium, auxiliary expenses and exchange difference due to foreign currency borrowing. The borrowing expenses generated by purchasing, building or producing the assets that could directly meet the capitalization conditions begin to capitalize when the asset expenditures and borrowing expenses have occurred, when the purchasing, building or producing activities necessary for making assets reach a scheduled usable or marketable state have begun; when the built or produced assets meeting the capitalization conditions reach the a scheduled usable or marketable state, the capitalization will then be terminated. The remaining borrowing expenses are recognized as costs in the current period.

The interest expenses actually incurred in the current period of the special loan shall be capitalized after deducting the interest income obtained from the unused loan funds deposited in the bank or the investment income obtained from the temporary investment; the capitalization amount is determined by multiplying the weighted average of the accumulated assets expenditure over the special borrowing amount by the capitalization rate of the general borrowing. The capitalization rate is calculated according to the weighted average interest rate of general borrowings.

Within the capitalization period, the exchange difference of the special foreign currency loans is fully capitalized; the exchange difference of general foreign currency borrowings shall be recorded into current profits and losses.

Assets meeting capitalization conditions refer to fixed assets, investment property and inventory that could reach a usable or marketable state after a long period of purchasing, building or producing activities.

If the assets meeting the capitalization conditions are abnormally interrupted in the process of purchasing, building or producing for a period of more than 3 months, the capitalization of borrowing expenses shall be suspended until the purchasing, buildin g or producing activities of the assets restart.

19. Intangible Assets

(1) Intangible Assets

The intangible assets refer to the identifiable non-monetary assets that are owned or controlled by the company and have no physical form.

The intangible assets are initially measured at costs. Expenses related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the company and are reliably measured. Expenditure of other items besides this shall be recorded into current profits and losses when incurred.

Land use rights acquired are usually accounted for as intangible assets. For the development and construction of buildings such as factories, the relevant land use right expenditure and building construction cost are accounted for as intangible assets and fixed assets respectively. If the houses and buildings are purchased from outside, the relevant price shall be distributed between the land use right and the buildings, and if it is difficult to distribute reasonably, they shall all be treated as fixed assets.

When intangible assets with limited service life are available for use, the original value minus the expected net salvage value and the accumulated amount of impairment provision is amortized by straight line method in average stages within their expected service life. Intangible assets with uncertain service life shall not be amortized.

At the end of the period, the service life and amortization method of intangible assets with limited service life shall be reviewed, and any changes shall be treated as alteration in accounting estimates. In addition, the service life of intangible assets with uncertain service life is also reviewed. If there is evidence showing that the term of intangible assets brings economic benefits to the enterprise is foreseeable, its service life is estimated and amortized according to the amortization policy of intangible assets with limited service life.

(2) Research and Development Expenditures

The expenditure of the company's internal research and development projects is divided into research phase and development phase.

The expenditure in the research phase shall be recorded into the profit and loss of the current period when it occurs.

Where the expenditures in the development stage meet the following conditions simultaneously, they shall be recognized as intangible assets, and the expenditures in the development stage that cannot meet the following conditions shall be recorded into the profits and losses of the current period:

①Being technically feasible to complete the intangible asset so that it can be used or sold;

②Having the intention of completing, using or selling the intangible assets;

③The ways in which intangible assets generate economic benefits include those that can prove the existence of a market for the products produced by using such intangible assets or the existence of a market for intangible assets. The intangible assets will be used internally and can prove their usefulness;

④Having sufficient technical, financial and other resources to complete the development of the intangible assets and have the ability to use or sell the intangible assets;

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

When it is impossible to distinguish research and development expenditures, all R&D expenditures incurred shall be accounted into current profits and losses.

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

Refer to Appendix IV. 21 "Impairment of Long-term Assets" for the impairment test method and impairment provision method of intangible assets.

20. Long-term Unamortized Expenses

The long-term unamortized expenses refers to expenses that have been occurred but are subject to an apportionment period of more than one year for the reporting period and subsequent periods. The company's long-term unamortized costs mainly include costs of renovation and land lease. The long-term unamortized expenses are amortized using the straight-line method during the period of expected benefit.

21. Long-term Assets Devaluation

For fixed assets, construction in progress, intangible assets with limited service life, investment property measured by cost model and long-term equity investment in subsidiaries, joint ventures and associated enterprises and other non-current non-financial assets, the company shall decide whether there is any sign of devaluation on the balance sheet date. If there is any indication of devaluation, the company will estimate the recoverable amount and conduct an devaluation test. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall undergo devaluation test every year regardless of whether there is any sign of devaluation.

If the devaluation test results show that the recoverable amount of an asset is lower than its book value, the impairment provision shall be made according to the difference and the impairment loss shall be recorded. The recoverable amount is the higher between the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of the assets shall be determined according to the price of sales agreement in the fair transaction; if there is no sales agreement but there is an active asset market, the fair value shall be determined according to the bid of the buyer of the asset; if there are no sales agreement nor active market for assets, the fair value of the assets shall be estimated on the basis of the best available information. Disposal costs include legal costs related to asset disposal, related taxes, carriage expenses and direct costs incurred to make the asset marketable. The present value of the expected future cash flow of the asset is determined by selecting the appropriate discount rate according to the expected future cash flow generated during the continuous use of the asset and the final disposal. The asset impairment reserve shall be calculated and recognized on the basis of single asset. If it is difficult to estimate the recoverable amount of single asset, the recoverable amount of the asset group shall be determined by the asset group that the asset belongs to. A group of assets is the smallest group of assets that is able to generate independent cash flow.

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

Once the above-mentioned asset impairment loss is recognized, it shall not be transferred back to the part whose value is recovered in the subsequent period.

22. Employee Compensation

The company's employee compensation mainly includes short-term employee compensation, post-resignation benefits, dismissal benefits and other long-term employee benefits. 其中：

Short-term salary mainly includes salary, bonus, allowance and subsidy, employee welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing accumulation fund, trade union fund and employee education fund, non-monetary welfare, etc. During the accounting period when the staff and workers provide services to the company, the company will recognize the actual short-term staff and workers' remuneration as liabilities and record it into the current profit and loss or the cost of relevant assets. Among them, non-monetary welfare is measured by fair value.

After leaving office, the benefits mainly include basic endowment insurance, unemployment insurance and annuity. The post-service benefit plan includes defined contribution plan and benefit plan. If a predetermined plan is adopted, the corresponding amount payable shall be recorded into the cost of relevant assets or current profits and losses at the time of occurrence. (1) The defined contribution plan is recognized as a liability according to the fixed expense paid to an independent fund and recorded into the current profit and loss or the cost of relevant assets; (2) The defined benefit plan adopts the expected cumulative benefit unit method for accounting treatment. Specifically, the company will convert the welfare obligations arising from the defined benefit plan into the final value when leaving the office according to the formula determined by the expected cumulative welfare unit law; after that, it is attributed to the service period provided by employees and recorded into current profit and loss or related asset cost.

In order to remove the labor relations with employees before the expiration of labor contract, or putting forward suggestions for the compensation to encourage employees to voluntarily accept layoff, when the company is unable to unilaterally withdraw the plan or provide the welfare in the layoff suggestions, the company will confirm the liabilities of employee compensation arising from the termination benefits and included in the current profits and losses on the earlier date of confirming the related cost of recombination involved in paying for dismiss benefit. But if the dismiss benefit will not be fully paid within twelve months after the end of annual report period, it will be handled according to salary of other long-term workers.

The internal retirement plan shall be handled in the same way as the dismissal benefits mentioned above. The salary and social insurance premium paid by the company during the period since the employees stop providing services will be included in the current profit and loss (dismissal benefit) when meeting the recognition conditions of expected liabilities.

If other long-term employee benefits provided by the company are in line with the defined contribution plan, accounting treatment shall be carried out in accordance with the defined contribution plan. In addition, accounting treatment shall be carried out according to the defined contribution plan.

23. Estimated Liabilities

An estimated liability is recognized when the obligations relating to contingencies meet the following conditions: (1) This obligation is an existing one for the company; (2) Compliance with this obligation is likely to result in an outflow of economic benefits; (3) The amount of the obligation can be measured in a reliable way.

On the balance sheet date, the estimated liabilities are measured according to the best estimate of the expenditure required to fulfill the relevant current obligations, taking into account the risks, uncertainties and time value of money related to contingencies.

If all or part of the expenses required to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when basically determined to be received, and the confirmed compensation amount shall not exceed the book value of the estimated liabilities.

(1) Onerous Contract

The onerous contract is a contract in which the inevitable cost of performing contractual obligations exceeds the expected economic benefits. When the pending contract becomes an onerous contract, and the obligations arising from the onerous contract meet the recognition conditions of the above-mentioned expected liabilities, the part of defined impairment loss (if any) exceeding the contract assets in the contract estimated loss will recognized as the expected liability.

(2) Reorganization Obligations

For the detailed, formal and publicly announced reorganization plan, the estimated amount of liabilities shall be determined in accordance with the direct expenditures related to the reorganization, provided that the aforementioned recognition conditions for expected liabilities are met. Restructuring obligations related to the sales of partial business shall be recognized only when the company promises to sell a part of the business (namely signing a binding sales agreement).

24. Stock Payment

(1) Accounting Method of Stock Payment

Stock payment is a transaction to grant equity instruments or assume liabilities based on equity instruments in order to obtain services from employees or other parties. Stock payment is divided into equity-settled stock payment and cash-settled stock payment.

① Equity-settled Stock Payment

The equity-settled stock payment for exchanging employee services is measured by the fair value on the date when granting the employee equity tool. If the amount of the fair value will only exercise when completing the service in the waiting period or meet the prescribed performance conditions. During the waiting period, based on the best estimate of number of equity tools of feasible right, when the related cost or expenses are accounted in according to straight-line method/exercise immediately after granting, the relevant cost or expenses are included in the granting date and the capital reserve will increase correspondingly.

During each balance sheet date of the waiting period, the company shall make the best estimate and revise the number of equity instruments expected to exercise the rights based on the latest obtained information such as the change of the number of employees with feasible rights and other subsequent information. The above estimated impact shall be included in the relevant costs or expenses of the current period and the capital reserve shall be adjusted accordingly.

The equity-settled stock payment to exchange for the services of other parties, if the fair value of the services of other parties could be measured reliably, is measured by the fair value of the date that gaining the services from other parties. If the fair value of the services of other parties could not be measured reliably while the fair value of equity tool could be measured reliably, it is measured by the fair value of the date that gaining the service of equity tool. The related cost or expenses are included and the stockholders' equity increase correspondingly.

② Cash-settled Stock Payment

The cash-settled stock payment is measured by the fair value of defined liabilities borne by the company on the basis of stock or other equity tools. If the right is exercisable immediately after granting, it shall be recorded into the relevant cost or expense on the date of granting, and the liability shall be increased correspondingly; If the right is not feasible until the service during the waiting period is completed or the specified performance conditions are met, on each balance sheet date of the waiting period, the service acquired during the current period shall be recorded into the cost or expense according to the fair value amount of liabilities borne by the company on the basis of the best estimate of the feasible right situation and the liabilities shall be increased correspondingly.

On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabi lities shall be re-measured, and the changes thereof shall be recorded into the profits and losses of the current period.

(2) Modify and Terminate the Relevant Accounting Treatment of the Stock Payment Plan

When the company modifies the stock payment plan, if the modification increases the fair value of the granted equity instrument, the company shall recognize the increase of the acquired service according to the increase of the fair value of the equity instrument. The increase of the fair value of equity instruments refers to the difference of the fair value of equity instruments before and after the modification date. If the modification reduces the total fair value of the stock payment or otherwise adopts the method going against with the employees, the accounting treatment of the acquired services shall continue as if the change has never occurred, unless the company cancels some or all of the granted equity instruments.

During the waiting period, if the granted equity instruments are canceled, the company shall treat the canceled equity instruments as accelerated exercise, and immediately record the amount to be recognized in the remaining waiting period into current profits and losses, and at the same time the capital reserve is confirmed. If the employee or other party is able to choose to meet the conditions of non-feasible right but fails to meet during the waiting period, the company will regard it as the cancellation of the grant of equity instrument.

(3) Accounting treatment of stock payment transactions involving the company and its shareholders or actual controllers

For stock payment transactions involving the company and its shareholders or actual controllers, if one of the settlement enterprises and the enterprises that receiving the services are in the company or the other is outside the company, the company shall conduct accounting treatment in accordance with the following provisions in the consolidated financial statements of the company:

①When the settlement enterprise uses its own equity instruments for settlement, the stock payment transaction shall be treated as equity-settled stock payment and in addition, as cash-settled stock payment.

If the settlement enterprise is an investor of the enterprise that receives services, it shall be recognized as a long-term equity investment in the enterprise that receives services according to the fair value of the equity instrument on the date of granting or the fair value of the liabilities to be borne, and the capital reserve (other capital reserve) or liabilities shall be recognized at the same time.

②If the enterprise that receives services has no settlement obligation or grant its own equity instruments to its employees, the stock payment transaction shall be treated as equity-settled stock payment; if the enterprise that receives services has settlement obligations and grants its employees an equity instrument other than its own, the stock transaction shall be treated as a cash-settled stock payment.

For stock payment transactions among enterprises within the company, if the enterprise that receives services and the settlement enterprise are not the same one, the confirmation and measurement of the stock payment transactions in the respective financial statements of the enterprise that receives services and the settlement enterprise shall be handled in accordance with the above principles.

25. Preferred Stock, Perpetual Bonds and Other Financial Instruments

(1) Distinction between perpetual bond and preferred stock

Financial instruments such as perpetual bonds and preferred stock issued by the company, which meet the following conditions at the same time, shall be regarded as equity instruments:

①The financial instrument does not include a contractual obligation to deliver cash or other financial assets to another party or to exchange financial assets or liabilities with another party under potential adverse conditions;

②If the enterprise's own equity instruments are required or available to settle such financial instruments in the future, in case that the financial instruments are non-derivative ones, the contractual obligation to deliver a variable number of its own equity instruments for settlement shall not be included; if it is derivative instrument, the company can only settle such financial instruments by exchanging a fixed amount with its own equity instruments for a fixed amount of cash or other financial assets.

In addition to financial instruments that can be classified as equity instruments according to the above conditions, other financial instruments issued by the company shall be classified as financial liabilities.

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

(2) Accounting treatment of perpetual bonds and preferred stocks

The relevant interest, dividend (or interest), gain or loss, and gain or loss from redemption or refinancing of perpetual bonds, preferred stocks of financial instruments such as perpetual bonds and preferred stocks classified as financial liabilities shall be included in the current profits and losses, except for the borrowing expense meeting capitalization conditions (refer to Appendix IV. 18 "Borrowing Expenses").

When issuing (including refinancing), repurchasing, selling or canceling the financial instruments classified as equity instruments such as perpetual bonds and preferred stocks, the company deals with it as alteration of equity and the relevant transaction costs are deducted from equity. The distribution of equity instrument holders by the company shall be treated as profit distribution.

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

26. Income

(1) Income from Commodity Sales

The general principles for the recognition of income from the sale of commodities by the company are as follows: the company has transferred the major risks and rewards related to the ownership of commodities to the buyer; the company has neither retained the right to continue management related to all rights, nor exercised effective control over the goods sold; the amount of income can be measured reliably; related economic benefits are likely to flow into the enterprise; related costs incurred or to be incurred can be reliably measured and the realization of revenue from merchandise sales is confirmed.

The specific principles for the company to confirm the income from sales of commodities are as follows: ① wholesale business: sales revenue is recognized when the goods have been delivered to the customer and have been signed and confirmed by the customer, and the company has received the payment or obtained the proof of payment claim; ② retail business: sales revenue is recognized when goods have been paid and delivered to customers.

(2) Income of providing labor service

If the result of the transaction of providing labor services can be estimated reliably, the income of providing labor services shall be recognized on the balance sheet date according to the percentage of completion method. The completion schedule of labor transaction shall be determined according to the measurement of completed work/the proportion of provided labor in the total amount of labor to be provided/the proportion of incurred labor cost in the estimated total cost.

The results of labor service transactions can be reliably estimated is to meet: ① the amount of income can be reliably measured; ② the relevant economic benefits are likely to flow into the enterprise; ③ the completion of the transaction can be reliably determined; ④ the costs incurred and to be incurred in a transaction can be measured reliably.

If the result of labor service transaction cannot be estimated reliably, the labor income provided shall be confirmed according to the amount of labor cost that has occurred and is expected to be compensated, and the labor cost that has occurred shall be taken as current expenses. If the labor cost that has occurred is not expected to be compensated, the income will not be recognized.

Processing business of supplied materials (charging processing fee): the income of processing fee shall be confirmed when the processing fee has been charged or the relevant credentials of charging processing fee have been obtained after the relevant commodities have been processed and delivered to the customer.

Contracts or agreements signed between the company and other enterprises include the sales of goods and the provision of labor services. If the parts of goods sold and services provided can be distinguished and measured separately, the parts of goods sold and services provided shall be handled separately.If the parts of goods sold and services provided cannot be distinguished, or if the parts can be distinguished but cannot be measured separately, all the contract shall be treated as sales of goods.

(3) Income of transferring the use right of assets

When the economic benefits related to the transaction are likely to flow into the enterprise and the amount of income can be measured reliably, the amount of income from transferring the use right of assets shall be determined in the following ways: ① intererst income amount is calculated and determined according to the time of using the monetary capital of the company and actual interest rate; ② the income of use right of trademark is calculated and determined by co-agreed payment time and method of use right of trademark.

27. Government Subsidy

Government subsidy means that the company obtains monetary assets and non-monetary assets freely from the government, excluding the capital invested by the government as an investor and enjoying the corresponding owner's equity. Government subsidies are divided into asset-related ones and income-related ones. The company defines the government subsidy obtained for the purchase and construction of long-term assets or the formation of long-term assets in other ways as the government subsidy related to assets;the remaining government subsidies are defined as income-related government subsidies. If the government document does not clearly specify the subsidy objects, the subsidy funds are divided into income-related government subsidies and assets-related government subsidies in the following ways: (1) If the government documents specify the special item targeted by subsidies, the division shall be made according to the relative proportion of the expenditure amount forming assets and the expenditure amount recorded into expenses in the budget of the specific project. The division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) If the purpose of the government document is only described in general terms and no specific item is specified, it shall be regarded as income-related government subsidy. When government subsidies are monetary assets, they shall be measured according to the amount received or receivable. When government subsidies are non-monetary assets, they shall be measured at their fair value; if the fair value cannot be obtained reliably, it shall be measured in accordance with the nominal amount. Government subsidies measured in nominal amounts shall be directly accounted into current profits and losses.

The company shall confirm and measure the government subsidy according to the amount actually received when it is actually received. However, at the end of the period, if there is conclusive evidence that the related conditions meeting stipulations of the financial policies is expected to receive financial support funds and it is calculated and measured according to amount receivable. The government subsidy measured according to the amount receivable shall meet the following conditions at the same time: (1) the amount of allowance receivable has been confirmed by the document of relevant government departments, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no major uncertainty in the amount; (2) based on the financial support project actively publicized by local financial department according to stipulations in the *Regulation of Government Information Disclosure* and its financial fund management method which shall be inclusive (any enterprise that meets the conditions could apply for) other than specially made for specific enterprise; (3) The approval document of the relevant subsidies, the time limit for the appropriation of the funds has been clearly promised, and the appropriation of the funds is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that the funds can be received within the specified time limit; (4) Other relevant conditions that should be satisfied according to the specific situation of the company and the subsidy.

Assets-related government subsidies shall be recognized as deferred income, and shall be recorded into current profits and losses or offset the book value of relevant assets in reasonable and systematic ways within the service life of relevant assets. Income-related government subsidies, which are used to compensate related expenses or losses in subsequent periods, shall be recognized as deferred income, and shall be recorded into current profits and losses or offset related costs during the period of recognition of related expenses or losses; if it is used to compensate the related costs or losses already incurred, it shall be directly recorded into the current profits and losses or offset the related costs.

At the same time, it includes government subsidies related to assets and income, and makes accounting treatment for different parts. If it is hard to distinguish, it is classified as income-related government subsidies.

Government subsidies related to the company's daily activities shall be included into other earnings or offset related costs according to the nature of economic business; the government subsidies unrelated to daily activities shall be included into non-operating income and expenditure.

When the recognized government subsidy needs to be returned, the book balance of relevant deferred income shall be offset, and the excess shall be recorded into the current profits or losses or the book value of the relevant government subsidy and adjusted asset that has been written off during the initial recognition.In other cases, it shall be directly recorded into current profits and losses.

28. Deferred Income Tax Assets/Liabilities

(1) Income Tax of Current Period

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured by the expected amount of income tax payable (or returned) in accordance with the provisions of the Tax Law. The amount of taxable income on which current income tax expenses are calculated is based on the corresponding adjustment of pretax accounting profits in the reporting period in accordance with the relevant tax laws.

(2) Deferred Income Tax Assets/Liabilities

The difference among the book value of certain assets and liabilities and their tax base, as well as the temporary difference between the book value of items not recognized as assets and liabilities and the difference between the book value of items that can determine their tax base and the tax base according to the tax law, adopts the balance sheet liabilities method to confirm the deferred income tax assets and liabilities.

The deferred tax liability shall not be recognized if it relates to the initial recognition of goodwill or the taxable temporary differences related to the initial recognition of assets or liabilities arising from a transaction that is neither a business combination nor occurs and does not affect accounting profits and taxable income (or deductible losses). In addition, the deferred income tax liabilities related to taxable temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the company can control the time when the temporary differences are reversed and such temporary differences are unlikely to be reversed in the foreseeable future. Besides the above situations, the company acknowledges all other taxable temporary differences arising from deferred tax liabilities.

The deferred tax assets shall not be recognized for the deductible temporary differences that are related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the deferred tax assets related to the deductible temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future. Besides the above situations, the company shall recognize the deferred tax assets arising from other deductible temporary differences to the limit of the taxable income amount that is likely to be obtained to offset the deductible temporary differences.

For the deductible losses and tax deductions that can be carried forward in the following years, the corresponding deferred tax assets shall be recognized to the limit of the future taxable income that is likely to be used to offset the deductible losses and tax deductions.

On the balance sheet date, the deferred income tax assets and liabilities shall be measured according to the applicable tax rates during the expected collection of related assets or repayment of related liabilities according to the provisions of the tax law.

On the balance sheet date, the book value of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income amount cannot be obtained to offset the benefits of the deferred income tax assets in the future, the book value of the deferred income tax assets will be written down. When it is likely to obtain sufficient taxable income, the amount written down shall be reversed.

(3) Expenses of Income Tax

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

In addition to defined other comprehensive income or current income tax and deferred income tax related to the transactions and items directly included in to stockholder equity, as well as the book value of goodwill adjustment of deferred income tax arising from enterprise merger, the rest current income tax and deferred income tax expenses or benefit will be included into the current profits and losses.

(4) Offset of Income Tax

Where the company has a legal right to settle in net and the intention is to settle in net or to acquire assets and liquidate liabilities simultaneously, the company's current income tax assets and liabilities are declared with the offset net amount.

When having the legal right to settle current income tax assets and liabilities on a net basis, and the deferred income tax assets and liabilities are related to the income tax levied by the same tax collection and administration department on the same tax payer or to different tax payers, however, for each significant period in the future during which deferred tax assets and liabilities are rolled back, when the taxpayer concerned intends to settle the income tax assets and liabilities of the current period on a net basis or acquire assets and pay off liabilities at the same time, the company's deferred income tax assets and liabilities are declared with the offset net amount.

29. Lease

The finance lease is a lease that substantially transfers all the risks and rewards related to the ownership of assets, and its ownership may or may not be transferred eventually. Leases other than finance leases are operating leases.

(1) The company records and operates the leasing business as the lessee

The rental expenditure of operating lease shall be recorded into the cost of relevant assets or current profits and losses in each period of the lease period according to the straight-line method. Initial direct expenses are included into current profits and losses. Contingent rents are recorded as current profits and losses when actually incurred.

(2) The company records and operates the leasing business as the leaser

The rental income of the operating lease shall be recognized as current profits and losses according to the straight-line method during the leasing period. The initial direct expenses with a large amount shall be capitalized at the time of occurrence, and shall be recorded into the profits and losses of the current period in accordance with the same basic stages as confirmed rental income during the whole lease period; other initial direct expenses with small amount shall be recorded into current profits and losses when incurred. Contingent rents are recorded as current profits and losses when actually incurred.

(3) The company records financial leasing business as lessee

At the beginning of the lease period, the lower between the fair value of the leased assets at the lease beginning date and the present value of the minimum lease payment is taken as the recorded value of the leased assets. The minimum lease payment is taken as the long-term payable account value, and the difference is taken as the unrecognized financing expense. Besides, the initial direct costs attributable to the leasing project incurred during the lease negotiation and signing of the lease contract are also in cluded in the value of the leased assets. The balance of the minimum lease payment after deducting unrecognized financing expenses is shown as long-term liabilities and long-term liabilities due within one year respectively.

The unrecognized financing expense shall be calculated and confirmed by the effective interest rate method during the lease term. Contingent rents are recorded as current profits and losses when actually incurred.

(4) The company records financial leasing business as lessor

On the beginning date of the lease term, the sum of the minimum lease receipt and the initial direct expenses on the beginning date of the lease shall be taken as the recorded value of the finance lease receivable, and the unguaranteed residual value shall be recorded.The difference between the sum of the minimum lease receipts, initial direct expenses and unguaranteed residual value and the sum of its present value is recognized as unrealized financing income. The balance of the finance lease receivables after deducting the unrealized financing income shall be presented as long-term claims and long-term claims due within one year respectively.

During the lease term, the unrealized financing income is calculated and confirmed by using the effective interest rate method.

Contingent rents are recorded as current profits and losses when actually incurred.

30. Other Important Accounting Policies and Estimates

(1) Termination of Operation

Termination of operation means a component that has been disposed of or classified as being held for sale by the company and which can be distinguished separately in operations and preparation of financial statements that meets one of the following conditions: ① this component represents an independent principal business or a major area of operation; ② the component is part of a plan to dispose an independent major business or a main area of operation; ③ the component is a subsidiary acquired solely for resale purpose.

(2) Hedge Accounting

Hedging refers to a risk management activity that the company, in order to manage the risk exposure caused by the specific risks such as foreign exchange risk, interest rate risk, price risk and credit risk, designates the financial instrument as hedging instrument and uses the fair value or cash flow of the hedging instrument to expected to offset all or part of the changes in fair value or cash flow of a hedged item. For the hedging instrument that simultaneously meets the following conditions, the company shall use the hedge accounting method to deal with:

The hedging relationship consists only of qualified hedging instrument and hedged item;

At the beginning of the hedging, the company formally specifies the hedging instrument and hedged item, and prepares the written document about the hedging relationship and risk management strategy & target of the enterprise engaged in hedging. The document shall at least specify the hedging instrument, hedged item, nature of the hedged risk and hedging effectiveness evaluation method (including the cause analysis of the ineffective part of hedging and the hedging ratio determination method) and other contents;

The hedging relationship conforms to the requirements of hedging effectiveness.

The hedging effectiveness refers to the extent to which the changes in the fair value or cash flow of the hedging instrument can offset the changes in the fair value or cash flow of the hedged item caused by the hedged risk. The part where the change in the fair value or cash flow of the hedging instrument is greater or less than that of the hedged item is the invalid part of hedging.

When the fair value hedge meets the conditions for using the hedge accounting method, the company shall handle it in accordance with the following provisions:

The profits or losses generated by the hedging instrument shall be recorded into the current profits and losses. If the hedge instrument is hedging a non-tradable equity instrument investment (or its component part) which is measured at fair value and whose changes are included in other comprehensive incomes, the profits or losses generated by the hedge instrument shall be included in other comprehensive incomes.

The gains or losses of the hedged item due to the hedged risk exposure are recorded into the current profits and losses, and the book value of the recognized hedged item which is not measured at fair value is adjusted at the same time. If the hedged item is a financial asset (or its component part) measured at fair value and its changes are included in other comprehensive incomes, the profits or losses of the hedged risk exposure are included in the current profits and losses, and its book value has been measured at fair value and no adjustment is needed; if the hedged item is a non-tradable equity instrument investment (or its component part) which is measured at fair value and whose changes are included in other comprehensive incomes of the company, the gains or losses of the hedged risk exposure are included in other comprehensive incomes, and its book value has been measured at fair value and no adjustment is needed.

If the hedging of cash flow meets the conditions of using the hedge accounting method, the company shall handle it in accordance with the following provisions:

The profits or losses generated by the hedging instrument shall be the effective part of the hedging and shall be included in other comprehensive incomes as the cash flow hedging reserve.

The amount of cash flow hedge reserve shall be determined according to the lower absolute amount of the following two items:

- The accumulated profits or losses of the hedging instrument from the beginning of hedging;

- The cumulative change in the present value of the estimated future cash flow of the hedged item since the beginning of the hedging. The amount of cash flow hedging reserve booked into other comprehensive incomes in each period shall be taken as the change amount of cash flow hedging reserve in the current period.

In the profits or losses generated by the hedging instrument, the part that is invalid in the hedging (that is, the other profits or losses deducting other comprehensive incomes) shall be recorded into the current profits or losses.

31. Changes in Important Accounting Policies and Estimates

(1) Changes in Accounting Policies

Since March 31, 2017, the Ministry of Finance has revised and promulgated *No.22 Accounting Standards for Business Enterprises - Confirmation and Measurement of Financial Instruments* (Cai Kuai [2017] No.7), *No.23 Accounting Standards for Business Enterprises - Transfer of Financial Assets* (Cai Kuai [2017] No.8), *No.24 Accounting Standards for Business Enterprises – Hedging Accounting* (Cai Kuai [2017] No.9) and *No.37 Accounting Standards for Business Enterprises –Presentation of Financial Instruments* (Cai Kuai [2017] No.14) (collectively referred to as the "new financial instruments guidelines") which are required to be implemented in domestic listed companies from January 1, 2019. The company shall make changes to its accounting policies in accordance with the provisions and requirements of the above new standards and notices of financial instruments. In May 2019, the

Ministry of Finance has revised and promulgated *No.7 Accounting Standards for Business Enterprises - Non-monetary Assets Exchange* (Cai Kuai [2019] No.8) and *No.12 Accounting Standards for Business Enterprises - Debt Restructuring* (Cai Kuai [2019] No.9) are respectively required to be implemented within the enterprises that exercising the Accounting Standards for Business Enterprises since June 10, 2019 and June 17, 2019. According to the above two standards, the company changes and adjusts the original accounting policies and relevant accounting items. According to the cohesion rules between old and new standards, enterprises shall adjust the non-monetary assets exchange and debt restructuring occurred between January 1, 2019 and the implementation date according to the standards, and do not require retroactive adjustment for the non-monetary assets exchange and debt restructuring occurred before January 1, 2019. That is to say, in the 2019 semi-annual financial reports and the subsequent period, if the information presented in the comparative financial statements is inconsistent with the requirements of the standards, there is no need to make retroactive adjustment.

(2) Changes in Accounting Estimates

The main accounting estimates have not changed during the reporting period.

Ⅴ. Tax

1. Main Taxes and Tax Rates of the Company

Tax Category	Taxation Basis	Tax Rate
Value Added Tax	Income from sales of goods, Taxable Labor Service and Taxable Service	0、3%、5%、6%、9%、10%、13%、16%
Urban Maintenance and Construction Tax	Actual Payment of Turnover Tax	5%、7%
Education Surcharge	Actual Payment of Turnover Tax	3%
Local Education Surcharge	Actual Payment of Turnover Tax	1.5%、2%
Enterprise Income Tax	Taxable Income	10%、15%、17%、25%
House Property Tax	The tax base is 70% of the original value of the property (or rental income)	1.2%、8%、12%

Description of tax payers of different enterprise income tax rates:

Name of Taxpayer	Income Tax Rate
Linan Chunmanyuan Agricultural Development Co., Ltd.	10%
Beijing Guchuan Bread Food Co., Ltd.	15%
Jingliang (Singapore) International Trading Limited	17%

2. Tax Incentives and Approvals

Hangzhou Linan Angel Food Co., Ltd., the level 4 subsidiary of the company, is a welfare enterprise, enjoying the preferential policy of immediate collection and refund of VAT of 35,000 Yuan per year for each the disabled from January to April in 2015 and 2016, and the preferential policy of immediate collection and refund of VAT limit in *Notice on Preferential VAT Policy for the Employment of Disabled Persons* (Cai Shui [2016] No.52) since May 2016.

According to the stipulations in Notice on Preferential Policies for Enterprise Income Tax Concerning Employment of Disabled Persons (Cai Shui [2009] No.70) issued by the Ministry of Finance and State Bureau of Taxation, Hangzhou Linan Angel Food Co., Ltd., the level 4 subsidiary of the company, when employing the disabled, on the basis of the actual deduction of the wages paid to the disabled employees, an additional deduction of 100% of the wages paid to the disabled employees may be made when calculating the taxable income amount.

According to the Zhejiang Provincial Tax Bureau Announcement (2014 No.8) and approval of local tax department, Hangzhou Linan Angel Food Co., Ltd., the level 4 subsidiary of the company, could enjoy the preferential policies of reduction of urban land use right tax with an annual quota of 2,000 person/year for an annual average number of actual employment. And the maximum amount of reduction shall be the urban land use tax payable by the unit in the current year.

The stamp tax of Linqing Xiaowangzi Food Co., Ltd., the level 4 subsidiary of the company shall be checked and levied at 50% of the sales income on the basis of the stamp duty payable in the industrial purchase and sales process stipulated in the *No. 10 Announcement of Shandong Provincial Tax Service, State Taxation Administration in 2018*. The stamp duty paid by Linqing Xiaowangzi Food Co., Ltd. from January to September in 2018 shall be calculated as 130% of the sales revenue, and the stamp duty paid from October 2018 shall be calculated as 50% of the sales revenue.

Jingliang (Singapore) International Trade Limited Company, the level 3 subsidiary of the company is taxed according to the principle of territory. For newly established Singapore companies, in the first consecutive three-year audit year, they can enjoy the government tax exemption plan for the first three years. The tax exemption plan of Singapore is as follows: the first SGD $100,000 of annual income, the first SGD $100,000 with a tax rate of 0. The part from $100,001 to $300,000 with a tax rate of 8.5%. The part exceeds SGD $300,000 with a tax rate of 17%.

Beijing Guchuan Food Co., Ltd., the level 3 subsidiary of the company is a new high-tech enterprise and gains the New High-tech Enterprise Certificate (Certificate No. GR201811007245) with the period of validity of three years on November 30, 2018. According to the *Law of the People's Republic of China on the Administration of Tax Collection* and *Detailed Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection* and other relevant provisions, the enterprise income tax shall be paid at a preferential tax rate of 15%.

According to [Cai Shui Zi. [1999] No.198] Document of Notice of the State Administration of Taxation of the Ministry of Finance on the Exemption of VAT for Grain Enterprises, Jingliang (Hebei) Grease Industrial Co., Ltd., the level 4 subsidiary of the company is exempted from the SAT for the sales of government reserved edible vegetable oil.

According to Article V of Notice of the State Administration of Taxation of the Ministry of Finance on the Exemption of VAT for Grain Enterprises (Cai Shui Zi (1999) No.198), Beijing Tianweikang Grease Distribution Center Co., Ltd., the level 3 subsidiary of the company is one of the state-owned grain purchasing and selling enterprises that undertake the task of purchasing and storing grain, other grain trading enterprises that operate the duty-free items listed in this circular, as well as the enterprises that sell government reserved edible vegetable oils, which is required to verify the tax exemption qualification by the competent tax authorities. Without the approval of the competent tax authorities, no tax exemption is allowed. As of June 1, 2017, the company will be exempt from VAT for the government reserved edible vegetable oil.

Ⅵ. Notes to Key Items in Consolidated Financial Statements

(The following units are RMB yuan unless otherwise specified)

Appendix 1 Monetary Capital

Program	Ending Balance	Beginning Balance
Cash on Hand	60,478.21	46,418.17
Bank Deposit	607,608,193.13	794,705,225.28
Other Monetary Funds	54,528,313.35	130,118,373.33
Total	662,196,984.69	924,870,016.78

The restricted monetary funds are listed below:

Program	Ending Balance	Beginning Balance
Fixed Deposit Receipt	35,000,000.00	57,000,000.00
Freezing of Litigation Preservation	2,068,225.55	
Total	37,068,225.55	57,000,000.00

Note: as of June 30, 2019, the limited monetary funds of the company are the freezing of litigation preservation of Beijing Grain Holding Company and fixed deposit receipt of its subsidiary Xiaowangzi. See Note 48 for details.

Appendix 2 Derivative Financial Assets

Program	Ending Balance	Beginning Balance
Futures Contract	58,421,469.00	71,260,414.60
Total	58,421,469.00	71,260,414.60

Note: the derivative financial assets of the company are futures contracts of soybean oil, palm oil, rapeseed oil and bean pulp purchased by level 3 and level 4 subsidiaries.

Appendix 3 Account Receivable

1. Classified Disclosure of Accounts Receivable

Type	Ending Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
The accounts receivable for which provision for bad debts is made on a single item basis	420,575.29	0.45	420,575.29	100.00	0.00
Include:					
Accounts receivable for which a single amount is not significant but is separately made for bad debt provision	420,575.29	0.45	420,575.29	100.00	0.00
Accounts receivable for bad debt provision on a combined basis	93,014,185.12	99.55	613,961.00	0.66	92,400,224.12
Include:					
Group 1- Accounts Receivable Analyzed by Aging	79,240,767.38	4.81	613,961.00	0.77	78,626,806.38
Group 2-Accounts Receivable of Related parties	13,773,417.74	14.74			13,773,417.74
Total	93,434,760.41	100.00	1,034,536.29	1.11	92,400,224.12

Continue:

Type	Beginning Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
The accounts receivable for which provision for bad debts is made on a single item basis	420,575.29	0.43	420,575.29	100.00	

Include:					
Accounts receivable for which a single amount is not significant but is separately made for bad debt provision	420,575.29	0.43	420,575.29	100.00	
Accounts receivable for bad debt provision on a combined basis	98,222,012.82	99.57	446,302.71	0.45	97,775,710.11
Include:					
Group 1- Accounts Receivable Analyzed by Aging	94,766,012.02	96.07	446,302.71	0.47	94,319,709.31
Group 2-Accounts Receivable of Related parties	3,456,000.80	3.50			3,456,000.80
Total	98,642,588.11	100.00	866,878.00	0.88	97,775,710.11

① **Provision for bad debts on an individual basis:**

Name	Ending Balance			
	Book Balance	Bad-debt Provision	Accrual Ratio	Accrual Reason
Accounts receivable for which a single amount is not significant but is separately made for bad debt provision	420,575.29	420,575.29	100.00%	
Total	420,575.29	420,575.29	--	--

② **Provision for Bad debt by Group:**

Name	Ending Balance		
	Book Balance	Bad-debt Provision	Accrual Ratio
The accounts receivable for which bad debt provisions are drawn according to a combination of credit risk features			
Group 1-Accounts Receivable Analyzed by Aging	79,240,767.38	613,961.00	0.77 %
Group 2-Accounts Receivable of Related parties	13,773,417.74		
Total	93,014,185.12	613,961.00	0.66%

③ **In the group, the accounts receivable for bad debt provision is drawn according to aging method**

Aging	Ending Balance			
	Account Receivable	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within the Credit Period	51,654,362.52	0	51,654,362.52	0
Within 1 Year (From Credit Period to 1 Year)	20,367,681.03	301,504.54	20,066,176.49	2
1-2 Years	7,095,303.83	260,646.46	6,834,657.37	5
2-3 Years	33,000.00	6,600.00	26,400.00	20
3-4 Years	90,420.00	45,210.00	45,210.00	50
4-5 Years				80
Above 5 Years				100
Total	79,240,767.38	613,961.00	78,626,806.38	-----

Continue:

Aging	Beginning Balance			
	Account Receivable	Bad-debt Provision	Net Amount	Accrual Ratio (%)

Within the Credit Period	82,537,774.17	0.00	82,537,774.17	0
Within 1 Year (From Credit Period to 1 Year)	6,840,738.97	136,814.78	6,703,924.19	2
1-2 Years	5,264,078.88	263,203.93	5,000,874.95	5
2-3 Years	51,420.00	10,284.00	41,136.00	20
3-4 Years	72,000.00	36,000.00	36,000.00	50
4-5 Years				80
Above 5 Years				100
Total	94,766,012.02	446,302.71	94,319,709.31	-----

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

2. The top five accounts receivable of the ending balance collected by the debtors

Unit Name	Ending Balance	Percentage in the Ending Balance of Accounts Receivable (%)	Accrued Bad Debt Provision	Payment Nature
Client I	13,600,135.00	14.56		Compensation for Demolition
Client II	12,243,795.07	13.10	128,837.15	Loan
Client III	10,013,730.00	10.72		Loan
Client IV	4,151,738.67	4.44		Loan
Client V	2,996,528.59	3.21		Loan
Total	43,005,927.33	46.03	128,837.15	

Appendix 4 Advance Payment

1. Advance Payments is shown by aging

Aging	Ending Balance		
	Prepayment	Ratio (%)	Bad-debt Provision
Within 1 Year	137,747,931.14	99.77	
1-2 Years	294,493.70	0.21	
2-3 Years	23,100.00	0.02	
Above 3 Years			
Total	138,065,524.84	100.00	

Continue:

Aging	Beginning Balance		
	Prepayment	Ratio (%)	Bad-debt Provision
Within 1 Year	119,883,849.19	99.75	
1-2 Years	297,593.70	0.25	
2-3 Years			
Above 3 Years			
Total	120,181,442.89	100.00	

2. Advance payments in the top five of the ending balance grouped by prepaid objects

Unit Name	Ending Amount	Percentage in total prepayment (%)	Prepayment Time
Supplier I	65,948,802.82	47.77	Within 1 Year
Supplier II	19,690,200.00	14.26	Within 1 Year
Supplier III	17,837,825.26	12.92	Within 1 Year
Supplier IV	6,746,420.81	4.89	Within 1 Year
Supplier V	3,739,509.13	2.71	Within 1 Year

Total	113,962,758.02	82.54	

No shareholder holding more than 5% (including 5%) of the voting shares of the company is in arrears of the advance payment at the end of the present report.

Appendix 5 Other Receivables

Program	Ending Balance	Beginning Balance
Interest Receivable	3,199,806.95	2,400,877.51
Dividend Receivable		
Other Receivables	41,573,586.49	15,855,636.42
Total	44,773,393.44	18,256,513.93

1. **Other Receivables**

(1) Classified Disclosure of Other Receivables

Type	Ending Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Other Receivables with Significant Single Amount and Separate Bad Debt Provision					
Other receivables for which bad debt provisions are drawn according to the combination of credit risk features					
Group 1 - Other Receivables Analyzed by Aging	41,950,549.98	100.00	376,963.49	0.90	41,573,586.49
Group 2 - Other Receivables of Related Parties					
Group Total	41,950,549.98	100	376,963.49	0.90	41,573,586.49
Other receivables for which the bad debt provision is drawn separately, although the amount is not significant					
Total	41,950,549.98	100	376,963.49	0.90	41,573,586.49

Continue:

Type	Beginning Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Other Receivables with Significant Single Amount and Separate Bad Debt Provision					
Other receivables for which bad debt provisions are drawn according to the combination of credit risk features					
Group 1 - Other Receivables Analyzed by Aging	16,152,562.64	99.88	296,926.22	1.84	15,855,636.42

Group 2 - Other Receivables of Related Parties					
Group Total	16,152,562.64	99.88	296,926.22	1.84	15,855,636.42
Other receivables for which the bad debt provision is drawn separately, although the amount is not significant	20,000.00	0.12	20,000.00	100.00	
Total	16,172,562.64	100	316,926.22	1.96	15,855,636.42

Description of categories of other receivables:

①Group 1, other receivables are drawn for bad debt provision according to aging analysis method

Aging	Ending Balance			
	Other Receivables	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within the Credit Period	28,523,485.24	-	28,523,485.24	0
Within 1 Year	10,765,038.62	164,579.97	10,600,458.65	2
1-2 Years	2,406 ,104.12	125,699.12	2,280 ,405.00	5
2-3 Years	30,000.00	1,500.00	28,500.00	20
3-4 Years	175,922.00	35,184.40	140,737.60	50
4-5 Years				80
Above 5 Years	50,000.00	50,000.00		100
Total	41,950,549.98	376,963.49	41,573,586.49	-----

Continue:

Aging	Beginning Balance			
	Other Receivables	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within the Credit Period	9,060,501.22		9,060,501.22	0
Within 1 Year	4,385,505.15	87,710.10	4,297,795.05	2
1-2 Years	2,480,634.27	124,031.72	2,356,602.55	5
2-3 Years	175,922.00	35,184.40	140,737.60	20
3-4 Years				50
4-5 Years				80
Above 5 Years	50,000.00	50,000.00		100
Total	16,152,562.64	296,926.22	15,855,636.42	-----

The bad debt provision for the current period is 60,037.27 Yuan

Other accounts receivable at the end of this report do not include the debts owed by shareholders holding more than 5% (including 5%) of the voting shares of the company.

(2) Classification of Other Receivables According to the Nature of the Money

Payment Nature	Ending Balance	Beginning Balance
Fund of Disbursement	402,105.61	233,548.14
Guarantee Deposit	4,473,345.17	2,011,122.17
Intercourse Funds of Unit	34,398,610.76	12,213,774.63
Employee Accounts Receivable	469,836.87	418,634.62
Tax Refund Receivable	1,796,435.95	1,169,522.00
Other Payments	33,252.13	125,961.08

Total	41,573,586.49	16,172,562.64

(3) Provision for Bad Debt

Bad-debt Provision	Stage I	Stage II	Stage III	Total
	Expected Credit Losses over the Next 12 Months	Expected Credit Loss for the Entire Duration (No Credit Impairment is Occurred)	Expected Credit Loss for the Entire Duration (Credit Impairment has Occurred)	
Balance on January 1, 2019	296,926.22			296,926.22
Balance for the Current Period on January 1, 2019	——	——	——	——
--Transfer into Stage II				
--Transfer into Stage III				
--Return to Stage II				
--Return to Stage I				
Accrual for the Current Period	80,037.27			80,037.27
Return for Current Period				
Write-off for Current Period				
Charge-off for Current Period				
Other Changes				
Balance on June 30, 2019	376,963.49			376,963.49

(4) Other receivables in the top five of the ending balance collected by the debtors

Unit Name	Payment Nature	Ending Balance	Aging	Percentage of ending balance of other receivables (%)	Bad-debt Provision Ending Balance
Unit 1	Intercourse Funds	4,800,000.00	Within 1 Year	11.44	
Unit 2	Reserve Fee	1,985,271.01	Within 1 Year	4.73	
Unit 3	Cash Deposit	1,861,540.50	Within 3 Months	4.44	
Unit 4	VAT Refund	1,620,513.95	Within 3 Months	3.86	
Unit 5	Intercourse Funds	400,134.07	Within 3 Months	0.95	
Total		10,667,459.53	-----	25.43	

2. Interest Receivable

Program	Ending Balance	Year-Beginning Balance
Fixed Deposit	3,199,806.95	2,400,877.51
Total	3,199,806.95	2,400,877.51

Appendix 6 Inventory

1. Inventory Classification

Program	Ending Balance	Beginning Balance

	Book Balance	Falling Price Reserves	Book Value	Book Balance	Falling Price Reserves	Book Value
Raw Materials	165,426,593.75	67,131.25	165,359,462.50	201,025,950.79	67,131.25	200,958,819.54
Revolving Materials	4,490,349.30		4,490,349.30	3,454,520.07		3,454,520.07
Merchandise Inventory	670,085,926.75	2,984,521.77	667,101,404.98	711,226,691.70	5,292,085.61	705,934,606.09
Development Cost	12,750,180.69		12,750,180.69	7,043,775.28		7,043,775.28
Product Development	16,497,730.12	11,673,694.67	4,824,035.45	16,497,730.12	11,673,694.67	4,824,035.45
Materials in Transit				53,773,706.64		53,773,706.64
Reserved Oil	243,608,789.60		243,608,789.60	248,197,500.00		248,197,500.00
Others	1,113,886.20		1,113,886.20			
Total	1,113,973,456.41	14,725,347.69	1,099,248,108.72	1,241,219,874.60	17,032,911.53	1,224,186,963.07

2. Falling Price Reserves of Inventory

Inventory Type	Beginning Balance	Increased Amount in the Current Period		Reduced Amount in the Current Period			Ending Balance
		Accrual	Others	Return	Write-off	Others	
Product Development	11,673,694.67						11,673,694.67
Raw Materials	67,131.25						67,131.25
Merchandise Inventory	5,292,085.61				2,307,563.84		2,984,521.77
Consigned Processing Materials							
Total	17,032,911.53				2,307,563.84		14,725,347.69

The book value of the inventory used as mortgage at the end of the period is 4,824,035.45 Yuan.

Appendix 7 Other Current Assets

Type & Content	Ending Balance	Year-Beginning Balance
Financial Products	785,655,030.23	223,300,000.00
Advance Payment of Taxes	5,308,435.34	6,207,985.16
Nondeductible Income Tax of VAT	64,894,878.98	59,155,031.47
Changes in the Fair Value of Hedged Items	12,393,512.89	158,800.00
Others	42,402,014.31	
Total	910,653,871.75	288,821,816.63

Appendix 8 Long-term Equity Investment

Invested Unit	Beginning Balance	Increase or Decrease in Current Period			
		Additional Investment	Negative Investment	Investment Gains and Losses Recognized by Equity Method	Adjustment of Other Comprehensive Incomes
I. Joint Venture					
Beijing Zhengda Feed Co., Ltd. (50%)	65,339,624.28			2,646,053.86	
In total	65,339,624.28			2,646,053.86	
II. Affiliated Business					

Zhongchuliang (Tianjin) Storage and Logistics Co., Ltd. (30%)	117,487,601.83			196,364.35	
In total	117,487,601.83			196,364.35	
Total	182,827,226.11			2,842,418.21	

Continue:

Invested Unit	Increase or Decrease in Current Period				Ending Balance	Ending Balance of Impairment Provision
	Other Changes in Equity	Declare to Distribute Dividends or Profits	Accrual Reduced-value Allowance	Others		
I. Joint Venture						
Beijing Zhengda Feed Co., Ltd.					67,985,678.14	
In total					67,985,678.14	
II. Affiliated Business						
Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.					117,683,966.18	
In total					117,683,966.18	
Total					185,669,644.32	

Appendix 9 Investment of Other Equity Instruments

Program	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Calculated and Measured by Cost	30,500,000.00	10,500,000.00	20,000,000.00			
Total	30,500,000.00	10,500,000.00	20,000,000.00			

Appendix 10 Investment Property

1. Situation of Investment Property

Program	House, Building	Land Use Right	Construction in Process	Total
I. Original Book Value				
1. Beginning Balance	42,634,619.63			42,634,619.63
2. Increased Amount in the Current Period				
3. Reduced Amount in the Current Period	627,583.36			627,583.36
4. Ending Balance	42,007,036.27			42,007,036.27
II. Accumulated Depreciation (Amortization)				
1. Beginning Balance	8,785,674.23			8,785,674.23
2. Increased Amount in the Current Period	179,292.09			179,292.09
(1) Accrual or Amortization	179,292.09			179,292.09
3. Reduced Amount in the Current Period				
4. Ending Balance	8,964,966.32			8,964,966.32
III. Provision for Impairment				
1. Beginning Balance	453,843.72			453,843.72
2. Increased Amount in the Current Period				
3. Reduced Amount in the Current Period				
4. Ending Balance	453,843.72			453,843.72
IV. Book Value				
1. Ending Book Value	32,588,226.23			32,588,226.23

2. Beginning Book Value	33,395,101.68			33,395,101.68

2. The situation of investment property that has not obtained the certificate of ownership by the end of the report period

Program	Book Value	Reasons for not having gained the certificate of ownership
Building	253,785.96	House Appendage that does not Gain Property Right Certificate
Total	253,785.96	

The book value of the investment property used for mortgage at the end of the period is 5,627,576.03 Yuan.

Appendix 11 Fixed Assets

Program	Ending Balance	Year-Beginning Balance
Fixed Assets	1,255,393,420.02	1,271,803,080.56
Disposal of Fixed Assets	1,045.97	
Total	1,255,394,465.99	1,271,803,080.56

1. Situation of Fixed Assets

Program	House & Building	Machine Equipment	Transportation Facility	Electronic Equipment	Office Equipment	Other Equipment	Total
I.Total Original Book Value							
1.Beginning Balance	1,077,389,877.09	351,603,267.61	22,251,285.06	13,665,889.56	2,203,862.02	367,808,765.17	1,834,922,946.51
2.Increased Amount in Current Period	76,053,102.85	15,157,082.12	591,753.16	394,101.60	14,414.84	1,507,208.55	93,717,663.12
(1) Purchase	252,719.56	15,157,082.12	591,753.16	394,101.60	14,414.84	587,987.11	16,998,058.39
(2) Transfer fromConstruction in Progress	12,066,424.68					18,464,615.33	30,531,040.01
(3) Other Transfer	46,188,564.72						46,188,564.72
3. Reduced Amount in the Current Period	173,330.00	47,905.45	248,000.00	42,960.00		15,090.00	527,285.45
(1) Disposal or Scrapping	173,330.00	47,905.45	248,000.00	42,960.00		15,090.00	527,285.45
(2) Other Transfer							
4. Ending Balance	1,093,469,089.75	350,391,028.83	21,029,736.37	13,848,880.03	2,218,276.86	369,420,440.72	1,850,377,452.56
II. Accumulated Depreciation							
1. Beginning Balance	261,968,544.04	127,867,150.08	15,804,410.57	9,560,648.53	1,268,971.00	138,366,719.21	554,836,443.43
2. Increased Amount in the Current Period	18,907,831.13	13,897,816.78	515,014.58	979,901.04	74,264.43	12,110,593.47	46,485,421.43
(1) Accrual	18,907,831.13	13,897,816.78	515,014.58	979,901.04	74,264.43	12,110,593.47	46,485,421.43
(2) Others							
3. Reduced Amount in the Current Period	132,344.37	29,171.07	235,008.00	40,839.70		14,402.40	451,765.54

(1) Disposal or Scrapping	132,344.37	29,171.07	235,008.00	40,839.70		14,402.40	451,765.54
(2) Other Transfer							
4．Ending Balance	273,349,059.50	135,705,417.41	15,474,588.17	10,297,888.11	1,343,235.43	150,530,421.40	586,700,610.02
III. Provision for Impairment							
1．Beginning Balance	7,499,295.92	784,126.60					8,283,422.52
2. Increased Amount in Current Period							
3．Reduced Amount in the Current Period							
4. Ending Balance	7,499,295.92	784,126.60					8,283,422.52
IV. Total Book Value							
1． Ending Book Value	812,620,734.33	213,901,484.82	5,555,148.20	3,550,991.92	875,041.43	218,890,019.32	1,255,393,420.02
2．Beginning Book Value	807,922,037.13	222,951,990.93	6,446,874.49	4,105,241.03	934,891.02	229,442,045.96	1,271,803,080.56

2. Disposal of Fixed Assets

Program	Ending Balance	Year-Beginning Balance
Disposal of Fixed Assets	1,045.97	
Total	1,045.97	

3. Situation of the fixed assets that have not received the certificate of ownership by the end of the report period

Program	Book Value	Remarks
Building	2,222,939.03	Attached house can not get the house ownership certificate
Total	2,222,939.03	

Book value of fixed assets used for guarantee at the end of the period is 2,461,350.50 Yuan.

Appendix 12 Construction in Process

1. Situation of Construction in Process

Program	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Category of Equipment Installation Engineering	19,125,609.06		19,125,609.06	36,034,188.98		36,034,188.98
Category of Technical Transformation	3,279,753.34		3,279,753.34	1,335,568.80		1,335,568.80
Category of Building Construction	1,514,523.90		1,514,523.90			
Total	23,919,886.30		23,919,886.30	37,369,757.78		37,369,757.78

2. Changes of important projects under construction in the current period

Project Name	Beginning Balance	Increase in the Current Period	Fixed Assets Transferred in the	Other Reduction in	Ending Balance

			Current Period	the Current Period	
Project of Tianjin Grain & Oil	9,408,554.52	2,657,870.16	12,066,424.68		
Baked Potato Production Line of No.2 Factory	766,735.78	196,000.00	78,000.00		884,735.78
Walnut Cake Production Line of No.2 Factory	7,672,354.52	129,283.00	3,001,230.77		4,800,406.75
Project of Linqing Color Steel House		46,006.63			46,006.63
Small Fried Potato Chips	1,798,382.97		1,798,382.97		
4D Overlay Corn Flake Production Line	1,830,000.00	4, 927,929.50			6,757,929.50
Production Line for Extruded Baked Corn Flakes	2,691,598.53	76,119.00	2,241,356.77		526,360.76
Non-fried Potato Chip Production Line of Leisure No.2 Factory	9,760,300.00		5,728,300.00		4,032,000.00
Duoyidao Steamed Dry Cake	1,227,344.82		1,187,000.00	40,344.82	
Gege Mofang Transformation of Lesiure No.1 Factory	299,000.00		299,000.00		
Slope Treatment Project of No.3 Factory	403,041.51	1,470,084.28			1,873,125.79
Production Line 1 of Fried Potato Chips of Lesiure No.1 Factory (FH-Tablet Machine)		298,000.00			298,000.00
Production Line 6 for Non-fried Potato Chips (Project of Newly-built Production Line 7 for Non-fried Potato Chips)-Garland Potato Baking Project		498,000.00			498,000.00
Production Line 6 of Fried Potato Chips of Leisure No.1 Factory (Continuous Frying Machine)		430,000.00			430,000.00
Technical Reform of Pea Chips Project	88,432.14	10,867.49			99,299.63
Technical Reform of Salad Bar Project	844,095.15	22,711.14			866,806.29
Technical Reform of Quality Improvement of Congming Bar		134,296.85			134,296.85
Project of Upgrading and Transformation of Blasting Machine of Congming Bar Chicken Nuggets		306,224.78			306,224.78
Total	36,789,839.94	11,203,392.83	26,399,695.19	40,344.82	21,553,192.76

Appendix 13 Intangible Assets

1. Situation of Intangible Assets

Program	Software	Land Use Right	Trademark Right	Others	Total
I. Total Original Book Value					
1. Beginning Balance	3,614,817.40	317,067,215.98	154,841,200.00	662,400.00	476,185,633.38
2. Increased Amount in the Current Period					
(1) Purchase					
(2) Internal R&D					
(3) Others					
3. Reduced Amount in the Current Period		4,693,162.18			4,693,162.18

(1) Disposal					
(2) Others		4,693,162.18			4,693,162.18
4. Ending Balance	3,614,817.40	312,374,053.80	154,841,200.00	662,400.00	471,492,471.20
II. Accumulated Amortization					
1. Beginning Balance	2,879,015.55	48,654,170.18	40,607,519.97		92,140,705.70
2. Increased Amount in the Current Period	295,388.94	2,991,577.44	1,392,395.43		4,679,361.81
(1) Accrual	295,388.94	2,991,577.44	1,392,395.43		4,679,361.81
(2) Others					
3. Reduced Amount in the Current Period		288,417.60			288,417.60
(1) Disposal					
(2) Others		288,417.60			288,417.60
4. Ending Balance	3,174,404.49	51,357,330.02	41,999,915.40		96,531,649.91
III. Provision for Impairment					
1. Beginning Balance				662,400.00	
2. Increased Amount in the Current Period					
(1) Accrual					
3. Reduced Amount in the Current Period					
(1) Disposal					
4. Ending Balance				662,400.00	
IV. Total Book Value					
1. Ending Book Value	440,412.91	261,016,723.78	112,841,284.60		374,298,421.29
2. Beginning Book Value	735,801.85	268,413,045.80	114,233,680.03		383,382,527.68

Appendix 14 Goodwill

Original Book Value of Goodwill

Invested Unit Name or Item Forming the Goodwill	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
		Formed by Business Merger	Disposal	
Purchase the Stock Equity of Zhejiang Xiaowangzi Food Co., Ltd.	191,394,422.51			191,394,422.51
Total	191,394,422.51			191,394,422.51

Note :(1) The goodwill of the company is mainly formed by the acquisition of the stock right of Zhejiang Xiaowangzi Food Co., Ltd.

(2) Goodwill impairment test process, parameters and goodwill impairment loss recognition method

The company defines all the assets of Zhejiang Xiaowangzi Food Co., Ltd. as an asset group, and the recoverable amount of the asset group is calculated according to the present value of the expected future cash flow of the asset group based on the cash flow forecast for the next five years. In the impairment test, the key data used in the cash flow forecast, such as expected selling price, sales cost and other related expenses, are determined according to the company's historical experience and the forecast of market development. The discount rate used in the cash flow forecast is determined by referring to the time value of current market currencies and the specific risks of related asset groups. The company's test of the above recoverable amount of goodwill indicates that there is no impairment loss of goodwill.

Appendix 15 Long-term Deferred Expenses

Program	Beginning Balance	Increase Amount of the Current Period	Amortization Amount of the Current Period	Other Decrease Amount	Ending Balance
Plant Functional Transformation	16,362,080.78		367,826.40		15,994,254.38
Forest Land Lease	5,196,528.00		56,484.00		5,140,044.00
Brand Image Promotion	10,061,782.90	970,873.79	11,032,656.69		
Business Premises Decoration	2,869,808.94	30,783.50	6,596.46		2,893,995.98
Information Software	180,817.60		47,169.84		133,647.76
Total	34,671,018.22	1,001,657.29	11,510,733.39		24,161,942.12

Appendix 16 Deferred Tax Assets and Deferred Tax Liabilities

1. Non-offset Deferred Tax Assets

Program	Ending Balance		Beginning Balance	
	Deductible Temporary Difference	Deferred Tax Assets	Deductible Temporary Difference	Deferred Tax Assets
Preparation for the Impairment of Assets	3,861,427.27	964,704.31	5,975,793.94	1,493,058.58
Deductible Losses	68,994,962.13	17,248,740.54	2,378,893.29	594,723.33
Valuation of Financial Instruments and Derivative Financial Instruments			11,652,792.92	2,913,198.23
Deferred Income	9,469,697.92	2,367,424.48	1,350,000.00	337,500.00
Payroll Payable	39,970,000.00	9,992,500.00	39,970,000.00	9,992,500.00
Total	122,296,087.32	30,573,369.33	61,327,480.15	15,330,980.14

2. Unoffset Deferred Tax Liabilities

Program	Ending Balance		Beginning Balance	
	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities
Valuation of Financial Instruments and Derivative Financial Instruments	51,049,016.09	12,762,254.02	407,589.76	101,897.44
The difference between the fair value of the identifiable net assets confirmed by business merger and their net book assets	192,682,963.84	48,170,740.96	198,067,768.12	49,516,942.03
Total	243,731,979.93	60,932,994.98	198,475,357.88	49,618,839.47

3. Details of deductible temporary difference of undefined deferred income tax assets

Program	Ending Balance	Beginning Balance
Deductible Losses	57,023,145.09	35,403,914.26
Deductible Temporary Difference		-2,714,794.81
Total	57,023,145.09	32,689,119.45

4. The deductible loss of undefined deferred income tax assets will expire in the next year

Year	Ending Balance	Beginning Balance	Remarks
2020	6,473,030.05	6,473,030.05	
2021	4,504,020.42	4,504,020.42	
2022	4,021,787.39	4,021,787.39	
2023	20,405,076.40	20,405,076.40	
2024	21,619,230.83		
Total	57,023,145.09	35,403,914.26	

Appendix 17 Other Non-Current Assets

Type & Content	Ending Balance	Beginning Balance
Advance Payment for Equipment and Project	115,200.00	1,622,003.59
3-Year Fixed Deposit Receipt	30,000,000.00	
Total	30,115,200.00	1,622,003.59

Appendix 18 Short-term Loan

Program	Ending Balance	Beginning Balance
Guaranteed Loan	520,907,793.00	370,000,000.00
Loan in Credit	1,072,624,701.10	1,067,715,080.91
Total	1,593,532,494.10	1,437,715,080.91

Appendix 19 Accounts Payable

1. Payable According to the Nature of the Payment

Program	Ending Balance	Beginning Balance
Materials Payable	177,263,907.58	121,681,815.91
Construction Cost Payable	638,810.77	289,019.48
Payables on Equipment	9,281,379.27	15,527,703.10
Cash Deposit	447,606.81	583,301.20
Others	4,031,173.96	2,482,873.42
Total	191,662,878.39	140,564,713.11

Appendix 20 Advance Receipt

1. Divided by the Payment Nature of Advance Receipt

Program	Ending Balance	Beginning Balance
Advances on Sales	116,450,620.41	143,857,900.77
Advance Payment for Rent and Equipment	676,775.84	1,459,163.41
Total	117,127,396.25	145,317,064.18

Appendix 21 Payroll Payable

1. Payroll Payable List

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Short-term Salary	29,938,059.15	119,338,905.95	136,673,349.09	12,603,616.01
Post-service Benefits - Set up a Contribution Plan	1,402,397.44	12,548,305.01	12,863,790.36	1,086,912.09
Dismission Welfare	154,111.46	1,820,151.70	1,974,263.16	
Total	31,494,568.05	133,707,362.66	151,511,402.61	13,690,528.10

2. Short-term Salary List

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Salaries, bonuses, allowances and subsidies	25,667,018.98	98,709,800.29	116,167,248.93	8,209,570.34
Employee Benefits Costs	250,488.10	2,851,298.01	3,069,429.91	32,356.20
Social Insurance Charges	910,019.83	7,906,161.03	8,052,490.03	763,690.83
Include: Basic Medical Insurance Premiums	340,442.01	5,947,659.17	6,139,812.81	148,288.37
Industrial Injury Insurance Premium	131,267.02	659,281.16	608,959.62	181,588.56
Birth Insurance Premium	45,767.66	420,014.78	424,511.68	41,270.76
Others	392,543.14	879,205.92	879,205.92	392,543.14
housing Provident Fund	189,641.00	5,062,593.06	5,060,172.06	192,062.00
Trade union funds and employee' education funds	2,914,225.62	2,116,151.91	1,902,408.51	3,127,969.02
Labor Union Expenditure and Employee Education Expenses	6,665.62	2,692,901.65	2,421,599.65	277,967.62
Total	29,938,059.15	119,338,905.95	136,673,349.09	12,603,616.01

3. Defined Contribution Plan List

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Basic Endowment Insurance	1,331,134.58	11,500,517.90	11,862,610.40	969,042.08
Unemployment Insurance Expense	51,379.22	398,379.93	409,294.00	40,465.15
Enterprise Annuity Payment	19,883.64	532,624.83	475,103.61	77,404.86
Others		116,782.35	116,782.35	
Total	1,402,397.44	12,548,305.01	12,863,790.36	1,086,912.09

Appendix 22 Tax Payable

Tax Items	Ending Balance	Beginning Balance
Value Added Tax	8,060,817.85	5,633,418.89
Urban Maintenance and Construction Tax	699,275.18	495,841.40
Enterprise Income Tax	14,085,138.52	26,772,270.05
House Property Tax	1,542,225.37	1,447,610.40
Land Use Tax	694,610.74	276,169.59
Individual Income Tax	1,886,419.80	482,771.95
Education Surcharge	251,361.50	174,446.12
Local Education Surcharge	219,718.07	168,441.14
Stamp Tax	124,708.21	317,916.69

Resource Tax	9,076.00	11,532.00
Other Taxes	2,388.91	3,401.61
Total	27,575,740.15	35,783,819.84

Appendix 23 Other Payables

Program	Ending Balance	Year-Beginning Balance
Other Payables	120,591,513.82	73,118,565.08
Payable Interest	25,298,027.68	26,972,826.90
Dividend Payable	18,267,759.97	11,197,317.01
合 计	164,157,301.47	111,288,708.99

1. Other Payables

Other Payables Listed by Payment Nature

Payment Nature	Ending Balance	Beginning Balance
Intercourse Funds of Other Units Except Related Parties	96,575,761.98	50,733,320.82
Personal Intercourse Funds	3,035,871.20	776,050.31
Employee Insurances	1,459,080.01	797,312.51
Employee Loan Payable	372,463.91	91,986.85
Guarantee Deposit	12,887,066.65	15,199,146.39
Warehouse Rental Fee, Storage Fee	59,425.16	2,568,894.01
Receivables and Payables among Units of Related Parties	3,812,278.84	817,333.26
Others	2,389,566.07	2,134,520.93
Total	120,591,513.82	73,118,565.08

Unit Name	Ending Balance	Reasons for non-payment or carryover
Tianjin Binhai New Area Jinzhengyang Logistics Co., Ltd.	100,000.00	Cash Deposit
Tianjin Aofei Xinzhi Enterprise Management Consulting Co., Ltd.	400,000.00	Cash Deposit
Tianjin Huiyue Labor Servicee Co., Ltd.	500,000.00	Cash Deposit
Tianjin Yixin Transportation Co., Ltd.	280,500.00	Cash Deposit
Tianjin Wanyuan Trade Co., Ltd.	200,000.00	Cash Deposit
Tianjin Ruihengda International Trade Co., Ltd.	200,000.00	Cash Deposit
Shijiazhuang Jinding Grain and Oil Sales Co., Ltd.	200,000.00	Cash Deposit
Hebei Runsiji Trading Co., Ltd.	200,000.00	Cash Deposit
Huabo Feed Wholesale Department of Guantao County	200,000.00	Cash Deposit
Handan Guanxin Technology Co., Ltd.	200,000.00	Cash Deposit
Cangzhou Xinhai Feed Trading Co., Ltd.	200,000.00	Cash Deposit
Hengshui Longce Trading Co., Ltd.	200,000.00	Cash Deposit
Total	2,880,500.00	

Important other payables with an aging of over one year

2. Payable Interest

Program	Ending Balance	Beginning Balance
Loan Interests among Enterprises	21,082,795.47	21,082,795.47
Bank Loan Interest	4,215,232.21	5,890,031.43
合 计	25,298,027.68	26,972,826.90

3. Dividend Payable

Program	Ending Balance	Beginning Balance
Dividends Payable on Corporate Shares	3,397,317.01	3,397,317.01
Dividends Payable on Minority Corporate Shares	14,870,442.96	7,800,000.00
Total	18,267,759.97	11,197,317.01

Appendix 24 Other Current Liabilities

Program	Ending Balance	Beginning Balance
Changes in the Fair Value of Hedged Items		11,100,915.25
Total		11,100,915.25

Appendix 25 Long-term Employee Compensation Payable

Program	Ending Balance	Beginning Balance
I. Post-service Benefits - Defined Benefit Plan Net Liability		
II. Dismission Welfare	275,406.52	275,406.52
III. Other Long-term Welfare	39,970,000.00	39,970,000.00
Total	40,245,406.52	40,245,406.52

Appendix 26 Deferred Income

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance	Forming Reason
Governmental Subsidy	74,019,319.59		806,960.76	73,212,358.83	
Others	934,065.92		910,647.33	23,418.59	
Total	74,953,385.51		1,717,608.09	73,235,777.42	

Items involving governmental subsidies:

Liabilities Items	Beginning Balance	New Subsidy Amount of Current Period	Non-operating Income Amount Included in Current Period	Other Income Amount Included in Current Period	Amount to Write off Costs in Current Period	Other Changes	Ending Balance	Related to Assets/Income
Governmental Subsidies for Infrastructure	55,021,168.86		749,863.20				54,271,305.66	Related to Assets
Technical Reform Subsidy	13,996,221.13		57,097.56				13,939,123.57	Related to Assets
Compensation for Demolition	5,001,929.60						5,001,929.60	Related to Assets
Total	74,019,319.59		806,960.76				73,212,358.83	

Appendix 27 Capital stock

Program	Beginning Balance	Increase (+) or Decrease (-) of Current Changes					Ending Balance
		New Issue of Shares	Donate Shares	Shares Transfer from Public Reserve Funds	Others	In total	
1. Shares with Limited Sales Conditions							
(1) State-held Shares							
(2) Shares Held by State-owned Legal Person	213,388,058.00						213,388,058.00
(3) Shares Held by Other Domestic Capital	1,299,500.00						1,299,500.00
Include：							
Shares Held by Domestic Legal Person	1,299,500.00						1,299,500.00
Shares Held by Domestic Natural Person							
(4) Shares Held by Foreign Capital							
Include：							
Shares Held by Foreign Legal Person							
Shares Held by Foreign Natural Person							
Total Shares with Limited Sales Conditions	214,687,558.00						214,687,558.00
2. Shares without Limited Sales Conditions							
(1) RMB Common Stocks	406,127,806.00						406,127,806.00
(2) Foreign Capital Stocks Listed in China	64,975,000.00						64,975,000.00
(3) Foreign Capital Stocks Listed outside China							
(4) Others							
Total Shares without Limited Sales Conditions	471,102,806.00						471,102,806.00
Total	685,790,364.00						685,790,364.00

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance

Capital Premium (Stock Premium)	1,243,771,440.74			1,243,771,440.74
Other Capital Reserve	351,940,364.57			351,940,364.57
Total	1,595,711,805.31			1,595,711,805.31

Appendix 28 Capital reserve

Appendix 29 Other Comprehensive Income

Program	Beginning Balance	Amount Incurred in the Current Period						Ending Balance
		Amount Incurred before Income Tax in the Current Period	Minus: Other Comprehensive Incomes in the Early Period and Profits and Losses in the Current Period	Minus: Other Comprehensive Incomes in the Early Period and Retained Profits and Losses in the Current Period	Minus: Income Tax Expenses	Belong to Parent Company after Tax	Belong to Minority Shareholder after Tax	
I. Other Comprehensive Incomes that can't be reclassified into the Profits and Losses								
Include: Re-measure the Chang Value of Defined Benefit Plan								
Other Comprehensive Incomes that Can not Convert to the Profits and Losses under the Equity Method								
Changes in the Fair Value of Other Equity Instruments								
Changes in the Fair Value of the Enterprise's Own Credit Risk								
II. Other Comprehensive Incomes that will be Reclassified into Profits and Losses	438.33	50,944.52				50,944.52		51,382.85
Include: Other Comprehensive Incomes that can be Converted to Profits or Losses under the Equity Method								
Changes in the Fair Value of Other Debt Investments								
Amount of Financial Assets Reclassified into Other								

Comprehensive Incomes								
Provisions for Credit Impairment of Other Credit Investments								
Hedging Reserve of Cash Flow								
Translation Difference in Foreign Currency Financial Statements	421,716.33	50,944.52				50,944.52		472,660.85
The share of other comprehensive incomes to be reclassified into profit and loss by the invested unit under the equity method	-421,278.00							-421,278.00
Total of Other Comprehensive Incomes	438.33	50,944.52				50,944.52		51,382.85

Appendix 30 Surplus reserves

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Legal Surplus Reserve	84,487,609.05			84,487,609.05
Discretionary Surplus Reserve	37,634,827.93			37,634,827.93
Total	122,122,436.98			122,122,436.98

Appendix 31 Undistributed profit

Program	Current Amount	Last Term Amount
Adjust the undistributed profits at the end of the prior period	-131,155,119.19	-299,111,700.34
Adjust the total undistributed profits at the beginning of the period (Add+, Minus-)		
Adjusted undistributed profits at the beginning of the period	-131,155,119.19	-299,111,700.34
Add: Net income attributable to the owner of the parent company for the current period	51,510,904.41	59,918,995.68
Minus: Withdrawal of legal surplus reserve		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk premium		
Dividend payable on common stock		
Dividends on common stock transferred to share capital		
Undistributed profits at the end of the period	-79,644,214.78	-239,192,704.66

Appendix 32 Business Income and Business Cost

1. Business Income, Business Cost

Program	Amount Incurred in the Current Period	Amount incurred in the last period

	Income	Cost	Income	Cost
Main Business	3,257,865,991.64	3,035,952,555.86	3,621,653,806.72	3,331,327,381.84
Other Businesses	25,411,733.75	4,726,185.28	17,972,172.69	4,000,742.48
Total	3,283,277,725.39	3,040,678,741.14	3,639,625,979.41	3,335,328,124.32

2. Main Business (Industry-classified)

Industry Name	Amount Incurred in the Current Period		Amount incurred in the last period	
	Business Income	Business Cost	Business Income	Business Cost
Grease	2,806,393,935.07	2,729,552,663.26	3,202,820,489.71	3,043,367,152.88
Food Processing	451,472,056.57	306,399,892.60	418,833,317.01	287,960,228.96
Total	3,257,865,991.64	3,035,952,555.86	3,621,653,806.72	3,331,327,381.84

3. Main Business (Region-classified)

Region Name	Amount Incurred in the Current Period		Amount incurred in the last period	
	Business Income	Business Cost	Business Income	Business Cost
North China	2,877,861,106.26	2,780,606,295.60	1,838,990,286.16	1,708,912,769.17
East China	317,198,978.31	208,643,288.47	818,033,025.18	694,976,320.17
South China			684,479,152.81	665,613,631.04
Northeast China	62,805,907.07	46,702,971.79	135,206,322.90	124,218,390.58
Central China			109,128,146.18	102,369,058.66
Northwest China			35,816,873.49	35,237,212.22
Total	3,257,865,991.64	3,035,952,555.86	3,621,653,806.72	3,331,327,381.84

Appendix 33 Taxes and Surcharges

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Urban Maintenance and Construction Tax	2,461,913.37	2,936,383.93
Education Surcharge	1,087,154.91	1,294,856.42
Local education fee surcharge	724,769.95	863,237.61
House Property Tax	4,677,651.66	5,110,776.57
Land Use Tax	1,313,154.94	1,438,247.18
Vehicle and Boat Use Fee	20,390.50	22,417.32
Stamp Tax	1,223,926.02	2,414,561.10
Resource Tax	24,644.00	52,271.80
Other Taxes	66,958.29	179,394.43
Total	11,600,563.64	14,312,146.36

Appendix 34 Sales Expenses

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Employee Compensation	26,278,771.73	27,598,228.55
Advertisement Fee	11,032,656.69	165,235.49
Maintenance Fee	268,787.39	673,256.54
Package Fee	521,273.55	317,695.62
Transportation Fee	9,731,907.07	10,368,672.82
Handling Charge	814,392.75	692,832.51
Water and Electricity Fee	617,732.44	961,919.38
Vehicle Expenses	510,991.71	594,269.55
Storage Charge	10,118,318.32	9,355,132.36

Test and Inspection Fee	133,936.52	140,940.26
Commercial Insurance Fee	10,435.78	71,511.78
Promotion Expenses	12,619,447.62	13,665,004.15
Business entertainment expenses	90,324.45	263,996.29
Labor Protection Fee	2,501,255.24	2,151,249.91
Sample and Products Loss	3,324,432.17	3,250,164.32
Sales Service Fee	6,424,598.55	5,553,538.85
Trademark Use Fee	1,189,380.88	231,410.08
Office allowance	51,371.72	107,484.77
Travel Expenses	3,584,743.56	3,788,163.68
Depreciation cost	8,329,518.71	8,072,866.53
Other Expenses	3,076,861.42	3,602,435.92
Total	101,231,138.27	91,626,009.36

Appendix 35 Administration Expenses

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Employee Compensation	43,327,621.22	46,673,511.00
Labor Insurance Fee	401,623.47	610,543.04
Company Funds	4,790,871.80	3,824,054.32
Commercial Insurance Fee	335,106.88	220,656.54
Vehicle Expenses	1,842,062.94	1,856,806.62
Depreciation cost	7,123,583.86	7,415,406.80
Maintenance Fee	922,490.45	1,284,428.88
Cost Tax	124,708.21	143,407.29
Assets Amortization	10,030,497.46	10,627,573.46
Material Consumption	345,488.89	180,710.84
Intermediary Institution Expenses	3,525,514.48	2,785,391.84
Information Network Fee	504,859.82	962,250.84
Labor Protection Fee	91,851.64	168,872.35
Environmental Protection Fee	275,063.52	534,068.21
Security Fee	397,403.41	387,490.37
Meeting Expenses	2,089,180.89	1,220,601.05
Business entertainment expenses	831,498.05	1,137,223.75
Travel Expenses	717,873.17	516,987.65
Office Expenses	448,964.24	753,838.84
Rental Fee	1,544,749.18	692,837.00
Water and Electricity Fee	97,764.85	381,333.68
Other Expenses	1,529,449.94	997,118.23
Total	81,298,228.37	83,375,112.60

Appendix 36 Development Expenses

Type	Amount Incurred in the Current Period	Amount incurred in the last period
Scientific Research Expenses	531,066.00	723,660.50
Total	531,066.00	723,660.50

Appendix 37 Financial Expenses

Type	Amount Incurred in the Current Period	Amount incurred in the last period
Interest Expenditure	22,981,293.07	52,050,362.69
Minus: Interest Income	4,120,628.58	15,797,297.89
Exchange Gains and Losses	-707,452.18	-1,054,003.29
Service Charge	321,276.88	305,255.33
Total	18,474,489.19	35,504,316.84

Appendix 38 Other Incomes

Program	Amount Incurred in the Current Period	Amount incurred in the last period	Amount recorded into current non-recurring profits and losses
Government subsidies related to the daily activities of enterprises	9,871,098.22	5,517,293.77	147,947.43
Total	9,871,098.22	5,517,293.77	147,947.43

Appendix 39 Investment Income

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Income of long-term equity investment calculated by equity method	2,824,933.21	6,931,525.10
Investment income of financial assets measured at fair value and recorded in current profits and losses during the holding period	-158,515.55	-292,094.74
Investment income obtained from the disposal of financial assets measured at fair value and recorded in current profits and losses		
Income of Bank Financial Product	6,512,884.43	4,273,182.66
Total	9,179,302.09	10,912,613.02

Appendix 40 Income of changes in fair value

Source of producing income of changes in fair value	Amount Incurred in the Current Period	Amount incurred in the last period
Financial assets measured at fair value and whose changes are recorded in current profits and losses	26,158,281.22	13,890,967.44
Include: income of changes in fair value generated by derivative financial instruments	26,158,281.22	13,890,967.44
Total	26,158,281.22	13,890,967.44

Appendix 41 Impairment Loss

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Bad debt loss	197,695.56	-456,423.00
Loss on Inventory Valuation		-25,996.74
Impairment Loss of Fixed Assets		
Total	197,695.56	-482,419.74

Appendix 42 Income of Assets Disposal

Program	Amount Incurred in the Current Period	Amount incurred in the last period	Amount recorded into current non-recurring profits and losses
Income of Disposal of Non-current Assets	11,997,518.40	-188,228.18	11,997,518.40

Include: Income of Disposal of Fixed Assets	11,997,518.40	-188,228.18	11,997,518.40
Total	11,997,518.40	-188,228.18	11,997,518.40

Appendix 43 Non-operating Income

Program	Amount Incurred in the Current Period	Amount incurred in the last period	Amount of non-recurring profits and losses recorded in the current period
Income from Compensation for Breach of Contract	12,256.67	6,556,654.89	12,256.67
Governmental Subsidy	38,919.42	74,686.78	38,919.42
Relocation Compensation Income	88,793.40	3,091,660.35	88,793.40
Other Gains	1,576,474.10	74,418.73	1,576,474.10
Total	1,716,443.59	9,797,420.75	1,716,443.59

Appendix 44 Non-operating Expenditure

Program	Amount Incurred in the Current Period	Amount incurred in the last period	Amount recorded into current non-recurring profits and losses
Donation	4,000.00		4,000.00
Loss of assets scrap and damage	9,041.80		9,041.80
Compensation and Liquidated Damages		6,430,005.15	
Demolition Expenditure	85,950.31	3,081,033.39	85,950.31
Other Expenditures	723,426.51	109,133.77	723,426.51
Total	822,418.62	9,620,172.31	822,418.62

Appendix 45 Income Tax Expenses

1. Income Tax Expenses Form

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Income Tax Expenses of the Current Period	9,220,010.91	27,664,025.42
Deferred Income Tax Expenses	12,901,765.21	7,326,245.99
Total	22,121,776.12	34,990,271.41

2. Adjustment process of accounting profits and income tax expenses

Program	Amount Incurred in the Current Period
Total Profits	87,366,028.12
Income tax expense calculated at statutory tax rate	21,841,507.03
Subsidiaries are affected by different tax rates	734,474.05
Adjust the impact of income tax for previous periods	-35,198.18
Impact of other non-taxable income	-1,983,995.52
Impact of non-deductible costs, expenses and losses	-1,207,927.94
Impact of using deductible loss of deferred tax assets not recognized in the early stage	-255,461.24
Impact of deductible temporary differences or deductible losses of deferred tax assets not recognized in the current period	2,849,800.03
Impact of recognize the deferred tax assets that can be used to offset losses in the early period	175,981.77

Others	2,596.12
Income Tax Expenses	22,121,776.12

Appendix 46 Notes to the cash flow statement

1. Other cash received in connection with operating activities

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Intercourse funds of related parties	569,937.02	318,591.80
Intercourse funds of other units	342,920,924.84	917,966,054.20
Non-operating Income	1,475,758.10	1,150,546.52
Others	3,137,920.94	4,179,708.62
Total	348,104,540.90	923,614,901.14

2. Other cash payment related to operating activities

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Intercourse funds of related parties	1,045,623.70	26,613,911.26
Intercourse funds of other units	297,279,937.27	893,316,091.22
Expenditure of administrative expenses	13,042,670.47	25,120,249.09
Expenditure of operating expenses	22,095,807.54	21,595,947.18
Non-operating Expenditure	558,429.32	487,168.62
Reserve Payment	499,480.07	247,490.00
Bank Charges	321,755.60	323,092.04
Others	4,920,214.42	6,326,874.80
Total	339,763,918.39	974,030,824.21

3. Other cash paid in connection with fund-raising activities

Program	Amount Incurred in the Current Period	Amount incurred in the last period
Current borrowings and interest paid		73,647,073.24
Total		73,647,073.24

Appendix 47 Supplementary information on cash flow statement

1. Supplementary information on cash flow statement

Program	Current Amount	Last Term Amount
1. Adjust net profit to cash flow of operating activities		
Net profit	65,244,252.00	74,558,652.25
Add: assets impairment provision	197,695.56	-259,467.16
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	46,664,713.52	45,223,218.20
Amortization of intangible assets	4,679,361.81	4,645,877.37
Amortization of long-term unamortized expenses	11,510,733.39	791,454.71
Loss on disposal of fixed assets, intangible assets and other long-term assets (marked with "-" for income)	-11,997,518.40	199,107.14
Loss on scrapping fixed assets (marked with "-" for income)	9,041.80	
Loss of fair value change (earnings marked with "-")	-26,158,281.22	-23,082,074.49
Financial expenses (marked with "-" for income)	22,273,840.89	51,994,715.95

Investment loss (marked with "-" for income)	-9,179,302.09	-88,943,376.95
Decrease of deferred tax assets (marked with "-" for increase)	-15,242,389.19	1,803,821.51
Deferred tax liabilities increase (decrease marked with "-")	11,314,155.51	7,319,746.80
Reduction in inventory (marked with "-" for increase)	127,246,418.19	274,302,914.67
Decrease in operational receivables (marked with "-" for increase)	-39,843,479.45	-613,311,955.84
Increase in operational payable items (marked with "-" for decrease)	49,764,970.19	311,142,335.40
Others	-15,891,918.30	-690,426.68
Net Cash Flow from Operating Activities	220,592,294.21	45,694,542.88
2. Major investments and financing activities that do not involve cash receipts and disbursements		
Transfer debt to capital		
Convertible corporate bonds maturing within one year		
Financial Leased Fixed Assets		
3. Net changes in cash and cash equivalents		
Ending balance of cash	625,128,759.14	997,708,704.36
Minus: Beginning balane of cash	867,870,016.78	1,014,438,663.43
Add: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-242,741,257.64	-16,729,959.07

2. Composition of cash and cash equivalents

Program	Ending Balance	Beginning Balance
I. Cash	625,128,759.14	867,870,016.78
Include: Cash on hand	60,478.21	46,418.17
Bank deposit that readily available for payment	570,539,967.58	737,705,225.28
Other monetary funds readily available for payment	54,528,313.35	130,118,373.33
II. Cash equivalents		
Include: Bond investment that matures in three months		
III. Ending balance of cash and cash equivalents	625,128,759.14	867,870,016.78
Include: cash and cash equivalents restrictedly used by the parent company or subsidiaries of the group		

Appendix 48 Assets whose ownership or use rights are restricted

Program	Balance	Restricted reason
Monetary Capital	37,068,225.55	Freezing of fixed deposit receipt and litigation preservation
Inventory	4,824,035.45	Loan Mortgage
Investment Property	5,627,576.03	Loan Mortgage
Fixed Assets	2,461,350.50	Loan Mortgage
Other Non-Current Assets	30,000,000.00	Fixed term of 3 years
Stock equity	39,000,000.00	Freezing of Litigation Preservation
Total	118,981,187.53	

Appendix 49 Item of foreign currency monetary

Program	Ending balance of foreign currency	Discount rate	Converted RMB balance in the end of the period
Monetary Capital	263,143.73	6.8632	1,809,032.74
Include: Dollar	263,143.73	6.8632	1,809,032.74
Prepayment	146,921.49	6.8632	1,018,775.76
Include: Dollar	146,921.49	6.8632	1,018,775.76

Appendix 50 Hedging

Please refer to the related contents in Note Ⅵ.2 "derivative financial assets"

VII. Changes in merge scope

At the 27th meeting of the 8th Board of Directors, Beijing Grain Company was approved to invest 50 million RMB to establish Beijing Grain Gubi Oil Company which has completed the business registration procedures on May 7, 2019. Beijing Grain Gubi Oil Co., Ltd. was included in the scope of the consolidated statements.

VIII. Rights and interests in another subject

(I) Rights and interests in subsidiaries

1. Composition of enterprise groups

Name of subsidiaries	Main place of business	Registration place	Business nature	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Beijing Jingliang Food Co., Ltd.	Beijing	Beijing	Investment Company	100		Same control merger
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	Tianjin	Tianjin	Grease processing		70	Same control merger
Beijing Jingliang Grease Co., Ltd.	Beijing	Beijing	Grease and Oil Material Trade		100	Same control merger
Jingliang Xinchuang (Tianjin) Commercial Management Co., Ltd.	Tianjin	Tianjin	Commercial service industry		51	Same control merger
Jingliang (Hebei) Grease Industrial Co., Ltd.	Hebei	Hebei	Grease processing		51	Same control merger
Beijing Guchuan Grease Co., Ltd.	Beijing	Beijing	Grease processing		100	Same control merger
Beijing Aisen Lubao Grease Co., Ltd.	Beijing	Beijing	Grease processing		100	Same control merger
Beijing Jingliang Gubi Grease Co., Ltd.	Beijing	Beijing	Grease and Oil Material Trade		100	Invest and establish
Beijing Taiweikang Grease Distribution Center Co., Ltd.	Beijing	Beijing	Warehouse and Storage		100	Same control merger
Beijing Guchuan Bread Food Co., Ltd.	Beijing	Beijing	Food Processing		100	Same control merger
Jingliang Misi Catering Management (Tianjin) Co., Ltd.	Tianjin	Tianjin	Food Processing		51	Same control merger
Misi Mihui Catering Management (Tianjin) Co., Ltd.	Tianjin	Tianjin	Food Processing		51	Same control merger

Misi Mihui Catering Management (Beijing) Co., Ltd.	Beijing	Beijing	Food Processing		51	Same control merger
Zhejiang Xiaowangzi Food Co., Ltd.	Hangzhou	Hangzhou	Food Processing		69.7716	Non-identical control merger
Hangzhou Linan Xiaotianshi Food Co., Ltd.	Hangzhou	Hangzhou	Food Processing		69.7716	Non-identical control merger
Liaoning Xiaowangzi Food Co., Ltd.	Liaoning	Liaoning	Food Processing		69.7716	Non-identical control merger
Linqing Xiaowangzi Food Co., Ltd.	Linqing	Linqing	Food Processing		69.7716	Non-identical control merger
Linan Chunmanyuan Agricultural Development Co., Ltd.	Hangzhou	Hangzhou	Food Processing		69.7716	Non-identical control merger
Jingliang (Singapore) International Trading Limited	Singapore	Singapore	Grease and Oil Material Trade		100	Invest and establish
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.	Jiangsu	Xuzhou	Comprehensive agricultural development	51		Invest and establish
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	Hebei	Tangshan	Comprehensive agricultural development	51		Invest and establish

2. Important not wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders (%)	Profits and losses belong to minority shareholders in the current period	Dividends distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	30	-5,225,716.82		236,278,286.24
Zhejiang Xiaowangzi Food Co., Ltd.	30.2284	19,009,828.12	8,838,053.70	243,176,268.57
Jingliang (Hebei) Grease Industrial Co., Ltd.	49	194,411.35	2,009,000.00	34,563,838.80
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.	49	-34,559.75		14,435,529.83
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	49	-200,415.99		24,142,685.45

3. Major financial information of non-wholly-owned subsidiaries

Name of subsidiaries	Ending Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	664,871,440.17	841,733,671.39	1,506,605,111.56	655,119,172.64	63,891,651.46	719,010,824.10
Zhejiang Xiaowangzi Food Co., Ltd.	437,262,450.07	398,972,713.08	836,235,163.15	120,807,472.99	57,564,072.70	178,371,545.69
Jingliang (Hebei) Grease Industrial Co., Ltd.	310,912,347.99	89,902,463.85	400,814,811.84	330,232,835.32	43,530.00	330,276,365.32
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.	29,103,469.60	368,668.10	29,472,137.70	354.00		354.00

Jingliang (Caofeidian) Agricultural Development Co., Ltd.	62,562,143.86	430,504.11	62,992,647.97	13,721,861.34		13,721,861.34

Continue:

Name of subsidiaries	Beginning Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	643,318,329.95	864,787,149.34	1,508,105,479.29	648,070,966.90	55,021,168.86	703,092,135.76
Zhejiang Xiaowangzi Food Co., Ltd.	434,538,712.02	384,616,054.08	819,154,766.10	139,320,269.31	58,435,800.61	197,756,069.92
Jingliang (Hebei) Grease Industrial Co., Ltd.	389,424,891.03	91,971,278.94	481,396,169.97	407,110,951.30	43,530.00	407,154,481.30
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.	29,196,334.50	386,000.53	29,582,335.05	354.00		354.00
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	51,880,588.02	321,598.36	52,202,186.38	2,522,387.52		2,522,387.52

Continue:

Name of subsidiaries	Current Amount			
	Business Income	Net profit	Total Amount of Comprehensive Incomes	Cash Flow from Operating Activities
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	1,463,348,174.86	-17,419,056.07	-17,419,056.07	47,286,961.09
Zhejiang Xiaowangzi Food Co., Ltd.	404,961,227.15	65,702,534.89	65,702,534.89	61,504,068.82
Jingliang (Hebei) Grease Industrial Co., Ltd.	180,415,803.56	396,757.85	396,757.85	45,461,151.90
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.		-110,197.35	-110,197.35	-3,666,156.27
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	5,498,020.87	-409,012.23	-409,012.23	-6,847,756.31

Continue:

Name of subsidiaries	Amount of last year			
	Business Income	Net profit	Total Amount of Comprehensive Incomes	Cash Flow from Operating Activities
Jingliang (Tianjin) Grain and Oil Industrial Co., Ltd.	1,643,788,487.08	2,908,895.69	2,908,895.69	-172,222,048.52
Zhejiang Xiaowangzi Food Co., Ltd.	386,408,244.69	50,378,679.66	50,378,679.66	83,221,633.75
Jingliang (Hebei) Grease Industrial Co., Ltd.	121,186,048.78	1,616,810.38	1,616,810.38	-35,588,805.50
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.		-191,243.14	-191,243.14	-233,925.20

Jingliang (Caofeidian) Agricultural Development Co., Ltd.		-43,179.82	-43,179.82	-7,380,882.40

(II) The share of owner's equity in the subsidiary changes but still controls the transaction of the subsidiary

1. A statement of a change in the share of owners' equity in the subsidiary

Xinyi Grain was registered on January 10 of 2018, the company accounts for 45% of the shares. On November 27 of 2018, at the 30th meeting of the eighth board of directors, the company approved the *Bill on the Partial Equity Rights of Beijing Grain Pastoral Complex Construction and Operation (Xinyi) Co., Ltd*. Yujinzhu Agricultural Partnership Enterprise (General Partnership) in Shizhu Tujia Autonomous County transferred 6% of Xinyi Grain to the company and after the transaction, the company held 51% of the shares of Xinyi Grain. In March 2019, Xinyi Grain completed the changes in the registration and banking business.

2. The impact of the transaction on minority shareholders' equity and owners' equity attributable to the parent company

After the transaction, the increase of the ownership interest attributed to the parent company was 1,780,563.05 yuan, while the decrease in minority equity was 1,780,563.05 yuan.

(III) Equity in a joint venture or joint venture

(1) Important joint venture or affiliated business

Name of joint venture or affiliated business	Main place of business	Registration place	Business nature	Shareholding ratio (%)		Accounting Treatment to Enterprise Investment of Joint Venture or Affiliated Business
				Direct	Indirect	
Beijing Zhengda Feed Co., Ltd.	Niulanshan, Shunyi District, Beijing	Niulanshan, Shunyi District, Beijing	Production Company		50.00	Equity Method
Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.	No.1, Lingang Economic Zone, Binhai New District, Tianjin	No.1, Lingang Economic Zone, Binhai New District, Tianjin	Transportation, Warehousing		30.00	Equity Method

(2) Important main financial information of joint venture

Program	Beijing Zhengda Feed Co., Ltd.	Beijing Zhengda Feed Co., Ltd.
	Ending Balance/Current Amount	Beginning Balance/Previous Amount
Current Assets	38,232,398.26	53,128,106.97
Include: Cash and Cash Equivalents	1,922,894.41	4,164,426.47
Non-current Assets	167,031,061.18	166,435,292.09
Total Assets	205,263,459.44	219,563,399.06
Current Liabilities	75,693,810.89	95,250,888.23
Non-current Liabilities		
Total Liabilities	75,693,810.89	95,250,888.23
Minority Equity		
Equity belong to the parent company	129,569,648.55	124,312,510.83
Share of net assets in proportion to the shareholding ratio	64,784,824.28	62,156,255.42
Adjusting Items		
--Goodwill		

Program	Beijing Zhengda Feed Co., Ltd.	Beijing Zhengda Feed Co., Ltd.
	Ending Balance/Current Amount	Beginning Balance/Previous Amount
--Internal transaction is not profitable		
--Others		
Book value of equity investment in joint venture	67,985,678.14	65,339,624.28
Fair value of equity investment of a joint venture with publicly quoted prices		
Business Income	128,269,508.30	206,302,854.35
Financial Expenses	-1,228,641.61	-890,925.87
Income Tax Expenses	1,752,379.24	3,483,325.87
Net profit	5,292,107.72	10,583,134.31
Net profit from termination of operation		
Other Comprehensive Income		
Total Amount of Comprehensive Incomes	5,292,107.72	10,583,134.31
Dividends received in the current period from the joint venture		

(3) Key financial information of the joint venture

Program	Ending Balance/Current Amount	Beginning Balance/Previous Amount
	Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.	Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.
Current Assets	116,185,192.13	120,310,983.11
Non-current Assets	344,178,944.31	349,183,791.13
Total Assets	460,364,136.44	469,494,774.24
Current Liabilities	9,634,249.16	19,419,434.80
Non-current Liabilities	58,450,000.00	58,450,000.00
Total Liabilities	68,084,249.16	77,869,434.80
Minority Equity		
Equity belong to the parent company	392,279,887.28	391,625,339.44
Share of net assets in proportion to the shareholding ratio	117,683,966.18	117,487,601.83
Adjusting Items		
--Goodwill		
--Internal transaction is not profitable		
--Others		
Book value of equity investment in joint venture	117,683,966.18	117,487,601.83
Fair value of equity investments in associated enterprises that are publicly quoted		
Business Income	2,896,792.95	10,944,998.17
Net profit	654,547.84	5,466,526.47
Net profit from termination of operation		

Program	Ending Balance/Current Amount	Beginning Balance/Previous Amount
	Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.	Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.
Other Comprehensive Income		
Total Amount of Comprehensive Incomes	654,547.84	5,466,526.47
Dividends received from affiliated business during the current period		

IX. Risk disclosure related to financial instruments

The company's business activities will face various financial risks such as credit risk, liquidity risk and market risk (mainly interest rate risk). The company's overall risk management plan aims at the unpredictability of the financial market and strives to reduce the potential adverse impact on the company's financial performance.

(I) Credit Risk

The company's credit risk is mainly from monetary funds, accounts receivable, other receivables and available for sale of financial assets. Management has established appropriate credit policies and continuously monitors the exposure of these credit risks.

The monetary funds held by the company are mainly deposited in commercial banks and other financial institutions. The management believes that these commercial banks have high reputation and assets status, as well as low credit risk. The company adopts a quota policy to avoid credit risk to any financial institution.

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

The maximum credit risk exposure of the company is the book amount of each financial asset in the balance sheet. Except for the financial guarantee provided by the company in the notes, the company does not provide any other guarantee that may expose the company to credit risk.

(II) Liquidity Risk

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

The company's finance department continuously monitors the company's short-term and long-term capital needs to ensure the maintenance of adequate cash reserves; It will also continue to monitor whether it is in compliance with the terms of the borrowing agreements and obtains commitments from major financial institutions to provide adequate reserve funds to meet short-term and long-term funding needs.

As of June 30, 2019, the company's financial assets and liabilities with undiscounted contract cash flow are listed as follows:

Program	Ending Balance					
	Net Book Value	Original Book Value	Within 1 Year	1-2 Years	2-5 Years	Above 5 Years
Monetary Funds	662,196,984.69	662,196,984.69	662,196,984.69			
Account Receivable	92,400,224.12	93,434,760.41	86,216,036.58	7,095,303.83	123,420.00	
Other Receivables	44,773,393.44	45,150,356.93	42,488,330.81	2,406,104.12	205,922.00	50,000.00
In total	799,370,602.25	800,782,102.03	790,901,352.08	9,501,407.95	329,342.00	50,000.00
Short-term Loan	1,593,532,494.10	1,593,532,494.10	1,593,532,494.10			
Accounts Payable	191,662,878.39	191,662,878.39	191,662,878.39			

Other Payables	164,157,301.47	164,157,301.47	161,276,801.47	2,880,500.00		
In total	1,949,352,673.96	1,949,352,673.96	1,946,472,173.96	2,880,500.00		

Continue:

Program	Beginning Balance					
	Net Book Value	Original Book Value	Within 1 Year	1-2 Years	2-5 Years	Above 5 Years
Monetary Funds	924,870,016.78	924,870,016.78	924,870,016.78			
Account Receivable	97,775,710.11	98,642,588.11	98,642,588.11			
Other Receivables	18,256,513.93	18,573,440.15	18,573,440.15			
Financial assets available for sale	20,000,000.00	30,500,000.00	30,500,000.00			
In total	1,060,902,240.82	1,072,586,045.04	1,072,586,045.04			
Short-term Loan	1,437,715,080.91	1,437,715,080.91	1,437,715,080.91			
Accounts Payable	140,564,713.11	140,564,713.11	140,564,713.11			
Other Payables	111,288,708.99	111,288,708.99	111,288,708.99			
In total	1,689,568,503.01	1,689,568,503.01	689,568,503.01			

(III) Market Risk

1. Interest Rate Risk

The company's interest rate risk is mainly from bank loans.

As of June 30, 2019, the company's interest-bearing debt is mainly RMB denominated floating rate contract with the amount of 1,593,532,494.10 Yuan.

X. Fair Value

Program	Ending Fair Value			
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Transactional financial assets				
1. Financial assets measured at fair value and whose changes are recorded in current profits and losses				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial asset that is measured at fair value and whose changes are recorded in current profits and losses				
(1) Debt instrument investment				

(2) Equity instrument investment				
(II) Other creditor's rights investment				
(III) Other equity instrument investment	20,000,000.00			20,000,000.00
(IV) Investment property				
1. Right to use land for lease				
2. Leased building				
3. Hold and prepare for the transfer of land use rights after appreciation				
(V) Biological assets				
1. Consumptive biological assets				
2. Productive biological assets				
Total assets continuously measured at fair value				
(VI) Transactional financial liabilities				
Include: Issued transactional bond				
Derivative financial liability				
Others				
(VII) Financial liability that is s designated as being measured by fair value and being included in current profits and losses				
Amount of liabilities continuously measured at fair value				
II. Non-continuous fair value measurement	--	--	--	--
(I) Hold assets for sale				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at fair value				

XI. Related parties and related transactions

(I) Situation of the parent company of the enterprise

Name of parent name	Registration place	Business nature	Registered capital (Ten Thousand Yuan)	Shareholding ratio of the company (%)	Ratio of voting rights of the company (%)
Beijing Grain Group Co., Ltd.	Beijing City	Investment Management	90,000.00	42.06	42.06

The actual controller of the company is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

(II) Situation of the company's subsidiaries

Refer to Note Ⅷ (Ⅰ) Equity in subsidies

Name of joint venture or affiliated business	Relations with the company
Beijing Zhengda Feed Co., Ltd.	Joint venture
Zhongchuliang (Tianjin) Storatge and Logistics Co., Ltd.	Affiliated Business

(Ⅲ)Situation of the company's joint venture or affiliated business

The company's important joint venture or affiliated business refer to the equity in the joint venture or affiliated business in the notes Ⅷ (III).

(Ⅳ)Situation of other related parties

Name of other related parties	Other related parties' relation with the company
Beijing Baijiayi Food Co. Ltd.	Subject to final control
Beijing Sugar & Wine Sales Co., Ltd	Subject to final control
Beijing Damofang Flour Co., Ltd.	Subject to final control
Beijing Daxing National Grain Reserve	Subject to final control
Beijing Er Shang Dahongmen Meat & Food Co., Ltd.	Subject to final control
Beijing Er Shang Gongyifu Food Co., Ltd.	Subject to final control
Beijing Er Shang Longhe Food Co., Ltd.	Subject to final control
Beijing Guchuan Rice Industry Co., Ltd.	Subject to final control
Beijing Guchuan Food Co., Ltd.	Subject to final control
Beijing Hongyuan Lijun Grain and Oil Supply Co., Ltd.	Subject to final control
Beijing Jingliang E-Commerce Co., Ltd.	Subject to final control
Beijing Jingliang Oriental Grain and Oil Trade Co., Ltd.	Subject to final control
Beijing Jingliang Biotechnology Industry Co., Ltd.	Subject to final control
Beijing Jingliang Taihe Realty Co., Ltd.	Subject to final control
Beijing Jingliang Taiyu Realty Co., Ltd.	Subject to final control
Beijing Jingliang Logistics Co., Ltd.	Subject to final control
Beijing Jingliang Xinda Property Management Co., Ltd.	Subject to final control
Beijing Jingliang Canal Grain and Oil Trade Co., Ltd.	Subject to final control
Beijing Jingliang Realty Co., Ltd.	Subject to final control
Beijing Juncheng Nuoyuan Grain and Oil Trade Co., Ltd.	Subject to final control
Beijing Grain Group Co., Ltd.	Subject to final control
Beijing Capital Agribusiness Group Finance Co., Ltd.	Subject to final control
Beijing Liubiju Food Co., Ltd.	Subject to final control
Beijing Longde Business Management Co., Ltd.	Subject to final control
Beijing Mysleep Hotel Management Co., Ltd.	Subject to final control
Beijing Sanyuan Oil Co., Ltd.	Subject to final control
Beijing Sanyuan Food Co., Ltd.	Subject to final control
Feed Branch of Beijing Sanyuan Seed Technology Co., Ltd.	Subject to final control
Beijing Dahongmen Grain Storage Co., Ltd.	Subject to final control
Beijing Dahongmen Oil Factory Co., Ltd.	Subject to final control

Beijing Haidianxijiao Grain & Oil Supply Station Co., Ltd.	Subject to final control
Beijing Huacheng Trade Co., Ltd.	Subject to final control
Beijing Jingliang Shengyuan Grain & Oil Sale Co., Ltd.	Subject to final control
Beijing Liangguan Grain & Oil Supply Station	Subject to final control
Beijing Grain Science Research Station	Subject to final control
Beijing Longqing Xiadu Army Grain Supply Co., Ltd.	Subject to final control
Beijing Maliandao Special Grain & Oil Supply Station Co., Ltd.	Subject to final control
Beijing Pinggu Grain & Oil Industry & Trade Co., Ltd.	Subject to final control
No. 34 of Supply Station of Beijing Food Supply Department	Subject to final control
Beijing Yanqing Farm Co., Ltd.	Subject to final control
Beijing Yonghe Xincheng Grain & Oil Supply Co., Ltd.	Subject to final control
Beijing Zidibing Grain & Oil Supply Co., Ltd.	Subject to final control
Beijing Shounong Animal Husbandry Development Co., Ltd.	Subject to final control
Beijing Shounong Supply Chain Management Co., Ltd.	Subject to final control
Beijing Shounong Food Group Co., Ltd.	Subject to final control
Beijing Shounong Xiangshan Meeting Center Co., Ltd.	Subject to final control
Beijing Aquatic Product Co., Ltd.	Subject to final control
Beijing Wuhuan Shuntong Supply Chain Management Co., Ltd.	Subject to final control
Beijing Xingshishang Trade Co., Ltd.	Subject to final control
Beijing Yueshengzhai Halal Food Co., Ltd.	Subject to final control
Beijing Changcheng Danyu Livestock Products Co., Ltd.	Subject to final control
Beijing Zhibohui Architectural Design Institute Co., Ltd.	Subject to final control
Beijing Zhujun Grain and Oil Supply Co., Ltd.	Subject to final control
Hebei Shounong Modern Agriculture Technology Co., Ltd.	Subject to final control
Jingliang (Tianjin) E-commerce Co., Ltd.	Subject to final control
Jingliang (Tianjin) Trade Development Co., Ltd.	Subject to final control
Shandong Fukuan Biological Engineering Co., Ltd.	Subject to final control
China Meat Research Center	Subject to final control

(Ⅴ) Transaction of Related Parties

1. For subsidiaries that have a controlling relationship and have been included in the consolidated financial statements of the company, their mutual transactions and parent-subsidiary transactions have been set off.

2. Purchase goods, receive labor services related transactions

Related parties	Related transaction content	Amount Incurred in the Current Period	Approved transaction limit	Whether exceed the transaction limit	Amount incurred in the last period
Beijing Guchuan Food Co., Ltd.	Purchase goods	6,712,357.05	25,800,000.00	No	8,704,540.14
Beijing Guchuan Rice Co., Ltd.	Purchase goods	1,080,320.62	12,700,000.00	No	2,321,519.05
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	Purchase goods	62,306.04	700,000.00	No	238,733.49
Other related parties of the company	Purchase goods	681,702.10	1,900,000.00	No	3,385,024.22
Total		8,536,685.81	41,100,000.00		14,649,816.90

3. Situation of selling goods/providing labor services

Related parties	Related transaction content	Amount Incurred in the Current Period	Amount incurred in the last period
Beijing Sanyuan Seed Technology Co., Ltd.	Sell Goods	14,515,875.28	
Hebei Shounong Modern Agricultural Technology Co., Ltd.	Sell Goods	10,975,282.69	
Beijing Haidian Western Suburb Grain and Oil Supply Station Co., Ltd.	Sell Goods	5,797,596.22	6,439,818.19
Beijing Jingliang Electronic Commerce Co., Ltd.	Sell Goods	556,667.87	4,812,771.10
Beijing Zidibing Grain and Oil Supply Co., Ltd.	Sell Goods	1,578,420.33	2,183,385.73
Beijing Food Supply Division No.34 Supply Department Co., Ltd.	Sell Goods	1,056,193.89	1,116,117.18
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	Sell Goods	3,098,779.64	2,848,458.76
Beijing Maliandao Grain and Oil Special Supply Co., Ltd.	Sell Goods	1,299,552.22	1,401,727.24
Beijing Longqing Xiadu Military Grain Supply Co., Ltd.	Sell Goods	363,175.15	360,148.97
Beijing Zhujun Grain and Oil Special Supply Co., Ltd.	Sell Goods	3,014,819.43	2,491,096.58
Beijing Guchuan Rice Co., Ltd.	Sell Goods	380,345.69	189,562.50
Beijing Guchuan Food Co., Ltd.	Sell Goods	1,120,065.36	1,175,322.73
Beijing Guchuan Food Co., Ltd.	Sales services		66,742.78
Other related parties of the company	Sell Goods	4,360,746.94	1,126,204.26
Total		48,117,520.71	24,211,356.02

Note: the transaction price of the affiliated transaction shall be the price charged by the same or similar business activities between the non-affiliated parties as the transaction price of the affiliated transaction.

4. Related leasing situation

①The company as leaser

Leasee's name	Leasing assets type	Rental income recognized in the current period	Rental income recognized in the last period
Beijing Jingliang Electronic Commerce Co., Ltd.	Car rental		5,440.00
Beijing Guchuan Food Co., Ltd.	House rent	9,523,809.50	3,500,000.00
Total		9,523,809.50	3,505,440.00

②The company as leasee

Leaser's name	Leasing assets type	Rental income recognized in the current period	Rental income recognized in the last period
Beijing Dahongmen Grain Collection Storage Warehouse Co., Ltd.	House rent	956,592.00	2,019,284.63
Beijing Grain Group Co., Ltd.	House rent	700,000.00	2,453,228.62
Beijing Dahongmen Oil Plant	House rent	340,000.00	
Beijing Daxing State Grain Storage Warehouse	Oil tank and office rent	1,055,100.00	1,055,100.00
Total		3,051,692.00	5,527,613.25

5. Related party funds borrowing

As of June 30, 2019, the company has borrowed 270 million yuan from Beijing Shounong Food Group Finance Co., Ltd.

6. Key management compensation

Program	Amount of current year (ten thousand Yuan)	Amount of last year (ten thousand Yuan)
Key management compensation	78.26	68.65

Leaser's name	Program	Volume confirmed for the current period	Volume confirmed for the last period
Beijing Guchuan Food Co., Ltd.	Water and electricity Fee	1,380,188.9	1,693,878.38
Total		1,380,188.9	1,693,878.38

7. Other related transactions

8. Receivables and payables of related parties

(1) Receivables

Item Name	Ending Balance		Beginning Balance	
	Book Balance	Bad-debt Provision	Book Balance	Bad-debt Provision
Accounts receivable:				
Beijing Liangguan Grain and Oil Supply Station			37,200.00	
Beijing Jingliang Electronic Commerce Co., Ltd.	1,500.00		146,333.80	
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	24,240.00			
Beijing Zhujun Grain and Oil Special Supply Co., Ltd.	446,400.00		1,394,180.00	
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	153,037.00		1,067,408.00	
Beijing Guchuan Food Co., Ltd.	10,013,730.00		370,505.00	
Beijing Guchuan Rice Co., Ltd.	2,000.00			
Beijing Haidian Western Suburb Grain and Oil Supply Station Co., Ltd.	177,320.00		436,300.00	
Beijing Ershanggong Yifu Food Co., Ltd.	35,640.00			
Feed Branch of Beijing Sanyuan Seed Technology Co., Ltd.	2,523,693.10			
Hebei Shounong Modern Agricultural Technology Co., Ltd.	395,857.64			
Jingliang (Tianjin) Electronic Commerce Co., Ltd.			4,074.00	
Total	13,773,417.74		3,456,000.80	

(2) Payable Items

Item Name	Ending Balance	Beginning Balance
Accounts payable:		
Beijing Sanyuan Food Co., Ltd.	8,234.86	
Beijing Guchuan Food Co., Ltd.	133,577.98	211,309.09
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	309.63	127.27
Shandong Fukuan Biological Engineering Co., Ltd.		56,187.93
Total	142,122.47	267,624.29
Advance payment:		
Beijing Guchuan Rice Co., Ltd.		11,988.01

Item Name	Ending Balance	Beginning Balance
Total		11,988.01
Other payables:		
Beijing Grain Group Co., Ltd.	1,141,790.30	561,790.30
Beijing Jingliang Electronic Commerce Co., Ltd.		169,728.00
Beijing Guchuan Food Co., Ltd.	260,405.90	
Dahongmen Oil Plant		47,025.76
Beijing Daxing State Grain Storage Warehouse	1,055,100.00	
Jingliang (Tianjin) Trade Development Co., Ltd.		38,789.20
Total	2,457,296.2	817,333.26

XII. Commitments and contingencies

1. Items of major commitments

(1) *Supplementary Agreement (II) to the Profit Compensation Agreement* approved by the seventh meeting of the eighth board of directors of the company stipulates that the promised net profits of Beijing Jingliang Food Co., Ltd. in 2017, 2018 and 2019 shall be no less than 130,011,500 Yuan, 150,393,700 Yuan and 162,160,500 Yuan respectively.

2. Contingency

Except for the pending litigation disclosed in Section 5 of the semi-annual report, the company has no other contingencies to disclose at the end of this report.

XIII. Events after the balance sheet date

Nil

XIV. Description of other important matters

Nil

XV. Notes to key items in the parent company's financial statements

Appendix 1. Accounts receivable

1. Classified disclosure of accounts receivable

Type	Ending Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
The accounts receivable for which provision for bad debts is made on a single item basis					
Include：					
Accounts receivable for bad debt provision on a combined basis	126,420.00	100.00	51,960.00	41.10	74,460.00
Include：					
Group1-the accounts receivable according to aging analysis method	126,420.00	100.00	51,960.00	41.10	74,460.00

Total	126,420.00	100.00	51,960.00	41.10	74,460.00

Continue:

Type	Beginning Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
The accounts receivable for which provision for bad debts is made on a single item basis					
Include:					
Accounts receivable for bad debt provision on a combined basis	126,420.00	100.00	46,434.00	36.73	79,986.00
Include:					
Group1-the accounts receivable according to aging analysis method	126,420.00	100.00	46,434.00	36.73	79,986.00

①In group, accounts receivable transfers to bad debt provision according to aging analysis method

Aging	Ending Balance			
	Account Receivable	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within 1 Year				2
1-2 Years	3000.00	150.00	2,850.00	5
2-3 Years	33000.00	6,600.00	26,400.00	20
3-4 Years	90420.00	45,210.00	45,210.00	50
4-5 Years				80
Above 5 Years				100
Total	126,420.00	51,960.00	74,460.00	-----

Continue:

Aging	Beginning Balance			
	Account Receivable	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within 1 Year				2
1-2 Years	3000.00	150.00	2,850.00	5
2-3 Years	51420.00	10284.00	41,136.00	20
3-4 Years	72,000.00	36,000.00	36,000.00	50
4-5 Years				80
Above 5 Years				100
Total	126,420.00	46,434.00	79,986.00	—

2. No shareholder holding more than 5%(including 5%) of the voting shares of the company in the accounts receivable at the end of the reporting period.

3. No related party accounts receivable at the end of the period.

Appendix 2. Advance Payment

Aging	Ending Balance		
	Prepayment	Ratio (%)	Bad-debt Provision
Within 1 Year	54,220.00	73.05	

1-2 Years	20,000.00	26.95	
2-3 Years			
Above 3 Years			
Total	74,220.00	100.00	

Continue:

Aging	Beginning Balance		
	Prepayment	Ratio (%)	Bad-debt Provision
Within 1 Year			
1-2 Years	20,000.00	100.00	
2-3 Years			
Above 3 Years			
Total	20,000.00	100.00	

Appendix 3 Other Receivables

Program	Ending Balance	Year-Beginning Balance
Other Receivables	12,472,102.45	227,353.10
Interest Receivable		
Dividend Receivable		
合 计	12,472,102.45	227,353.10

1. Classified disclosure of other receivables

Type	Ending Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Other Receivables with Significant Single Amount and Separate Bad Debt Provision					
Other receivables for which bad debt provisions are drawn according to the combination of credit risk features					
Group 1 - Other Receivables Analyzed by Aging	325,069.85	2.60	52,967.40	16.29	272,102.45
Group 2 - Other Receivables of Related Parties	12,200,000.00	97.40			12,200,000.00
Group Total	12,525,069.85	100.00	52,967.40	0.42	12,472,102.45
Other receivables for which the bad debt provision is drawn separately, although the amount is not significant					
Total	12,525,069.85	100.00	52,967.40	0.42	12,472,102.45

Continue:

Type	Beginning Balance				
	Book Balance		Bad-debt Provision		Book Value
	Amount	Ratio (%)	Amount	Accrual Ratio (%)	
Other Receivables with Significant Single Amount and Separate Bad Debt Provision					
Other receivables for which bad debt provisions are drawn according to the combination of credit risk features					
Group 1: Aging Group	281,502.34	100	54,149.24	19.24	227,353.10
Group 2 - Other Receivables of Related Parties					
Sub-total of Group	281,502.34	100	54,149.24	19.24	227,353.10
Other receivables for which the bad debt provision is drawn separately, although the amount is not significant					
Total	281,502.34	100	54,149.24	19.24	227,353.10

①In group, other receivables of bad debt provision are drawn according to aging analysis method

Aging	Ending Balance			
	Other Receivables	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within the Credit Period	2,200.00		2,200.00	0
Within 1 Year	124,500.00		124,500.00	2
1-2 Years	148,369.85	2,967.40	145,402.45	5
2-3 Years				20
3-4 Years				50
4-5 Years				80
Above 5 Years	50,000.00	50,000.00		100
Total	325,069.85	52,967.40	272,102.45	-----

Continue:

Aging	Beginning Balance			
	Other Receivables	Bad-debt Provision	Net Amount	Accrual Ratio (%)
Within the Credit Period	24,040.24		24,040.24	0
Within 1 Year	207,462.10	4,149.24	203,312.86	2
1-2 Years				5
2-3 Years				20
3-4 Years				50
4-5 Years				80
Above 5 Years	50,000	50,000		100
Total	281,502.34	54,149.24	227,353.10	-----

2. Bad debt provision for the current period

The amount of bad debt provision transferred back to the current period is 1,181.84 Yuan.

3. Other receivables are classified according to the payment nature

Payment Nature	Ending Balance	Beginning Balance

Fund of Disbursement	148,369.85	207,462.10
Intercourse Funds of Unit	12,324,500.00	
Employee Accounts Receivable	50,000.00	24,040.24
Others	2,200.00	50,000.00
Total	12,525,069.85	281,502.34

4. Withdrawing situation of bad-debt provision

Bad-debt Provision	Stage I	Stage II	Stage III	Total
	Expected Credit Losses over the Next 12 Months	Expected Credit Loss for the Entire Duration (No Credit Impairment is Occurred)	Expected Credit Loss for the Entire Duration (Credit Impairment has Occurred)	
Balance on Juanry 1, 2019	54,149.24			
Balance for the Current Period on January 1, 2019	——	——	——	——
--Transfer into Stage II				
--Transfer into Stage III				
--Return to Stage II				
--Return to Stage I				
Accrual for the Current Period				
Return for Current Period	1,181.84			
Write-off for Current Period				
Charge-off for Current Period				
Other Changes				
Balance on June 30, 2019	52,967.40			

5. Among other accounts receivable at the end of the period, there is no shareholder holding more than 5% (including 5%) of the voting shares of the company debt.

6. Other receivables in the top five of the ending balance collected by the defaulting party

Unit Name	Payment Nature	Ending Balance	Aging	Percentage of ending balance of other receivables (%)	Bad-debt Provision Ending Balance
Unit I	Intercourse Funds	12,200,000.00	1-2 Years	97.40	
Unit II	Borrowing	124,500.00	Within 3 Months	0.99	
Unit III	Personal Intercourse Funds	50,000.00	Above 5 Years	0.40	
Unit IV	Personal Intercourse Funds	46,000.00	Above 5 Years	0.37	
Total		12,420,500.00	-----	99.17	

Appendix 4 Inventory

1. Inventory Classification

Program	Ending Balance			Beginning Balance		
	Book Balance	Falling Price Reserves	Book Value	Book Balance	Falling Price Reserves	Book Value
Product Development	16,497,730.12	11,673,694.67	4,824,035.45	16,497,730.12	11,673,694.67	4,824,035.45

Total	16,497,730.12	11,673,694.67	4,824,035.45	16,497,730.12	11,673,694.67	4,824,035.45

2. Falling Price Reserves of Inventory

Inventory Type	Beginning Balance	Increased Amount in the Current Period		Reduced Amount in the Current Period			Ending Balance
		Accrual	Others	Return	Write-off	Others	
Product Development	11,673,694.67						11,673,694.67
Total	11,673,694.67						11,673,694.67

Appendix 5 Other Current Assets

Program	Ending Balance	Year-Beginning Balance
Advance Payment of Taxes	75,984.05	75,984.05
Nondeductible Income Tax of VAT	2,095,794.96	1,886,387.27
Others	19,170,700.00	
Total	21,342,479.01	1,962,371.32

Appendix 6 Long-term Equity Investment

(1) Classification of long-term equity investment

Payment Nature	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment to subsidiary	2,377,420,527.10		2,377,420,527.10	2,375,639,964.05		2,375,639,964.05
Investment to joint venture and affiliated business						
Total	2,377,420,527.10		2,377,420,527.10	2,375,639,964.05		2,375,639,964.05

(2) Investment to subsidiary

Invested Unit	Year-Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance	Impairment provision for the current period	Ending Balance of Impairment Provision
Beijing Jingliang Food Co., Ltd.	2,336,639,964.05			2,336,639,964.05		
Jingliang Rural Complex Construction and Operation (Xinyi) Co., Ltd.	13,500,000.00	1,780,563.05		15,280,563.05		
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	25,500,000.00			25,500,000.00		
Total	2,375,639,964.05	1,780,563.05		2,377,420,527.1		

Appendix 7 Investment of Other Equity Instruments

Program	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value

Calculated and Measured by Cost	30,500,000.00	10,500,000.00	20,000,000.00			
Total	30,500,000.00	10,500,000.00	20,000,000.00			

Appendix 8 Investment Property

Program	House, Building	Land Use Right	Construction in Process	Total
I. Original Book Value				
1. Beginning Balance	8,412,701.88			8,412,701.88
2. Increased Amount in the Current Period				
3. Reduced Amount in the Current Period				
(1) Disposal				
4. Ending Balance	8,412,701.88			8,412,701.88
II. Accumulated Depreciation (Amortization)				
1. Beginning Balance	2,180,063.83			2,180,063.83
2. Increased Amount in the Current Period	151,218.30			151,218.30
(1) Accrual or Amortization	151,218.30			151,218.30
3. Reduced Amount in the Current Period				
(1) Disposal				
4. Ending Balance	2,331,282.13			2,331,282.13
III. Provision for Impairment				
1. Beginning Balance	453,843.72			453,843.72
2. Increased Amount in the Current Period				
3. Reduced Amount in the Current Period				
(1) Disposal				
4. Ending Balance	453,843.72			453,843.72
IV. Book Value				
1. Ending Book Value	5,627,576.03			5,627,576.03
2. Beginning Book Value	5,778,794.33			5,778,794.33

The book value of the investment property used for mortgage at the end of the period is 5,627,576.03 Yuan.

Appendix 9 Fixed Assets

Program	Ending Balance	Year-Beginning Balance
Fixed Assets	3,202,409.24	3,260,620.04
合 计	3,202,409.24	3,260,620.04

1. Situation of Fixed Assets

Program	House & Building	Machine Equipment	Transportation Facility	Electronic Equipment	Office Equipment	Other Equipment	Total
I. Total Original Book Value							
1. Beginning Balance	16,403,491.48		6,019,026.00			801,869.16	23,224,386.64
2. Increased Amount in the Current Period						109,751.52	109,751.52
(1) Purchase						109,751.52	109,751.52
(2) Transfer from Construction in Progress							
(3) Other Transfer							
3. Reduced Amount in the Current Period							
(1) Disposal or Scrapping							
(2) Other Transfer							
4. Ending Balance	16,403,491.48		6,019,026.00			911,620.68	23,334,138.16
II. Accumulated Depreciation							
1. Beginning Balance	6,038,500.68		5,718,074.70			707,895.30	12,464,470.68
2. Increased Amount in the Current Period	150,709.12					17,253.20	167,962.32
(1) Accrual	150,709.12					17,253.20	167,962.32
(2) Others							
3. Reduced Amount in the Current Period							
(1) Disposal or Scrapping							
(2) Other Transfer							
4. Ending Balance	6,189,209.80		5,718,074.70			725,148.50	12,632,433.00
III. Provision for Impairment							
1. Beginning Balance	7,499,295.92						7,499,295.92
2. Increased Amount in the Current Period							
3. Reduced Amount in the Current Period							
4. Ending Balance	7,499,295.92						7,499,295.92
IV. Total Book Value							
1. Ending Book Value	2,714,985.76		300,951.30			186,472.18	3,202,409.24
2. Beginning Book Value	2,865,694.88		300,951.30			93,973.86	3,260,620.04

Book value of fixed assets used for guarantee at the end of the period is 2,461,350.50 Yuan.

Appendix 10 Intangible Assets

Program	Software	Land Use Right	Trademark Right	Patent right	Others	Total
I. Total Original Book Value						
1. Beginning Balance	217,013.02					217,013.02
2. Increased Amount in the Current Period						
(1) Purchase						
(2) Internal R&D						
(3) Others						
3. Reduced Amount in the Current Period						
(1) Disposal						
(2) Others						
4. Ending Balance	217,013.02					217,013.02
II. Accumulated Amortization						
1. Beginning Balance	45,943.84					45,943.84
2. Increased Amount in the Current Period	51,320.76					51,320.76
(1) Accrual	51,320.76					51,320.76
(2) Others						
3. Reduced Amount in the Current Period						
(1) Disposal						
(2) Others						
4. Ending Balance	97,264.60					97,264.60
III. Provision for Impairment						
1. Beginning Balance						
2. Increased Amount in the Current Period						
(1) Accrual						
3. Reduced Amount in the Current Period						
(1) Disposal						
4. Ending Balance						
IV. Total Book Value						
1. Ending Book Value	119,748.42					119,748.42
2. Beginning Book Value	171,069.18					171,069.18

Appendix 11 Payroll Payable

1.Employee compensation payable

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Short-term Salary	438,195.96	7,290,012.21	7,424,433.24	303,774.93
Post-service Benefits - Set up a Contribution Plan		95,254.58	95,254.58	
Dismission Welfare		1,785,625.22	1,785,625.22	
Total	438,195.96	9,170,892.01	9,305,313.04	303,774.93

2.Short-term Salary List

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Salaries, bonuses, allowances and subsidies	296,694.93	5,479,219.58	5,604,579.58	171,334.93
Employee Benefits Costs		128,842.66	128,842.66	
Social Insurance Charges		1,151,165.43	1,151,165.43	
Include: Basic Medical Insurance Premiums		403,957.30	403,957.30	
Industrial Injury Insurance Premium		16,460.69	16,460.69	
Birth Insurance Premium		31,617.01	31,617.01	
Others		699,130.43	699,130.43	
housing Provident Fund		517,711.00	517,711.00	
Trade union funds and employee' education funds	141,501.03	13,073.54	22,134.57	132,440.00
合 计	438,195.96	7,290,012.21	7,424,433.24	303,774.93

3. Defined Withdrawn Plan

Program	Beginning Balance	Increase in the Current Period	Reduction in the Current Period	Ending Balance
Basic Endowment Insurance		92,850.00	92,850.00	
Unemployment Insurance Expense		2,404.58	2,404.58	
Total		95,254.58	95,254.58	

Appendix 12 Tax Payable

Tax Items	Ending Balance	Beginning Balance
Urban Maintenance and Construction Tax	119,051.20	119,051.20
Enterprise Income Tax	165,292.16	165,292.16
House Property Tax	582,345.82	582,300.15
Land Use Tax	5,349.84	5,349.84
Individual Income Tax	56,524.01	52,322.26
Local Education Surcharge	52,143.07	52,143.07
Total	980,706.10	976,458.68

Appendix 13 Other Payables

Program	Ending Balance	Year-Beginning Balance
Other Payables	476,026,548.29	425,650,952.21
Payable Interest	21,082,795.47	21,082,795.47
Dividend Payable	3,213,302.88	3,213,302.88
合 计	500,322,646.64	449,947,050.56

Appendix 14 Business Income and Business Cost

1.Business Income, Business Cost

Program	Amount Incurred in the Current Period		Amount incurred in the last period	
	Income	Cost	Income	Cost
Main Business				
Other Businesses				151,218.30
Total				151,218.30

XVI. Supplementary materials

(I) Statement of current non-recurring profits and losses

Program	Amount	Description
Disposal profits and losses of Illiquid assets	11,997,518.40	
Government subsidies credited to current profits and losses (closely related to the business of the enterprise, except government subsidies enjoyed in accordance with the unified national standard or quota)	186,866.85	
In addition to the effective hedging business related to the company's normal business operations, the fair value changes and losses arising from the holding of trading financial assets and trading financial liabilities, as well as the investment gains obtained from the disposal of trading financial assets, trading financial liabilities and available for sale financial assets	750,047.17	
Income and expenditure other than those mentioned above	1,327,699.79	
Other profit and loss items that meet the definition of non-recurring profit and loss	14,022.57	
In total	14,276,154.78	
Income tax impact	-3,381,157.42	
Impact on minority shareholders' equity (after tax)	-578,566.54	
Total	10,316,430.82	

(II) Income of equity and earnings per share

Profits of report period	Weighted average net assets Income rate (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	2.24	0.08	0.08
Net profit attributable to common shareholders after deducting non-recurrent gains and losses	1.79	0.06	0.06

Legal Representative of Enterprise: Li Shaoling　　Responsible Person in Charge of Accounting Work: Guan Ying　　Person in Charge of Accounting Institution: Liu Quanli

Hainan Jingliang Holdings Co., Ltd.

(official seal)

August 15, 2019