



Dongfeng Sci-Tech Group Co., Ltd.

ANNUAL REPORT 2019

April 2020

Section I. Important Notice, Contents and Interpretation

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Dongfeng Sci-Tech Group Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take legal liability, individual and/or joint, for the whole contents.

Zhao Yongsheng, Principal of the Company, Zhao Yongsheng, person in charger of accounting works and Liu Fengguo, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2019 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

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Interpretation

| Items | Refers to | Contents |
|---------------------------------|-----------|--|
| CSRC, SRC | Refers to | China Securities Regulatory Commission |
| SZ Stock Exchange, Exchange | Refers to | Shenzhen Stock Exchange |
| Company, The Company | Refers to | Dongfeng Sci-Tech Group CO., LTD. |
| Dongfeng Investment | Refers to | Chengde Dongfeng Investment Co., Ltd. |
| Kefeng Trading | Refers to | Chengde Kefeng Trading Co., Ltd. |
| Kefeng Engineering | Refers to | Chengde Kefeng Engineering Project Management Co. Ltd. |
| Nanjiang Technology | Refers to | Chengde Nanjiang Technology Co. Ltd. |
| Ecological Agriculture | Refers to | Chengde Dongfeng Ecological Agriculture Co., Ltd. |
| Asia Investment, Nanjiang Asia | Refers to | Nanjiang Asia Investment Co., Ltd. |
| Hangzhou Dongfeng | Refers to | Hangzhou Dongfeng Technology Co. Ltd. |
| Dongfeng Technology Development | Refers to | Dongguan Dongfeng Technology Development Co., Ltd. |
| Dongfeng Intelligent | Refers to | Dongguan Dongfeng Intelligent Technology Co., Ltd. |
| Zhongchuang New Energy | Refers to | Dongguan Zhongchuang New Energy Technology Co., Ltd. |
| Aolin New Materials | Refers to | Dongguan Aolin New Materials Co., Ltd. |
| Haizhuo Energy | Refers to | Dongguan Haizhuo Energy Technology Co., Ltd. |
| Huijing Property | Refers to | Chengde Huijing Property Services Co., Ltd. |
| Dongfeng Power | Refers to | Dongguan Dongfeng Power Tech. Co., Ltd. |
| <i>Company Law</i> | Refers to | Company Law of the People's Republic of China |
| <i>Securities Law</i> | Refers to | Securities Law of the People's Republic of China |
| Listing Rules | Refers to | Rules Governing the Listing of Stocks on Shenzhen Stock Exchange |
| Yuan, 10 thousand Yuan | Refers to | RMB, RMB 10 thousand |

Section II. Company Profile and Main Financial Indexes

I. Company information

| | | | |
|---|---|------------|--------|
| Short form of the stock | Dongfeng-B | Stock code | 200160 |
| Short form of the Stock after changed (if applicable) | N/A | | |
| Stock exchange for listing | Shenzhen Stock Exchange | | |
| Name of the Company (in Chinese) | 东沣科技集团股份有限公司 | | |
| Short form of the Company (in Chinese) | 东沣 B | | |
| Foreign name of the Company (if applicable) | DongfengSci-Tech Group CO.,LTD | | |
| Short form of foreign name of the Company (if applicable) | DONGFENG-B | | |
| Legal representative | Zhao Yongsheng | | |
| Registrations add. | XiaBanCheng Town, Chengde County, Hebei Province, P.R.C | | |
| Codes for office add. | 067400 | | |
| Offices add. | XiaBanCheng Town, Chengde County, Hebei Province, P.R.C | | |
| Codes for office add. | 067400 | | |
| Website | -- | | |
| E-mail | dfjt@dftechgroup.com | | |

II. Person/Way to contact

| | Secretary of the Board | Rep. of security affairs |
|--------------|---|---|
| Name | Li Wenyong | Wang Haijian |
| Contact add. | XiaBanCheng Town, Chengde County, Hebei Province, P.R.C | XiaBanCheng Town, Chengde County, Hebei Province, P.R.C |
| Tel. | 0314-3115048 | 0314-3115048 |
| Fax. | 0314-3111475 | 0314-3111475 |
| E-mail | liwy@dftechgroup.com | wanghj@dftechgroup.com |

III. Information disclosure and preparation place

| | |
|---|---|
| Media appointed for information disclosure | Mainland China: <i>Securities Times</i> ; overseas: <i>Hong Kong Commercial Daily</i> |
| Website for annual report publish appointed by CSRC | Juchao website: http://www.cninfo.com.cn |
| Preparation place for annual report | Security department of the Company |

IV. Registration changes of the Company

| | |
|---|--------------------|
| Organization code | 911308001065768766 |
| Changes of main business since listing (if applicable) | No changes |
| Previous changes for controlling shareholders (if applicable) | No changes |

V. Other relevant information

CPA engaged by the Company

| | |
|----------------------|--|
| Name of CPA | Dahua Certified Public Accountants (Limited Liability Partnership) |
| Offices add. for CPA | No. 689, Tianhe Road (N), Guangzhou |
| Signing Accountants | Hu Zhigan g, Yan Lisheng |

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data

Yes No

| | 2019 | 2018 | Changes over last year(+,-) | 2017 |
|---|----------------|----------------|-----------------------------|----------------|
| Operating income (RMB) | 44,121,179.41 | 123,508,083.90 | -64.28% | 250,071,863.07 |
| Net profit attributable to shareholders of the listed company (RMB) | -72,533,718.54 | 7,383,835.76 | -1,082.33% | 4,102,325.89 |
| Net profit attributable to shareholders of the listed company after deducting | -69,205,042.46 | -12,564,268.78 | -450.81% | -49,734,326.42 |

| | | | | |
|--|------------------|------------------|-------------------------------|------------------|
| non-recurring gains and losses (RMB) | | | | |
| Net cash flow arising from operating activities (RMB) | 45,275,970.62 | 34,566,049.31 | 30.98% | -84,551,574.28 |
| Basic earnings per share (RMB/Share) | -0.10 | 0.01 | -1,100.00% | 0.01 |
| Diluted earnings per share (RMB/Share) | -0.10 | 0.01 | -1,100.00% | 0.01 |
| Weighted average ROE | -22.41% | 2.01% | -24.42% | 1.13% |
| | Year-end of 2019 | Year-end of 2018 | Changes over end of last year | Year-end of 2017 |
| Total assets (RMB) | 683,092,077.24 | 624,370,817.40 | 9.40% | 503,762,445.04 |
| Net assets attributable to shareholder of listed company (RMB) | 269,584,817.70 | 351,593,999.08 | -23.32% | 363,928,776.87 |

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

| | Q 1 | Q 2 | Q 3 | Q 4 |
|---|----------------|----------------|----------------|----------------|
| Operating income | 19,742,832.21 | 13,628,581.27 | 6,433,442.99 | 4,316,322.94 |
| Net profit attributable to shareholders of the listed company | -14,173,060.95 | -10,244,807.95 | -10,917,560.62 | -37,198,289.02 |
| Net profit attributable to | -14,310,855.79 | -10,747,459.83 | -8,319,206.22 | -35,827,520.62 |

| | | | | |
|---|---------------|---------------|--------------|------------------|
| shareholders of the listed company after deducting non-recurring gains and losses | | | | |
| Net cash flow arising from operating activities | 18,406,542.28 | -4,158,511.17 | 7,362,629.60 | 23, 665, 309. 91 |

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

| Item | 2019 | 2018 | 2017 | Note |
|---|---------------|---------------|---------------|--------------------------------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | -1,192,749.81 | 4,526,245.58 | 65,016,094.13 | |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 12,451.79 | 2,896,000.00 | | |
| Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, derivative financial assets, transaction financial liability and derivative financial liability and investment gains from disposal of transaction financial asset, derivative financial assets, transaction financial liability, derivative financial liability and other debt investment, exclude the effective hedging business relevant with normal operations of the Company | 436,020.07 | 1,144,246.03 | | Income from financial products |
| Other non-operating income and expenditure except for the aforementioned items | -2,584,398.13 | -470,819.42 | -754,839.79 | |
| Gain/losses items qualified definition of the extraordinary gains/losses | | 18,501,800.54 | 2,482,382.07 | |
| Less: Impact on income tax | | 6,649,368.19 | 12,906,984.10 | |
| Total | -3,328,676.08 | 19,948,104.54 | 53,836,652.31 | -- |

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

Real estate business: the real estate development business was the main operating business of the Company during the reporting period, and the business model was the development and sales of commercial housing, and the business scope was mainly located in Chengde area. The main products were residence and commerce. With high-quality product quality and property services, the company's real estate business had established a good reputation in the local area.

Hydrogen fuel cell business: with Dongguan Zhongchuang New Energy as the business platform, the Company mainly engaged in the R&D, production and sales of fuel cell core raw materials (membrane electrodes) and fuel cell power systems, as well as providing integrated solutions for platforms such as fuel cell power systems in automobiles, drones, electric forklifts, distributed power stations, and emergency power supplies. At present, 500W to 5000W series air-cooled fuel cell pile (graphite bipolar plates) have been finalized for production, and the mass power density of the pile is above 500W/kg, at present, the Company are actively exploring the market, and in the process of small-scale production and sales.

New material business: with Aolin New Materials as its business platform, the Company mainly engaged in the research & development, production and sales of high-performance ceramic fiber materials, its main products were alumina fiber and zirconia fiber, which possess with excellent thermal insulation, energy saving, fire resistance, and fireproof performance and can be widely used in industrial furnace wall lining, backing, lining, pipe insulation, thermal insulation and sealing (automobile gasket), radiation and heat insulation of petrification, metallurgy, non-ferrous metals, building materials, electric power, machinery, ceramics, glass, shipping and other industries. At present, the alumina short fiber, researched and developed by Aolin New Materials have entered the small batch production and sales.

(ii) Main performance drivers

During the reporting period, due to the tightening of regulatory policies, the tightening policies in the real estate market such as purchase restrictions, limited loans, and price limits were frequent, and the real estate market in Beijing-surrounded areas has stabilized. The Company's real estate development has been mainly located in the Chengde area, and the opening of the Beijing-Shenyang high-speed railway shall make Chengde enter the "one-hour economic circle of the capital" and thus has better regional advantages. In recent years, the real estate projects developed by the Company have established a good reputation and brand image in the local area with excellent quality and perfect property management. In the future, under the background of Beijing-Tianjin-Hebei integration, the Company will continue to improve service quality, build high-end boutique houses, and improve market competitiveness. Meanwhile, actively promotes the construction of industrialization project of Dongfeng

new energy equipment, promotes the industrialization and marketization of hydrogen energy and new material industry, and cultivates a new profit growth point for the Company.

II. Major changes in main assets

1. Major changes in main assets

| Major assets | Note of major changes |
|-------------------------|--|
| Equity investment | No major changes |
| Fixed assets | Increased 1669.93%, mainly because the project of construction in process is transferred to fixed asses |
| Intangible assets | No major changes |
| Construction in process | Decreased 100.00%, mainly because the project of construction in process is transferred to fixed asses in the period |

2. Main overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

1. Team advantages. The company has an excellent management team who has an acute sense of market judgment, efficient decision-making and executive capacity, rich management experience, strong adaptability and innovation ability, and is strong backing to protect the company's development and promote the company's strategic transformation.
2. Brand advantages. The company has strictly controlled the quality, built high-quality and high-level residences, established a good corporate image and reputation by precisely positioning the market.
3. Location advantage. The Company locates in Chengde, and adjacent to Beijing and Tianjin, which has a favorable location under the background of "integration of Beijing-Tianjin-Hebei regions".
4. Technical advantage: the Company cooperate with the Dongguang Beihang Institution in respect of hydrogen energy and new materials, and owes a technical advantage in field of hydrogen energy and new materials

Section IV. Discussion and Analysis of the Business

I. Introduction

The Company needs to comply with the disclosure requirement of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.3- Listed Companies Engaging in Real Estate Business

(i) Industry analysis during the reporting period

In 2019, real estate regulation continued to adhere to the positioning of “house is for living, not for speculation”, emphasized that real estate would not be used as a short-term stimulus to the economy. Various regions continued to implement the comprehensive measures of “one city, one policy” and differential regulation in accordance with the requirements of “stabilizing land prices, housing prices, and expectations” to maintain the continuity and stability of policies. The real estate market was expected to return to rationality and the market was generally stable. According to the statistics of the Hebei Provincial Bureau of Statistics, in 2019, real estate development investment in Hebei Province was 434.71 billion yuan, a year-on-year decrease of 2.9%, the sales area of commercial housing was 52.827 million square meters, an increase of 0.6% on a year-on-year basis, and the sales area of commercial housing was 9.961 million square meters, an increase of 8.5% on a year-on-year basis, the real estate development and sales overall remained stable.

(ii) The company's operation during the reporting period

During the reporting period, the company continued to adhere to the development concept of “real estate + strategic transformation”, and actively promoted progress of various business, mainly as follows:

1. Real estate business. In terms of real estate business, we accurately grasped the market positioning, aimed to provide high-quality and high-service improved housing, and promoted the development of new projects with high quality and high efficiency. The newly developed Tianxi project started presale in late June, during the reporting period, the pre-sale area reached 22340.38 square meters, and the pre-sale income was 151.52 million yuan.
2. Hydrogen fuel cell business. The hydrogen fuel cell business uses Zonetron Energy as a carrier. At present, the main products are fuel cells and membrane cells. In terms of fuel cells, it has fully mastered the core technology of fuel cell development, completed the development of fixed and dedicated equipment and fixture for fuel cell design, processing, assembly, testing, and other technological processes, formed a 500W to 5000W series air-cooled fuel cell stack (graphite bipolar type) stereotyped production, the mass power density of the stack reaching more than 500W / KG; in the field of membrane cells, the core technology of fuel cell membrane electrode preparation has been completed, forming a mature process from catalyst preparation, spray coating to membrane electrode packaging and self-developed special fixture with intellectual property rights, and formed mass production of air-cooled self-humidifying membrane electrodes and small batch production of water-cooled membrane electrodes.

During the reporting period, Zonetron Energy completed the finalization and production of air-cooled fuel cell products such as ZCAB080, ZCAA430, ZCAA454, and ZCAB411, completed the initial finalization and the production of customized samples of water-cooled stack ZCWF190, and completed the design improvement and hand sample test of the 0KW water-cooled stack, improved the high-performance membrane electrode, increased the working temperature of membrane electrode and the current density during rated operation, and the rated power was increased by 20%. At the same time, it actively explored the market, in the application of fuel cell

system, it conducted research and development of the entire system with the needs of drones and emergency backup and achieved certain results and market applications.

In December 2019, Zonetron Energy won the title of National High-tech Enterprise. As of the end of the reporting period, Zonetron Energy has passed the intellectual property rights implementation system and ISO9001 quality system certification, participated in the preparation of three fuel cells related national standards, and completed one enterprise standard; obtained a total of 47 R & D patents, including 11 patents for invention, 33 new type patents, and 3 appearance patents, accumulated a total of 17 utility model authorizations, and obtained one trademark registration and two registered trademarks.

3. Alumina fiber business. Alumina fiber uses Aolin New Materials as a carrier. At present, it has produced alumina short fiber. The short fiber cotton adopts the sol-gel method electrostatic spinning technology, and it is transformed into high-performance polycrystalline ceramic fibers after doping and high temperature calcination, which can be used in high-temperature refractory industry, automotive industry (automobile liner), advanced composite materials, aerospace and other fields.

During the reporting period, in terms of market operations, Aolin actively explored the market, focused on docking with domestic liner companies and planning cooperation with automakers to jointly promote domestically produced alumina car liners and markets. At the same time, it has docked with domestic fiber companies and refractory materials companies to develop market cooperation in alumina fiber blankets and refractory materials. In terms of product technology, it constantly improved and upgraded production lines, optimized production technology, and reduced production costs. In terms of product production and production line construction, currently the first production line of Aolin alumina short fiber has been completed and has started small batch of production and marketing. The second production line is under construction; alumina long fiber has entered the pilot stage; the first mass production line for zirconia fiber is under construction. With the completion and use of Dongfeng Science and Technology Park, the company will speed up the construction of product production lines in later period, and vigorously explore the market and increase product sales and market share.

4. Construction and operation of Dongguan Dongfeng Science and Technology Park. During the reporting period, the construction and acceptance of Dongfeng Science and Technology Park of 140,000 square meters were fully completed, which has been officially put into use. Dongfeng Science and Technology Park covers a total area of 117 mu, the main construction includes 9 production plants, 1 scientific research office building and supporting living areas. The park will be divided into two parts for own use and renting.

In terms of own use, the subsidiaries have begun to settle in, and the decoration of the plant and the construction of the production line have been carried out step by step. In terms of leasing, the company adopts independent investment, and has cooperated with a number of industrial real estate intermediary companies to carry out investment promotion work. Currently, some leasing agreements have been signed

The company independently establishes a property management team in the park to take charge the property management of the entire park. At present, the relevant security guards, water and electricity, property maintenance and other teams have been established and have officially taken over the management of Dongfeng Science and Technology Park, providing a solid guarantee for the operation of the entire industrial park.

During the reporting period, the company had no new land reserves and no accumulated land reserves.

Main development projects

| City/region | Name of the project | Location | Form at | Proportional interest | Completion time | Progress of development | Schedule of completion | Land area(m ²) | Planning capacity | Area completed for | Cumulative completed | Estimated total investment | Cumulative total amount |
|-------------|---------------------|----------|---------|-----------------------|-----------------|-------------------------|------------------------|----------------------------|-------------------|--------------------|----------------------|----------------------------|-------------------------|
| | | | | | | | | | | | | | |

| | | | | st | | nt | | | buildi ng area(m ²) | curren t period (m ²) | area (m ²) | ment(10 thous and yuan) | nt of invest ment(10 thous and yuan) |
|-------------|------------|-------------|-------------------------|-------------|----------------|------|------------|--------------|---|--|---------------------------|--------------------------------------|--|
| Chen gde | Tian Xi | Chen gde | Busin ess-li ving | 100.0 0% | 2018- 10-26 | 100% | 70.00 % | 25128 .90 | 43472 | 0 | 0 | 30,00 0 | 20,40 0 |

Sales of main project

| City/ region | Name of the project | Locati on | Forma t | Propor tionate interes t | Capaci ty buildin g area | Availa ble area (m ²) | Accum ulated pre-sal e(sales) area (m ²) | Presale (sales) area of the current period (m ²) | Amou nt of pre-sal e(sales) in the current period (10 thousa nd yuan) | Accum ulated settle ment area(m ²) | Area settle ment in the period(m ²) | Amou nt settle in the period(10 thousa nd yuan) |
|-----------------|---------------------------|--------------|-------------------------|-----------------------------------|-----------------------------------|--|--|--|--|--|---|--|
| Cheng de | Tian Xi | Cheng de | Busine ss-livi ng | 100.00 % | 43472 | 56,384 .75 | 22,340 .38 | 22,340 .38 | 15,152 | 0 | 0 | 0 |
| Cheng de | Huijin g Tiandi | Cheng de | Busine ss-livi ng | 100.00 % | 180,95 7.98 | 178,89 6.27 | 177,07 2.14 | 5,517. 46 | 3,195 | 176,02 4.77 | 8,657. 46 | 3903 |

Rental status of the main project

| Name of the project | Location | Format | Proportionate interest | Leasable area(m ²) | Accumulated leasable area(m ²) | Average renal rate |
|------------------------|----------|--------|---------------------------|-----------------------------------|--|-----------------------|
| | | | | | | |

Land development at the first level

Applicable Not applicable

Financing channel

| Financing channel | Ending financing balance | Financing cost range/average financing cost | Term structure | | | |
|-------------------|-----------------------------|---|--------------------|-----------|-----------|-----------------|
| | | | within one year | 1-2 years | 2-3 years | Over 3 years |
| Bank loan | 196,000,000.00 | 6.88% | 400.00 | 1,000.00 | 3,000.00 | 15,521.00 |
| Total | 196,000,000.00 | | | | | |

Development strategy and business plan for the coming year

In 2020, the main business plans of each business segment of the company are as follows:

1. Real estate business. At present, the company's real estate business is mainly located in Chengde area. In view of the increasingly fierce competition and the gradual saturation condition in the local real estate market, and the company's property management has a good reputation in the local area, one the one hand, the company will do a good job in the sales and services of existing projects, on the other hand, the company will reduce the development of real estate projects and the collection and storage of reserved land, and will turn to the old community renovation and property contract management in later period to explore new business models.
2. Hydrogen fuel cell and new materials business. In terms of hydrogen fuel cells and new materials, the company will focus on improving product quality, optimizing product performance, and accelerating production line construction. At the same time, it will actively open the market and strive to achieve breakthroughs in the market and achieve mass sales.
3. Management and leasing business of Dongfeng Science and Technology Park. The company will actively promote investment in the park, strive to complete all investment in the park within the year, and strengthen the construction and service awareness of the property management team, and strive to provide a stable cash flow for the company through the park leasing and property management in later period.
4. Financing business. As a pure B-share company, due to historical issues, the company has lost its financing function in the capital market. In the future, the company will continue to try multi-channel financing, increase project financing efforts, and actively supplement high-quality funding sources to provide solid capital guarantees for the company's project development in all sectors.

Provide guarantee to the commercial housing buyer for the bank mortgage loan

Applicable Not applicable

As of 31 December 2019, the balance of the mortgage loan guarantee for commercial house owners is 44,867,500 yuan.

Jointly investment by the directors, supervisors, senior executive and the listed company (applicable to the investment of listed company's directors, supervisors or senior executives)

Applicable Not applicable

II. Main business analysis

1. Introduction

See the "I-Introduction" in "Discussion and Analysis of the Business"

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

| | 2019 | | 2018 | | Y-o-y changes (+,-) |
|--|--------|-------------------------------|--------|-------------------------------|------------------------|
| | Amount | Ratio in operation revenue | Amount | Ratio in operation revenue | |
| | | | | | |

| | | | | | |
|---------------------------------|---------------|--------|----------------|---------|---------|
| Total operation revenue | 44,121,179.41 | 100% | 123,508,083.90 | 100% | -64.28% |
| According to industries | | | | | |
| Real estate | 39,034,049.06 | 88.47% | 118,807,719.93 | 96.19% | -67.15% |
| Property management | 4,883,476.89 | 11.07% | 4,582,079.48 | 3.71% | 6.58% |
| Agriculture and others | 203,653.46 | 0.46% | 118,284.49 | 0.10% | 72.17% |
| According to products | | | | | |
| Sales of real estate | 39,034,049.06 | 88.47% | 118,807,719.93 | 96.19% | -67.15% |
| Heating fees, property fees | 4,883,476.89 | 11.07% | 4,582,079.48 | 3.71% | 6.58% |
| Agriculture products and others | 203,653.46 | 0.46% | 118,284.49 | 0.10% | 72.17% |
| According to region | | | | | |
| Chengde | 43,972,070.52 | 99.66% | 123,508,083.90 | 100.00% | -64.40% |
| Dongguan, Guangdong | 149,108.89 | 0.34% | 0.00 | 0.00% | 100.00% |

(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

√Applicable □ Not applicable

In RMB

| | Operating revenue | Operating cost | Gross profit ratio | Increase/decrease of operating revenue y-o-y | Increase/decrease of operating cost y-o-y | Increase/decrease of gross profit ratio y-o-y |
|-----------------------------|-------------------|----------------|--------------------|--|---|---|
| According to industries | | | | | | |
| Real estate | 39,034,049.06 | 31,288,535.20 | 19.84% | -67.15% | -69.86% | 7.23% |
| Property management | 4,883,476.89 | 5,170,336.83 | -5.87% | 6.58% | 7.31% | -0.72% |
| According to products | | | | | | |
| Sales of real estate | 39,034,049.06 | 31,288,535.20 | 19.84% | -67.15% | -69.86% | 7.23% |
| Heating fees, property fees | 4,883,476.89 | 5,170,336.83 | -5.87% | 6.58% | 7.31% | -0.72% |

| According to region | | | | | | |
|---------------------|---------------|---------------|--------|---------|---------|-------|
| Chengde | 43,972,070.52 | 36,458,872.03 | 16.98% | -64.40% | -66.47% | 5.07% |

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes No

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable Not applicable

(5) Constitute of operation cost

Industry and Product classification

In RMB

| Industry classification | Item | 2019 | | 2018 | | Y-o-y changes (+,-) |
|----------------------------|---------------------------------|---------------|-------------------------|----------------|-------------------------|---------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| (1) Real estate | Sales of real estate | 31,288,535.20 | 85.47% | 103,821,248.79 | 95.47% | -69.86% |
| (2) Property management | Property management | 5,170,336.83 | 14.12% | 4,818,262.48 | 4.43% | 7.31% |
| (3) Agriculture and others | Agriculture products and others | 149,108.89 | 0.41% | 108,219.97 | 0.10% | 37.78% |

In RMB

| Product classification | Item | 2019 | | 2018 | | Y-o-y changes (+,-) |
|---------------------------------|---------------------------------|---------------|-------------------------|----------------|-------------------------|---------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Sales of real estate | Sales of real estate | 31,288,535.20 | 85.47% | 103,821,248.79 | 95.47% | -69.86% |
| Heating fees, property fees | Property management | 5,170,336.83 | 14.12% | 4,818,262.48 | 4.43% | 7.31% |
| Agriculture products and others | Agriculture products and others | 149,108.89 | 0.41% | 108,219.97 | 0.10% | 37.78% |

Explanation

(6) Whether the changes in the scope of consolidation in Reporting Period

Yes No

Subsidiary acquired by establishing in the period

| Name | Way of investment | Established on | Total shareholding ratio (%)) | Net assets at period-end | Net profit in the period |
|--|-------------------|----------------|--------------------------------|--------------------------|--------------------------|
| Fengning Manchu Autonomous County Dongfeng Real Estate Development Co., Ltd. | New establishment | 2019.07.16 | 100 | 0.00 | 0.00 |

Fengning Dongfeng is a company with limited liability registered and established by the market supervision and administration of Fengning Manchu Autonomous Country in Chengde on 16 July 2019, the Company holds 100% equity of Fengning Dongfeng.

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

| | |
|--|--------------|
| Total sales from top five clients (RMB) | 7,150,928.60 |
| Ratio of the total sales from top five clients in total annual sales | 3.87% |
| Ratio of the amount of related party's sales in top five clients in total annual sales | 0.00% |

Top five clients of the Company

| Serial | Name | Sales (RMB) | Proportion in total annual sales |
|--------|------------|--------------|----------------------------------|
| 1 | Client I | 1,450,152.00 | 0.78% |
| 2 | Client II | 1,437,098.00 | 0.78% |
| 3 | Client III | 1,424,905.80 | 0.77% |
| 4 | Client IV | 1,419,981.80 | 0.77% |
| 5 | Client V | 1,418,791.00 | 0.77% |
| Total | -- | 7,150,928.60 | 3.87% |

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

| | |
|---|----------------|
| Total purchase amount from top five suppliers (RMB) | 139,534,080.00 |
|---|----------------|

| | |
|---|--------|
| Ratio of the total purchase from top five suppliers in total annual purchase amount | 84.22% |
| Ratio of the amount of related party's purchase in top five suppliers in total annual purchase amount | 0 |

Top five suppliers of the Company

| Serial | Supplier | Purchasing amount (RMB) | Ratio in total annual purchasing amount |
|--------|--------------|-------------------------|---|
| 1 | Supplier I | 70,934,930.00 | 42.81% |
| 2 | Supplier II | 65,000,000.00 | 39.23% |
| 3 | Supplier III | 1,884,000.00 | 1.14% |
| 4 | Supplier IV | 999,150.00 | 0.60% |
| 5 | Supplier V | 716,000.00 | 0.43% |
| Total | -- | 139,534,080.00 | 84.22% |

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expenses

In RMB

| | 2019 | 2018 | Y-o-y changes (+,-) | Note of major changes |
|--------------------|---------------|---------------|---------------------|---|
| Sales expense | 10,684,423.09 | 115,346.71 | 9,162.88% | Sales agency fee increased in the period |
| Management expense | 38,636,539.45 | 29,236,648.47 | 32.15% | General expenses of Dongguan new projects increased in the period |
| Financial expense | -13,903.22 | -385,552.98 | 96.39% | Interest income declined in the period |
| R&D expense | 32,520,368.65 | 4,748,852.86 | 584.80% | The development expenses expended in the period |

4. R&D investment

Applicable Not applicable

During the reporting period, all expenses for development expenditure totaled RMB32.52million.

Investment for R&D

| | 2019 | 2018 | Ratio of changes |
|----------------------------------|--------|--------|------------------|
| Number of R&D personnel (person) | 71 | 47 | 51.06% |
| The proportion of R&D | 42.01% | 25.97% | 16.04% |

| | | | |
|---|---------------|---------------|----------|
| personnel | | | |
| Funds invested for R&D (RMB) | 19,173,958.18 | 14,581,701.77 | 31.49% |
| The ratio of R&D investment to operation revenue | 43.46% | 11.81% | 31.65% |
| Capitalization of the investment for R&D (RMB) | 0.00 | 13,346,410.47 | -100.00% |
| The ratio of capitalization of the investment for R&D to R&D investment | 0.00% | 91.53% | -91.53% |

As for the obvious changes of the ratio of total R&D amount to operation revenue over that of last year, explain the causes

Applicable Not applicable

As for the major changes of capitalization rate of the R&D investment, explain the causes and reasonableness description

Applicable Not applicable

5. Cash flow

In RMB

| Item | 2019 | 2018 | Y-o-y changes (+,-) |
|--|----------------|-----------------|---------------------|
| Subtotal of cash in-flow from operation activity | 208,973,506.43 | 208,693,860.24 | 0.13% |
| Subtotal of cash out-flow from operation activity | 163,697,535.81 | 174,127,810.93 | -5.99% |
| Net cash flow arising from operating activities | 45,275,970.62 | 34,566,049.31 | 30.98% |
| Subtotal of cash in-flow from investment activity | 190,916,087.42 | 77,398,996.88 | 146.66% |
| Subtotal of cash out-flow from investment activity | 248,265,319.06 | 226,742,685.22 | 9.49% |
| Net cash flow from investment activity | -57,349,231.64 | -149,343,688.34 | -61.60% |
| Subtotal of cash in-flow from financing activity | 141,791,005.41 | 101,710,000.00 | 39.41% |
| Subtotal of cash out-flow from financing activity | 137,616,048.35 | 21,796,513.79 | 531.37% |
| Net cash flow from financing activity | 4,174,957.06 | 79,913,486.21 | -94.78% |
| Net increased amount of cash | -7,794,757.69 | -34,594,471.70 | -77.47% |

| | | | |
|---------------------|--|--|--|
| and cash equivalent | | | |
|---------------------|--|--|--|

Main reasons for y-o-y major changes in aspect of relevant data

Applicable Not applicable

1. Major changes in cash flow from operating activities: the intercourse funds paid in the year growth;
2. Major changes in cash flow from investment activities: recovery of investment increased in the year;
3. Major changes in cash flow from financing activities: loans from the bank declined in the year.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

In RMB

| | Amount | Ratio in total profit | Causes | Whether it is sustainable (Y/N) |
|-----------------------------|---------------|-----------------------|--|---------------------------------|
| Investment income | 436,020.07 | -0.51% | Income from financial products | N |
| Assets impairment | -5,745,939.04 | 6.73% | Due to the accrual of impairment in the period | N |
| Non-operating revenue | 865.35 | 0.00% | | N |
| Non-operating expenditure | -3,580,423.04 | 4.19% | Expenditure from donation | N |
| Income from assets disposal | -197,590.25 | 0.23% | Due to disposal of fixed assets in the period | N |
| Other income | 12,451.79 | -0.01% | | N |

IV. Assets and liability

1. Major changes of assets composition

Adjustment on the relevant items of financial statement at beginning of the year when implemented the new financial instrument standards, new revenue standards and new leasing standards since 2019

Applicable Not applicable

In RMB

| | Year-end of 2019 | | Year-begin of 2019 | | Ratio changes | Note of major changes |
|---------------|------------------|-----------------------|--------------------|-----------------------|---------------|-------------------------------------|
| | Amount | Ratio in total assets | Amount | Ratio in total assets | | |
| Monetary fund | 27,759,127.0 | 4.06% | 36,306,825.1 | 5.81% | -1.75% | Expenditure on cash for development |

| | | | | | | |
|-----------------------------|----------------|--------|----------------|--------|---------|--|
| | 5 | | 0 | | | projects increased |
| Account receivable | 150,330.00 | 0.02% | 11,171.25 | 0.00% | 0.02% | |
| Inventory | 196,431,731.67 | 28.76% | 151,585,557.50 | 24.28% | 4.48% | Development costs increased in the period |
| Investment real estate | | | | | 0.00% | |
| Long-term equity investment | | | | | 0.00% | |
| Fixed assets | 306,237,939.37 | 44.83% | 17,302,279.65 | 2.77% | 42.06% | Construction in process are transfer to fixed assets |
| Construction in process | | | 101,650,833.16 | 16.28% | -16.28% | Construction in process are transfer to fixed assets |
| Short-term loans | | | | | 0.00% | |
| Long-term loans | 175,210,000.00 | 25.65% | 101,710,000.00 | 16.29% | 9.36% | Bank lending |

2. Assets and liability measured by fair value

√ Applicable □ Not applicable

| Item | opening balance | Current fair value change profit and loss | The accumulated fair value changes included in the equity | Impairment of the current period | Current purchase amount | Amount sold at current period | Other Var Cost | closing balance |
|-------------------------------|-----------------|---|---|----------------------------------|-------------------------|-------------------------------|----------------|-----------------|
| financial assets | | | | | | | | |
| 1.trading financial assets | 26,800,000.00 | 436,020.07 | | | | 18,500,000.00 | | 8,300,000.00 |
| 2.derivative financial assets | | | | | | | | |
| 3.Other investment on bonds | | | | | | | | |
| 4.Investme | 16,331,037. | | | 367,590.69 | | | | 15,963,44 |

| | | | | | | | | |
|--------------------------------|---------------|------------|--|------------|--|---------------|--|---------------|
| nt in other equity instruments | 08 | | | | | | | 6.39 |
| Financial assets subtotal | 43,131,037.08 | 436,020.07 | | 367,590.69 | | 18,500,000.00 | | 24,263,446.39 |
| total | 43,131,037.08 | 436,020.07 | | 367,590.69 | | 18,500,000.00 | | 24,263,446.39 |
| financial liability | 0.00 | | | | | | | 0.00 |

3. Limited assets rights ended as the reporting period

| Item | Balance | Reason for restriction |
|-------------------|----------------|--|
| Monetary fund | 2,040,967.75 | Deposit for housing mortgage, the reclamation deposit paid for the performance of Contract for Temporary Use of Land |
| Fixed assets | 292,273,019.84 | Mortgage loans |
| Intangible assets | 52,406,400.00 | Mortgage loans |
| Total | 346,720,387.59 | --- |

V. Investment

1. Overall situation

Applicable Not applicable

| Investment in the reporting (RMB) | Investment in the same period of last year (RMB) | Changes |
|-----------------------------------|---|---------|
| 100,000,000.00 | 90,000,000.00 | 11.11% |

2. The major equity investment obtained in the reporting period

Applicable Not applicable

In RMB

| Invested company | Principal business | Method of investment | Amount of investment | Share holding | Capital sources | Partners | Term of investment | Type of products | Status as of the balance sheet date | Expected return | Current investment profit and loss | Whether litigation | Date of disclosure (if applicable) | Index of disclosure (if applicable) |
|------------------|--------------------|----------------------|----------------------|---------------|-----------------|----------|--------------------|------------------|-------------------------------------|-----------------|------------------------------------|--------------------|------------------------------------|-------------------------------------|
|------------------|--------------------|----------------------|----------------------|---------------|-----------------|----------|--------------------|------------------|-------------------------------------|-----------------|------------------------------------|--------------------|------------------------------------|-------------------------------------|

| | | | | | | | | | | | | | cable) | cable) |
|--|--|-------------------|----------------|---------|------------|-----|-----------|--|-----------------------|------|-------------|---|------------|---|
| Dongguan Dongfeng Technology Development Co., Ltd. | Technology development of new energy and new materials | Capital increment | 100,000,000.00 | 100.00% | Owned fund | N/A | Long-term | Technology development of new energy and new materials | Registration complete | 0.00 | -491,331.38 | N | 2019-03-14 | "External Investment" (No.: 2019-011) released on Securities Times, Hong Kong Commercial Daily and Juchao Website |
| Fengning Manchu Autonomous County Dongfeng Real Estate Development | real estate development and management | New establishment | 10,000,000.00 | 100.00% | Owned fund | N/A | 30years | real estate development and management | Registration complete | - | - | N | 2019-07-18 | "External Investment" (No.: 2019-035) released on Securities Times, Hong Kong |

| | | | | | | | | | | | | | | | |
|---------------------|----|----|------------------------|----|----|----|----|----|----|------|---------------------|----|----|----|---|
| ent Co., Ltd. | | | | | | | | | | | | | | | Com merci al Daily and Jucha o Webs ite |
| Total | -- | -- | 110,0 00,00 0.00 | -- | -- | -- | -- | -- | -- | 0.00 | -491, 331.3 8 | -- | -- | -- | |

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The company had no securities investment in the reporting period

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period

5. Application of raised proceeds

Applicable Not applicable

The company had no application of raised proceeds in the reporting period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

The Company had no major assets sales at end of the period

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main holding company and stock-jointly companies

√Applicable □ Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

| Company name | Type | Main business | Register capital | Total assets | Net Assets | Operating revenue | Operating profit | Net profit |
|--|------------|--|------------------|----------------|----------------|-------------------|------------------|---------------|
| Chengde Kefeng Trading Co., Ltd. | Subsidiary | Sales of machinery equipment and mechanical & electrical products | 8,500,000 | 314,403,429.30 | 255,165,991.24 | 0.00 | -3,033,138.59 | -3,033,138.59 |
| Hangzhou Dongfeng Technology Co. Ltd. | Subsidiary | New energy, new materials and applied products research and development, sales and technical promotion, technical services | 30,000,000 | 13,694,475.21 | 13,603,740.76 | 0.00 | -3,860,182.74 | -3,860,182.74 |
| Dongguan Dongfeng Technology Development Co., Ltd. | Subsidiary | Industrial investment in technology field, investment consultant and management, equity investment | 200,000,000 | 245,099,020.26 | 198,688,755.57 | 0.00 | -491,331.38 | -491,331.38 |

| | | | | | | | | |
|---|------------|--|------------|----------------|----------------|--------------|---------------|---------------|
| Chengde Dongfeng Ecological Agriculture Co., Ltd. | Subsidiary | Cultivation and sales of field crop, edible mushroom s, fruit and vegetables as well as Chinese Herbs; breeding and sales of livestock | 10,000,000 | 345,553.31 | -17,427,662.79 | 0.00 | -321,836.22 | -1,297,607.57 |
| Chengde Huijing Property Services Co., Ltd. | Subsidiary | Property management service | 500,000 | 2,371,002.71 | -9,552,586.39 | 4,938,021.46 | -1,587,081.54 | -1,586,217.51 |
| Dongguan Zhongchuan New Energy Technology Co., Ltd. | Subsidiary | Development and transfer of the new energy technology , new-type fuel battery | 24,600,000 | 14,902,735.47 | 14,377,188.82 | 0.00 | -9,901,108.21 | -9,901,108.21 |
| Dongguan Dongfeng Intelligent Technology Co., Ltd. | Subsidiary | R&D and sales of the intelligent products; engaged in the technical development and transfer in field of technology , technical consultant and | 60,000,000 | 368,252,245.84 | 111,248,174.02 | 149,108.89 | -2,922,955.25 | -2,922,955.25 |

| | | | | | | | | |
|--|------------|--|------------|-------------------|-------------------|------|--------------------|--------------------|
| | | services; R&D of the clean energy power equipment as well as the sales, technical transfer and consultant; R&D of the carrier with clean energy power, technical transfer and consultant | | | | | | |
| Dongguan Aolin New Materials Co., Ltd. | Subsidiary | Nano-fiber, functional ceramics and clean energy materials | 25,000,000 | 10,058,615 .60 | 9,417,585. 18 | 0.00 | -13,558,86 3.72 | -13,558,86 3.72 |
| Dongguan Haizhuo Energy Technology Co., Ltd. | Subsidiary | Developm ent and marketing of the hydrogen energy products and special energy mechanical equipment, technical consultatio n and services for hydrogen | 25,000,000 | 15,050,337 .94 | 14,798,839 .11 | 0.00 | -10,069,38 3.75 | -10,069,38 3.75 |

| | | | | | | | | |
|--|--|------------------|--|--|--|--|--|--|
| | | energy and power | | | | | | |
|--|--|------------------|--|--|--|--|--|--|

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

| Company Name | The method of obtaining and handling subsidiaries during the report period | The influence to the whole production and performance |
|--|--|---|
| Fengning Manchu Autonomous County Dongfeng Real Estate Development Co., Ltd. | New establishment | Has little impact on production and performance in the reporting period |

Notes of holding and shareholding companies

Fengning Dongfeng is a company with limited liability registered and established by the market supervision and administration of Fengning Manchu Autonomous Country in Chengde on 16 July 2019, the Company holds 100% equity of Fengning Dongning.

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

(i) Industry pattern

At the beginning of 2020, due to the impact of the novel coronavirus pneumonia epidemic, the project construction of real estate industry stalled, sales outstanding was blocked, and short-term impact was obvious. With the stable epidemic situation and the industry's full recovery, the real estate industry is expected to develop in an orderly manner throughout the year.

At present, the world's new energy technologies are engaged in research and development competition in the fields of alternative energy, environmental protection, storage, etc., and automobile manufacturing is also rapidly transforming in power and alternative energy technologies. The hydrogen energy is regarded as "the ultimate energy source for human beings" because it only generates water when burned and is characterized by clean and efficient, energy storable, transportable, and rich application scenarios. China is paying more and more attention to the development of hydrogen energy, the Government Work Report of 2019 has mentioned "promoting the construction of facilities such as charging and hydrogenation", which indicates that the development of hydrogen energy will be raised to a new height in the future. As an important guarantee for the national economy leading industry and high-end manufacturing and defense industry, the new materials will become the focus of strategic competition in various industries due to its excellent performance, high tolerance and wide application.

(ii) The company's development strategy and business plan

In 2020, the main business plans of each business segment of the company are as follows:

1. Real estate business. At present, the company's real estate business is mainly located in Chengde area. In view of the increasingly fierce competition and the gradual saturation condition in the local real estate market, and the company's property management has a good reputation in the local area, one the one hand, the company will do a good job in the sales and services of existing projects, on the other hand, the company will reduce the development of real estate projects and the collection and storage of reserved land, and will turn to the old

community renovation and property contract management in later period to explore new business models.

2. Hydrogen fuel cell and new materials business. In terms of hydrogen fuel cells and new materials, the company will focus on improving product quality, optimizing product performance, and accelerating production line construction. At the same time, it will actively open the market and strive to achieve breakthroughs in the market and achieve mass sales.

3. Management and leasing business of Dongfeng Science and Technology Park. The company will actively promote investment in the park, strive to complete all investment in the park within the year, and strengthen the construction and service awareness of the property management team, and strive to provide a stable cash flow for the company through the park leasing and property management in later period.

4. Financing business. As a pure B-share company, due to historical issues, the company has lost its financing function in the capital market. In the future, the company will continue to try multi-channel financing, increase project financing efforts, and actively supplement high-quality funding sources to provide solid capital guarantees for the company's project development in all sectors.

(iii) Possible risks and responses

1. Policy risk

The real estate industry is greatly affected by macroeconomic policies, land policies, real estate tax policies, and financial policies for the real estate industry will have direct impacts on real estate companies. The company will pay close attention to the macro situation, strengthen the research and tracking of policies, rationally analyze the market, adapt to market adjustments and changes, and improve the company's ability to resist risks.

2. Market risk

Under the background of slowing economic growth, the real estate market has become more differentiated and the market competition has become increasingly fierce, the company will continue to strengthen its own construction, improve its management capabilities, and continuously enhance its competitive strength.

3. Management risks brought about by strategic transformation

Through the strategic layout of the company, the company will enter a new business field, the company will face the risks brought by uncertain factors in the market, technology, operation and management in the preparation and operation of new projects. The company will further strengthen the management team building, improve management level and management capabilities, continuously improve corporate governance and management mechanisms, and form a more scientific and effective decision-making mechanism and control and supervision mechanism. At the same time, guided by technological innovation, the company will strengthen technical research and development capabilities, build technological advantages with core competitiveness, improve the company's overall competitiveness, and promote the company's sustainable development.

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

√Applicable □ Not applicable

| Time | Way | Type | Basic situation index of investigation |
|------------|-------------------------|------------|---|
| 2019-02-28 | Telephone communication | Individual | Operation of the Company, no materials required |

| | | | |
|--|-------------------------|------------|---|
| 2019-03-20 | Telephone communication | Individual | Current condition of the Company, no materials required |
| 2019-08-09 | Telephone communication | Individual | Operation of the Company, no materials required |
| 2019-09-05 | Telephone communication | Individual | Current condition of the Company, no materials required |
| 2019-09-12 | Telephone communication | Individual | Operation of the Company, no materials required |
| 2019-09-25 | Telephone communication | Individual | Operation of the Company, no materials required |
| 2019-11-05 | Telephone communication | Individual | Operation of the Company, no materials required |
| 2019-12-19 | Telephone communication | Individual | Current condition of the Company, no materials required |
| Reception (times) | | | 8 |
| Number of hospitality | | | 0 |
| Number of individual reception | | | 8 |
| Number of other reception | | | 0 |
| Disclosed, released or let out major undisclosed information | N | | |

Section V. Important Event

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

In latest three years, net profit of the Company after making up the annual losses of previous years, retained profit at end of the Period still negative, being deliberated and approved by the Board and General Meeting, the Company has no profit distributed carried out. The Company has no plan of cash dividend distributed, bonus shares and capitalizing from common shares conducted either for year of 2019. According to the *Detailed Rules for the Share Repurchase of Listed Companies* of the Shenzhen Stock Exchange, "when the listed company uses cash as the consideration, and adopts the offer method or centralized bidding to buy back the shares, the amount of money used for share repurchase in the current year is regarded as the cash dividends amount and is calculated by the relevant proportion of annual cash dividends". In 2018, the amount of the shares that the company repurchased by centralized bidding was RMB 19,718,613.55, which was regarded as the cash dividends of 2018. The amount of the shares that repurchase by centralized bidding for year of 2019 was RMB 9,107,872.15, which was regarded as the cash dividends of 2019.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

| Year for bonus shares | Amount for cash bonus (tax included) | Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year | Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Proportion for cash bonus by other ways (i.e. share buy-backs) | Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Total cash bonus (including other ways) | Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement |
|-----------------------|--------------------------------------|--|--|--|--|---|--|
| 2019 | 0.00 | -72,533,718.54 | 0.00% | 9,107,872.15 | | 9,107,872.15 | -12.56% |
| 2018 | 0.00 | 7,383,835.76 | 0.00% | 19,718,613.55 | 267.05% | 19,718,613.55 | 267.05% |

| | | | | | | | |
|------|------|--------------|-------|------|-------|------|-------|
| 2017 | 0.00 | 4,102,325.89 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% |
|------|------|--------------|-------|------|-------|------|-------|

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year

III. Implementation of commitment

1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

Applicable Not applicable

| Commitments | Promise | Type of commitments | Content of commitments | Commitment date | Commitment term | Implementation |
|---|-------------------------|--|---|-----------------|----------------------------|--------------------|
| Commitments for Share Merger Reform | | | | | | |
| Commitments in report of acquisition or equity change | Controlling shareholder | Commitments in horizontal competition, related transactions, and capital occupying | 1. Commitments in aspect of independence of listed company: For the equity changes, that is 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no influence on the independent of employee, financial, institution, business and integrity of assets of Chengde Dalu Co., Ltd. After transaction, Chengde Dalu Co., Ltd still has the ability of independent operation and owes independent legal person, and continues to owes the | 24 April 2012 | In duration of the Company | Normal performance |

| | | | | | | |
|--|---------------|-------------------------|---|--------------|-----------------------------------|---|
| | | | independence of institution, assets, employees, production and financial. 2. Commitments for horizontal competition: after 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no or potential horizontal competition between the Chengde Dalu Co., Ltd and Wang Dong and related parties of Wang Dong | | | |
| Commitments in assets reorganization | | | | | | |
| Commitments in initial public offering or re-financing | | | | | | |
| Commitments in stock option incentive plan | | | | | | |
| Other commitments for medium and small shareholders | Yang Chengshe | No reduction commitment | Based on my confidence in the Company's long-term development, I hereby make the following voluntary commitment: 1. From 28 Jan. 2019 to 31 Dec. 2019, I will not reduce my current holdings of the Company's shares. 2. During the above commitment period, if I violate the above-mentioned commitment and reduce my holding of the shares of the listed company, the income from the reduction of the shares | 28 Jan. 2019 | From 28 Jan. 2019 to 31 Dec. 2019 | Completed. After confirming with Mr. Yang Chengshe, Mr. Yang Chengshe did not reduce his holding of the company's stock during the period of his commitment |

| | | | | | | |
|--|-----------------------------|-------------------------|--|--------------|-------------------------------------|--------------|
| | | | of the listed company will be owned by the listed company. | | | |
| | Yang Chengshe, Zhou Haihong | No reduction commitment | Based on my confidence in the Company's long-term development, I hereby make the following voluntary commitment: 1. From 3 April 2020 to 2 October 2020, I will not reduce my current holdings of the Company's shares. 2. During the above commitment period, if I violate the above-mentioned commitment and reduce my holding of the shares of the listed company, the income from the reduction of the shares of the listed company will be owned by the listed company. | 3 April 2020 | From 3 April 2020 to 2 October 2020 | Implementing |
| Completed on time | Yes | | | | | |
| If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan | N/A | | | | | |

2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for "Qualified Opinion" that issued by CPA

Applicable Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable Not applicable

1. Change of policies

| The content and reason of accounting policy change | approval procedure | remarks |
|--|--|---------|
| The company shall implement the accounting standard for business enterprises no. 22 - recognition and measurement of financial instruments no. 23 - transfer of financial assets and accounting standard for business enterprises no. 24 - hedge accounting accounting standard for business enterprises no. 37 - presentation of financial instruments as amended by the ministry of finance in 2017 from January 1, 2019 | The eleventh meeting of the seventh board of directors | (1) |
| The company shall carry out the non-monetary asset exchange of the accounting standard for business enterprises no. 7 revised by the ministry of finance in 2019 as of June 10, 2019, and the debt restructuring of the accounting standard for business enterprises no. 12 revised by the ministry of finance in 2019 as of June 17, 2019 | The eleventh meeting of the seventh board of directors | (2) |

(1) Impact of implementing the new financial instrument standards

The Company has implemented the “Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments”, “Accounting Standards for Enterprises No. 23-Financial Asset Transfer”, “Accounting Standards for Business Enterprises No.24-Hedging Accounting”, and “Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments” revised by the Ministry of Finance in 2017 since January 1, 2019 (the above four items are collectively referred to as “new financial instrument standards”). For details of the changed accounting policies, please see Note VI.

If the recognition and measurement of financial instruments before January 1, 2019 are inconsistent with the

requirements of the new financial instrument standards, the Company will make adjustments in accordance with the requirements of the new financial instrument standards. If the data of the previous comparative financial statements are inconsistent with the requirements of the new financial instrument standards, the Company has not adjusted the information of the comparable period. The difference between the original book value of financial instruments and the new book value on the date of implementation of the new financial instrument standards is included in retained earnings or other comprehensive income on January 1, 2019.

The impact of the implementation of the new financial instrument standards on the relevant items of balance sheet at the beginning of the period is listed as follows:

| Item | 2018-12-31 | Cumulative impact amount | | | 2019-1-1 |
|-------------------------------------|---------------|--|--|----------------|---------------|
| | | Classification and quantitative impact (note 1) | Impairment of financial assets(note 2) | Subtotal | |
| Tradable financial assets | ----- | 26,800,000.00 | ----- | 26,800,000.00 | 26,800,000.00 |
| Other current assets | 37,786,874.66 | -26,800,000.00 | ----- | -26,800,000.00 | 10,986,874.66 |
| Financial assets available-for-sale | 16,331,037.08 | -16,331,037.08 | ----- | -16,331,037.08 | ----- |
| Other equity instrument investment | ----- | 16,331,037.08 | ----- | 16,331,037.08 | 16,331,037.08 |
| Total assets | 54,117,911.74 | ----- | ----- | ----- | 54,117,911.74 |

Note: The above table only presents the affected financial statement items, and the unaffected financial statement items are not included, so the subtotals and totals disclosed cannot be recalculated based on the figures presented in the table above.

Note 1: The wealth management products classified as other current assets in the previous year with a book value of 26,800,000.00 yuan are non-guaranteed floating income wealth management products, and the amount of interest income is affected by various market factors and macro-policy factors, and it is for the purpose of collecting contractual cash flow, which does not meet the “principal + interest” contractual cash flow characteristics, therefore, this part of the amount is reclassified from other current assets into trading financial assets.

The book value of RMB 16,331,037.08 was classified as available-for-sale equity instruments of available-for-sale financial assets in the previous year, according to the contract terms in this period, it is considered to be non-trading equity investment, and it is reclassified to other equity instrument investments.

(2) The impact of the implementation of new debt restructuring and non-monetary asset exchange standards on the Company

The Company has implemented the “Accounting Standards for Business Enterprises No. 7-Non-Monetary Asset Exchange” revised by the Ministry of Finance in 2019 from June 10, 2019, and implemented the “Accounting Standard for Business Enterprises No. 12-Debt Restructuring” revised by the Ministry of Finance in 2019 from June 17, 2019. The accounting policy changes adopt the future applicable method, and adjust the non-monetary asset exchange and debt restructuring that occurred between January 1, 2019 and the implementation date of the

standards according to the provisions of the standards.

The implementation of the above standards by the Company had no impact on the financial statements during the reporting period.

2.Change of accounting estimation

No accounting estimation changed in the period

VII. Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable Not applicable

Subsidiary acquired by establishing in the period

| Name | Way of investment | Established on | Total shareholding ratio (%)) | Net assets at period-end | Net profit in the period |
|--|-------------------|----------------|--------------------------------|--------------------------|--------------------------|
| Fengning Manchu Autonomous County Dongfeng Real Estate Development Co., Ltd. | New establishment | 2019.07.16 | 100 | 0.00 | 0.00 |

Fengning Dongfeng is a company with limited liability registered and established by the market supervision and administration of Fengning Manchu Autonomous Country in Chengde on 16 July 2019, the Company holds 100% equity of Fengning Dongning.

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

| | |
|--|--|
| Name of domestic accounting firm | Dahua Certified Public Accountants (Limited Liability Partnership) |
| Remuneration for domestic accounting firm (10 thousand Yuan) | 50 |
| Continuous life of auditing service for domestic accounting firm | 8 |
| Name of domestic CPA | Hu Zhigang, Yan Lisheng |
| Continuous life of auditing service for domestic CPA | 2 |
| Name of foreign accounting firm (if applicable) | N/A |
| Continuous life of auditing service for foreign accounting firm | N/A |

| | |
|---|-----|
| (if applicable) | |
| Name of foreign CPA (if applicable) | N/A |
| Continuous life of auditing service for foreign CPA (if applicable) | N/A |

Whether re-appointed accounting firms in this period or not

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

The Company engaged Dahua Certified Public Accountants (Limited Liability Partnership) as the internal control auditing organ in the Year; the auditing costs paid amounting to 250,000 Yuan in reporting period.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitration of the Company

Applicable Not applicable

No significant lawsuits and arbitration occurred in the reporting period

XIII. Penalty and rectification

Applicable Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

Applicable Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

XVI. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

No related transaction with routine operation concerned occurred in the period

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period

3. Main related transactions of mutual investment outside

Applicable Not applicable

No main related transactions of mutual investment outside for the Company in reporting period.

4. Contact of related credit and debt

Applicable Not applicable

The Company had no contact of related credit and debt in the reporting period.

5. Other related transactions

Applicable Not applicable

The Company had no other related transactions in the reporting period

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period

2. Major guarantees

Applicable Not applicable

(1) Guarantee

In 10 thousand Yuan

| Particulars about the external guarantee of the Company and its subsidiary (Barring the guarantee for subsidiaries) | | | | | | | | |
|---|--------------------------------------|-----------------|--------------------------|--|--|----------------|-------------------|-----------------------------------|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |
| Guarantee of the Company for subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |
| Dongguan Dongfeng Intelligent Technology Co., Ltd. | 2018-06-14 | 20,000 | 2018-07-02 | 17,921 | Joint liability guaranty; mortgage; pledge | 5 | N | N |
| Total amount of approving guarantee for subsidiaries in report period (B1) | | 0 | | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | 7,750 | | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | 20,000 | | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | 19,600 | | |
| Guarantee of the subsidiaries for subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |

| Total amount of guarantee of the Company (total of three above mentioned guarantee) | | | |
|---|--------|--|--------|
| Total amount of approving guarantee in report period (A1+B1+C1) | 0 | Total amount of actual occurred guarantee in report period (A2+B2+C2) | 7,750 |
| Total amount of approved guarantee at the end of report period (A3+B3+C3) | 20,000 | Total balance of actual guarantee at the end of report period (A4+B4+C4) | 19,600 |
| The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4) | | 72.70% | |
| Including: | | | |

Explanation on guarantee with composite way

In order to meet the operation and development needs of the company's holding sub-subsidiary Dongfeng Intelligent, Dongfeng Intelligent planned to apply for comprehensive credit line of no more than RMB 200 million to Bank of Dongguan, Songshan Lake Technology Sub-branch, the credit period is two years, and the single-use period should not be more than 5 years, it is specially used to build the Dongfeng New Energy Equipment Industrialization Project located at the east side of Fuxing Road, Ecological Park, Dongguan City, and the company's holding subsidiary, Dongguan Dongfeng Technology Development Co., Ltd., takes its 100% equity of Dongfeng Intelligent as a pledge guarantee, and Dongfeng Intelligent uses its own land and above-ground buildings as security guarantees, and Dongfeng Technology Group, Dongfeng Technology Development, Zhongchuang New Energy, Haizhuo Energy and Aolin New Materials are jointly and severally liable for it, and the guarantee period is 5 years. For details, please refer to the *Announcement on the Provision of Mortgage Guarantee for Subsidiary's Application for Bank Credit* Announcement No. 2018-018 published on June 14, 2018 by Juchao Website.

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

Entrust financing in the period

In 10 thousand Yuan

| Type | Capital resources | Amount for entrust | Balance un-expired | Overdue amount |
|------------------------|-------------------|--------------------|--------------------|----------------|
| Bank financing product | Owned fund | 2,000 | 600 | 0 |
| Total | | 2,000 | 600 | 0 |

Details of the single major amount, or high-risk trust investment with low security, poor fluidity and non-guaranteed

Applicable Not applicable

Entrust financial expected to be unable to recover the principal or impairment might be occurred

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Fulfill social responsibility

In order to fulfill its social responsibilities and give back to the society, the company established Nanjiang Education Fund in May 2014 to support the education business in Chengde Count. The education fund is implemented by the Chengde County Education Bureau for special account management and fixed purposes, it focuses on rewarding teachers with outstanding achievements in high school and college entrance examinations, educators who have made outstanding contributions, and poor students excellent in character and learning. As approved by the 13th meeting of the seventh session of the board of directors held by the company on July 17, 2019, the company donated 2.3 million yuan to Nanjiang Education Fund with its own funds to reward outstanding teachers and subsidize poor students excellent in character and learning.

2. Execution of social responsibility of targeted poverty alleviation

The Company has no execution of targeted poverty alleviation and no follow-up plan either.

3. Environmental protection

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental Protection

Not applicable

XIX. Explanation on other significant events

Applicable Not applicable

The Company had no other significant events needs explanation in the reporting period

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

| | Before the Change | | Increase/Decrease in the Change (+, -) | | | | | After the Change | |
|---------------------------------------|-------------------|------------|--|--------------|----------------------------------|--------|----------|------------------|------------|
| | Amount | Proportion | New shares issued | Bonus shares | Capitalization of public reserve | Others | Subtotal | Amount | Proportion |
| I. Unlisted shares | 244,800,000 | 34.66% | | | | | | 244,800,000 | 34.66% |
| 1. Sponsor's shares | 244,800,000 | 34.66% | | | | | | 244,800,000 | 34.66% |
| Domestic legal person's shares | 23,147,309 | 3.28% | | | | | | 23,147,309 | 3.28% |
| Other | 221,652,691 | 31.38% | | | | | | 221,652,691 | 31.38% |
| II. Listed shares | 461,520,000 | 65.34% | | | | | | 461,520,000 | 65.34% |
| 2. Domestically listed foreign shares | 461,520,000 | 65.34% | | | | | | 461,520,000 | 65.34% |
| III. Total shares | 706,320,000 | 100.00% | | | | | | 706,320,000 | 100.00% |

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changed

Applicable Not applicable

Progress of shares buy-back

Applicable Not applicable

On October 22, 2018, the company held the 4th session of the seventh board of directors which reviewed and approved the *Proposal on the Repurchase of Company Shares by Centralized Bidding*, and the second extraordinary shareholders meeting of 2018 held on November 7, 2018 reviewed and approved the above proposal. On November 14, 2018, the company disclosed the *Repurchase Report on the Repurchase of Company Shares by Centralized Bidding* (Announcement No.: 2018-062). The company implemented the repurchase for the first time on December 6, 2018, and disclosed the *Announcement on the First Repurchase of the Company's Shares* (Announcement No.: 2018-070) on December 7, 2018. For details of the above, please refer to the relevant announcements

disclosed by the company on *Securities Times*, *Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>. From November 7, 2018 to November 6, 2019, the company completed the share repurchase. The progress of the company's share repurchase was as follows:

The company repurchased the company's shares of 28,307,783 shares through a stock repurchase special security account by centralized bidding transactions, accounting for 4.01% of the company's total share capital, of which the highest transaction price was HK\$1.18/share, the lowest transaction price was HK\$1.09/share, and the total amount paid was HK\$32,095,614.32 (excluding transaction fees). Found more as:

| Repurchased date | Amount repurchased | Ceiling price (HKD) | Bottom price (HKD) | Price repurchased (HKD) | Ratio in total share capital | Announcement index |
|------------------|--------------------|---------------------|--------------------|-------------------------|------------------------------|---|
| 2018.12.6 | 6,586,658 | 1.14 | 1.11 | 7,449,626.48 | 0.93% | Notice on the First Repurchase of Company's Shares (No.:2018-070) |
| 2018.12.20 | 12,864,055 | 1.14 | 1.09 | 14,529,142.54 | 1.82% | Notice on the Repurchase of 2% of the Company's Shares Capital (No.:2018-075) |
| 2018.12.27 | 4,994,970 | 1.18 | 1.12 | 5,697,753.10 | 0.71% | Notice on the Repurchase of 3% of the Company's Shares Capital (No.:2018-076) |
| 2018.12.28 | 532,100 | 1.14 | 1.14 | 606,594.00 | 0.08% | Notice on the Repurchase of 4% of the Company's Shares Capital (No.:2019-006) |
| 2019.1.29 | 3,330,000 | 1.16 | 1.14 | 3,812,498.20 | 0.47% | |
| Total | 28,307,783 | | | 32,095,614.32 | 4.01% | |

(ii) The company held the 17th meeting of the seventh session of the board of directors on February 5, 2020, and reviewed and approved the "Plan for Repurchasing the Company's Shares by Concentrated Auction Transactions", and the company disclosed the "Report on Repurchasing the Company's Shares by Centralized Auction Transactions" (Announcement Number: 2020-008) on February 12, 2020. The company implemented the repurchase for the first time on February 19, 2020, and disclosed the "Announcement on the First Repurchase of the Company's Shares" on February 20 (Announcement Number: 2020-009). For details of the above, please refer to the company's disclosure on *Securities Times*, *Hong Kong Commercial Daily* and [www.cninfo.com](http://www.cninfo.com.cn) (<http://www.cninfo.com.cn>). The company's share repurchase progress was as follows:

As of the disclosure date of this report, the company repurchased 22,679,456 shares in the company's shares by centralized auction transactions through a dedicated securities account for share repurchase, accounting for 3.21% of the company's total share capital, the highest transaction price was 1.13 HKD / share, the lowest transaction price was 0.9 HKD / share, and the total amount paid was HK \$ 23,870,710.50 (excluding transaction fees). See the table below for details:

| Repurchased | Amount | Ceiling price | Bottom price | Price repurchased | Ratio in total | Announcement index |
|-------------|--------|---------------|--------------|-------------------|----------------|--------------------|
|-------------|--------|---------------|--------------|-------------------|----------------|--------------------|

| date | repurchased | (HKD) | (HKD) | (HKD) | share capital | |
|------------|-------------|-------|-------|---------------|---------------|--|
| 2020. 2.19 | 2,725,800 | 1.13 | 1.10 | 3,043,387.76 | 0.39% | <i>Notice on the First Repurchase of Company's Shares (No.:2020-009)</i> |
| 2020. 3.17 | 2,575,700 | 1.11 | 1.08 | 2,823,288.00 | 0.36% | |
| 2020. 3.31 | 3,693,287 | 1.10 | 1.06 | 3,988,422.27 | 0.52% | <i>Notice on the Repurchase of 1% of the Company's Shares Capital (No.:2020-011)</i> |
| 2020.4.2 | 800,000 | 1.03 | 0.97 | 802,250.44 | 0.11% | <i>Notice on the Repurchase of 2% of the Company's Shares Capital (No.:2020-018)</i> |
| 2020.4.3 | 5,390,069 | 1.02 | 0.90 | 5,285,918.85 | 0.76% | |
| 2020.4.7 | 7,494,600 | 1.09 | 1.01 | 7,927,443.18 | 1.06% | <i>Notice on the Repurchase of 3% of the Company's Shares Capital (No.:2020-020)</i> |
| Total | 22,679,456 | | | 23,870,710.50 | 3.21% | |

(iii) The company held the 19th meeting of the seventh session of the board of directors on April 21, 2020, and reviewed and approved the “Plan for Repurchasing the Company’s Shares by Centralized Auction Transactions”. On the same day, the company disclosed the “Report on Repurchasing the Company’s Shares by Centralized Auction Transactions” (Announcement Number: 2020-030). The company plans to use its own or self-raised funds to carry out share repurchase through centralized auction transactions. The price of the repurchased shares shall not exceed 1.2 HKD / share, and the total amount of repurchase funds shall not exceed HK \$ 40 million and not less than HK \$ 20 million. The total repurchase funds are based on the actual repurchased fund when the repurchase period expires. The implementation period of this repurchase is not more than three months from the date when the share repurchase plan was reviewed and approved by the board of directors, and authorizes the management of the company to handle the relevant matters related to the share repurchase of company. Since the closing price of the company’s stocks cumulatively declined by 30% for 20 consecutive trading days (from March 20, 2020 to April 17, 2020), this share repurchase is to protect the value of the listed company and the shareholders’ equity. The shares repurchased this time will be fully reduced in centralized auction transactions 12 months after the disclosure of the announcement of repurchase results and changes in equity in accordance with the relevant laws and regulations, the reduction of shareholding will be completed within 3 years after the announcement of the repurchase results and changes in shares. The company implemented the repurchase for the first time on April 24, 2020, and disclosed the *Announcement on the First Repurchase of the Company’s Shares* (Announcement No.: 2020-035) on April 25, 2020. For details of the above, please refer to the relevant announcements disclosed by the company on *Securities Times*, *Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>. The progress of the company’s share repurchase was as follows:

Ended as the reporting period, the company repurchased the company’s shares of 26, 237, 545 shares through a stock repurchase special security account by centralized bidding transactions, accounting for 3.71% of the company’s total share capital, of which the highest transaction price was HK\$ 1.08 /share, the lowest transaction price was HK\$ 1.03/share, and the total amount paid was HK\$27, 177, 310. 16 (excluding transaction fees). Found more as:

| Repurchased date | Amount repurchased | Ceiling price (HKD) | Bottom price (HKD) | Price repurchased (HKD) | Ratio in total share capital | Announcement index |
|------------------|--------------------|---------------------|--------------------|-------------------------|------------------------------|--------------------|
|------------------|--------------------|---------------------|--------------------|-------------------------|------------------------------|--------------------|

| | | | | | | |
|--------------|---------------------|-------|-------|-------------------------|---------------|--|
| | | | | | | |
| 2020. 4.24 | 5,130,989 | 0.97 | 0.91 | 4,845,886.76 | 0.73% | <i>Notice on the First Repurchase of Company's Shares (No.:2020-035)</i> |
| 2020. 4. 27 | 6, 279, 540 | 1. 04 | 0. 98 | 6, 415, 122. 32 | 0. 89% | <i>Notice on the First Repurchase of Company's Shares (No.:2020-040)</i> |
| 2020. 4. 28 | 14, 827, 016 | 1. 08 | 1. 03 | 15, 916, 301. 08 | 2. 1% | <i>Notice on the First Repurchase of Company's Shares (No.:2020-042)</i> |
| Total | 26, 237, 545 | | | 27, 177, 310. 16 | 3. 71% | |
| | | | | | | |

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issuance and listing

1. Security offering (without preferred stock) in reporting Period

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

3. Existing internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

| Full name of Shareholders | Nature of shareholder | Proportion of shares held | Total shareholders at the end of report period | Changes in report period | Amount of un-listed shares held | Amount of listed shares held | Number of share pledged/frozen | |
|---|---------------------------------------|---------------------------|--|--------------------------|---------------------------------|------------------------------|--------------------------------|--------|
| | | | | | | | State of share | Amount |
| Total common stock shareholders in reporting period-end: 17,146 Total common stock shareholders at end of last month before annual report disclosed: 16,805 Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note 8): 0 Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8): 0 | | | | | | | | |
| Particulars about shares held above 5% by shareholders or top ten shareholders | | | | | | | | |
| Wang Dong | Domestic nature person | 29.49% | 208,324,800 | 0 | 208,324,800 | 0 | | |
| Everbright Securities (H.K.) Co., Ltd. | Overseas legal person | 7.59% | 53,601,945 | -8042522.00 | 0 | 53,601,945 | | |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | Overseas legal person | 6.55% | 46,256,326 | -997500.00 | 0 | 46,256,326 | | |
| Chengde North Industrial Corporation | Domestic non-state-owned legal person | 2.62% | 18,517,651 | 0 | 18,517,651 | 0 | | |
| Haitong International Securities Company Limited-Account Client | Overseas legal person | 2.20% | 15,524,875 | -4170084.00 | 0 | 15,524,875 | | |
| Wag Zhongsong | Domestic nature person | 1.89% | 13,327,891 | 0 | 13,327,891 | 0 | | |

| Shenwan HongYuan Securities (Hong Kong) Co., Ltd. | Overseas legal person | 1.20% | 8,492,752.00 | -5689009 | 0 | 8,492,752 | | |
|--|--|------------------------------------|--------------|----------|---|-----------|--|--|
| Wang Wensheng | Domestic nature person | 1.03% | 7,258,007 | 0.00 | 0 | 7,258,007 | | |
| Su Youhe | Domestic nature person | 1.02% | 7,234,302.00 | -516645. | 0 | 7,234,302 | | |
| Zhou Haihong | Domestic nature person | 0.95% | 6,711,600 | 0 | 0 | 6,711,600 | | |
| Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note 3) | N/A | | | | | | | |
| Explanation on associated relationship among the aforesaid shareholders | The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders. | | | | | | | |
| Particular about top ten circulated shareholders | | | | | | | | |
| Shareholders' name | Amount of listed shares held at period-end | Type of shares | | | | | | |
| | | Type | Amount | | | | | |
| Everbright Securities (H.K.) Co., Ltd. | 53,601,945 | Domestically listed foreign shares | 53,601,945 | | | | | |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED | 46,256,326 | Domestically listed foreign shares | 46,256,326 | | | | | |
| Haitong International Securities Company Limited-Account Client | 15,524,875 | Domestically listed foreign shares | 15,524,875 | | | | | |
| Shenwan HongYuan Securities (Hong Kong) Co., Ltd. | 8,492,752 | Domestically listed foreign shares | 8,492,752 | | | | | |
| Wang Wensheng | 7,258,007 | Domestically listed foreign shares | 7,258,007 | | | | | |
| Su Youhe | 7,234,302 | Domestically listed foreign shares | 7,234,302 | | | | | |
| Zhou Haihong | 6,711,600 | Domestically listed foreign | 6,711,600 | | | | | |

| | | | |
|--|--|------------------------------------|-----------|
| | | shares | |
| CORE PACIFIC-YAMAICHI INTERNATIONAL (H.K.) LIMITED | 6,051,543 | Domestically listed foreign shares | 6,051,543 |
| Li Tianyun | 5,023,000 | Domestically listed foreign shares | 5,023,000 |
| Li Yitian | 3,284,900 | Domestically listed foreign shares | 3,284,900 |
| Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders | The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders. | | |
| Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held (if applicable) (see Note 4) | N/A | | |

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: natural person

| Controlling shareholder | Nationality | Enjoy the residence power in the other country or area (Y/N) |
|-----------------------------|---|--|
| Wang Dong | P.R.C | N |
| Main occupation or position | He served as executive director respectively in Guangzhou Lianzhengda Communication Technology Co., Ltd., Shanghai Nanjiang Investment Co., Ltd., Chengdu Nanjiang Engineering Technology Co., Ltd., Ningbo Morsh Technology Co., Ltd., Shanghai Nanjiang (Group) Co., Ltd., Chongqing Nanjiang Investment Co., Ltd. and Beijing Morsh Holding Group Co., Ltd. from September 2009 to July 2016. and he served as executive director and GM of Tibet Dongfeng Investment Co., Ltd. He serves as executive director and GM of Shenzhen Dongfeng Group Co., Ltd. since March 2015 | |

| | |
|---|-----|
| Equity of listed Company in and out of China control and hold in the Period | N/A |
|---|-----|

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller of the Company and persons acting in concert

Nature of actual controller: Domestic nature person

Type of actual controller: natural person

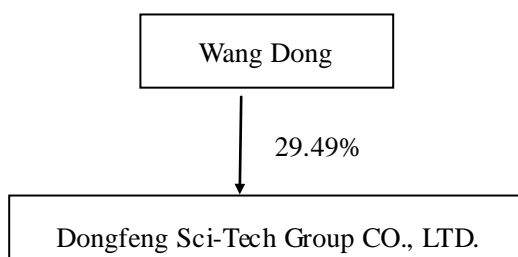
| Actual controlling shareholders | Relationship with actual controller | Nationality | Enjoy the residence power in the other country or area (Y/N) |
|---|---|-------------|--|
| Wang Dong | Mr. Wang himself | P.R.C | N |
| Main occupation or position | He served as executive director respectively in Guangzhou Lianzhengda Communication Technology Co., Ltd., Shanghai Nanjiang Investment Co., Ltd., Chengdu Nanjiang Engineering Technology Co., Ltd., Ningbo Morsh Technology Co., Ltd., Shanghai Nanjiang (Group) Co., Ltd., Chongqing Nanjiang Investment Co., Ltd. and Beijing Morsh Holding Group Co., Ltd. from September 2009 to July 2016. and he served as executive director and GM of Tibet Dongfeng Investment Co., Ltd. He serves as executive director and GM of Shenzhen Dongfeng Group Co., Ltd. since March 2015 | | |
| Listed companies in and out of China that controlled in last 10 years | N/A | | |

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period

Section VIII Convertible Bonds

Applicable Not applicable

The Company had no convertible bonds in the Period.

Section IX. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

| Name | Title | Working status | Sex | Age | Start dated of office term | End date of office term | Shares held at period-begin (Share) | Amount of shares increased in this period (Share) | Amount of shares decreased in this period (Share) | Other changes (share) | Shares held at period-end (Share) |
|----------------|----------------------|---------------------|-----|-----|----------------------------|-------------------------|-------------------------------------|---|---|-----------------------|-----------------------------------|
| Zhao Yongsheng | Chairman | Currently in office | M | 43 | 2015-06-11 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Zhao Yongsheng | GM | Currently in office | M | 43 | 2018-11-09 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Zhao Yongsheng | CFO | Currently in office | M | 43 | 2015-06-11 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Li Weimin | Vice Chairman | Currently in office | M | 57 | 2015-06-11 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Chen Weihua | Director | Currently in office | M | 45 | 2015-06-11 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Wang Liang | Director | Currently in office | M | 45 | 2018-06-13 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Zhai Hongtao | Independent director | Currently in office | M | 41 | 2018-06-13 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Li Jianhui | Independent director | Currently in office | M | 52 | 2018-06-13 | 2021-06-12 | 0 | 0 | 0 | | 0 |
| Zhou | Independent | Current | M | 48 | 2018-0 | 2021-0 | 0 | 0 | 0 | | 0 |

| | | | | | | | | | | | |
|---------------------|---|----------------------------|----|----|----------------|----------------|-------|---|---|--|-------|
| Jian | dent director | ly in office | | | 6-13 | 6-12 | | | | | |
| Wu Zhe | Directo r | Current ly in office | M | 63 | 2018-1 1-27 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Lin Lixin | Directo r | Current ly in office | M | 58 | 2018-1 1-27 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Hao Guangx in | Chairm an of Supervi sory Commi tee, Employ ee supervi sor | Current ly in office | M | 44 | 2012-0 4-27 | 2021-0 6-12 | 5,900 | 0 | 0 | | 5,900 |
| Xiao Yongfu | Supervi sor | Current ly in office | M | 53 | 2016-0 5-26 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Ma Haipen g | Supervi sor | Current ly in office | M | 54 | 2016-0 5-26 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Sun Hongw ei | Deputy GM | Current ly in office | M | 56 | 2015-0 6-11 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Li Wenyin g | Secreta ry of the Board | Current ly in office | F | 35 | 2014-0 7-04 | 2021-0 6-12 | 0 | 0 | 0 | | 0 |
| Total | -- | -- | -- | -- | -- | -- | 5,900 | 0 | 0 | | 5,900 |

II. Changes of directors, supervisors and senior executives

Applicable Not applicable

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Zhao Yongsheng, male, born in January 1977, he owes a master of business administration. He served as GM for

WholeWise Sci. & Tech. Co., Ltd and Netcom division from 1999 to 2006; and served as GM of Shenzhen XinJinDa Investment Co., Ltd. from 2006 to 2012. He serves as director, GM of the Company from 2012 to June 2015; he serves as deputy president of Eagles Men Aeronautic Science and Technology Group Co., Ltd. since August 2015 and now he is the president, GM and CFO of the Company.

Li Weimin: male, born in 1963 and has a graduate diploma. He worked in 1st section of Ministry of Metallurgical Industry and Zhongjian Law Practice Center; he works in China Kejian Co., Ltd. since October 2001 to May 2014; hold secretary of the Board for China Kejian Co., Ltd. since April 2003 to July 2013; hold director for China Kejian Co., Ltd. since April 2003 to May 2014; and he successively serves as Director, chairman and deputy chairman of the Company since July 2012, he is the deputy chairman of the Company right now.

Chen Weihuan, male, born in December 1975, an accountant with university degree. He successively served as manager of financial dept. of WholeWise Sci.& Tech. Co., Ltd, as CFO of China Kejian Co., Ltd., CFO of the Shanghai Nanjiang Group Co.,Ltd., deputy GM of Shenzhen Dongfeng Group Co., Ltd., Director of the Beijing Morsh Holding Group Co., Ltd. He is work in Scenery Culture Culture Industry Co., Ltd. Now he is the Director of the Company.

Wang Liang, male, born in June 1975, holds a college degree. From 2011 to 2014, he served as a deputy general manager and the chairman of Ningbo Morsh Tech. Co., Ltd.; from 2014 to 2016, he served as a deputy general manager of Hangzhou Nanjiang Robotics Co., Ltd.; since 2016, he has been serving as the chief financial officer of Hangzhou Dongfeng Cloaking Technology Co., Ltd. and Hangzhou Dongfeng Technology Co., Ltd., and since June 2018, he has been serving as a director of the company.

Lin Lixin, male, born in September 1962, is a master of engineering and a senior engineer. He served as the director of China Huaneng Group Co., Ltd., the executive deputy general manager of China Unicom Chongqing Branch, the chairman and general manager of Beijing Shidai Hongzhi Software Co., Ltd.; the director and general manager of Beijing Langxin Information System Co., Ltd.; the director and general manager of Sichuan Direction Optoelectronics Co., Ltd., the chairman and general manager of Beijing Huawei Langxin Technology Co., Ltd., and the chairman of Deluxe Family Holdings Limited. He currently serves as the chairman of Beijing Xizhou Group Co., Ltd. Since December 2018, he has been serving as a director of Chian Dive Company Limited. Since November 2018, he has been serving as a director of the company.

Wu Zhe, male, born on February 10, 1957, Han nationality, Taiyuan City, Shanxi Province, a member of the Communist Party of China. He was the former vice-president of Beijing University of Aeronautics and Astronautics, a professor of aircraft design major, a doctoral tutor, and a specially-appointed professor for the Cheung Kong Scholar of Ministry of Education, and is currently the dean of Institute of Beihang University in Dongguan. Since November 2018, he has been serving as a director of the company.

Li Jianhui, born in 1968, holds a master's degree, and is a certified public accountant and a senior accountant. He has served as an accountant of Yangcheng Evening News, the assistant general manager of Guangzhou Lingnan Certified Public Accountants Co., Ltd., the director of Guangzhou GuangLing Certified Public Accountants Co., Ltd., the deputy chief accountant of Guangzhou Construction Group Co., Ltd., the chief financial officer of Guangzhou Construction Co., Ltd., an independent director of Guangdong Anjubao Digital Technology Co., Ltd.. He currently serves as a consultant of Guangzhou Guangling Certified Public Accountants Co., Ltd., an independent director of Sichuan Haowu Electromechanical Co., Ltd., an independent director of Changsha Kaiyuan Instrument Co., Ltd., an independent director of Qiaoyin Environmental Protection Technology Co., Ltd., and an independent director of Guangdong Huate Gas Co., Ltd. Since June 2018, he has been serving as a director of the company.

Zhou Jian, male, born in 1972, graduate degree. From July 1996 to October 2013, he served as the sales director of China for RC Air Conditioning Beijing Office and the chairman of Beijing Shiji Shengtong Environmental Engineering Technology Co., Ltd. Since April 2014, he has been the general manager of Beijing Guoding Kechuang Capital Management Co., Ltd. and the general manager of Beijing Gongdao Innovation Investment Co., Ltd. Since June 2018, he has been serving as a director of the company.

Zhai Hongtao, male, born in 1979, a Master of Laws of Peking University, and a Master of Business Administration for Senior Management at Cheung Kong Graduate School of Business. Since 2009, he has been serving as a partner of Grandall Law Firm (Beijing). Since August 2016, he has been serving as an independent director of Langfang Development Co., Ltd. Since June 2018, he has been serving as a director of the company.

Hao Guangxin, male, born in 1976, has a secondary school education. In 1996, he joined the former Dixian Co., Ltd., and served as the factory director, the business supervisor and the section chief of the integrated business department, and the office director of Chengde Dalu Co., Ltd. He is currently the chairman of the board of supervisors of the company and the employee supervisor.

Xiao Yongfu, male, born in July 1967, has a college degree, and is a member of the Communist Party of China. In 1988, he joined Chengde Dixian Textile Co., Ltd., and served as the factory director of the dyeing factory, the manager of the weaving and dyeing branch, the manager of the weaving factory, the general manager of Hanhe Company, and the project manager of Chengde Nanjiang Co., Ltd., since March 2012, he has been serving as the manager of the sales department. He is currently a supervisor of the company.

Ma Haipeng, male, born in October 1965, has a high school education. In 1990, he joined Chengde Dixian Textile Co., Ltd., and served as the section chief of the mechanical and electrical department and the manager of the power department. Since May 2013, he has been serving as the deputy manager of the Integrated Affairs Department of Chengde Nanjiang Co., Ltd. He is currently a supervisor of the company.

Sun Hongwei, male, born in 1964, a high school background, worked in Chengde Dixian Knitting Co., Ltd. in 1986, and successively served as chief of electrical and mechanical department of Dye Plant, GM of infrastructure division for electromechanical device, person in charge of the preparatory office of Xingye Paper Making, manager of Xingye Paper Making Company and manager of engineering department of Chengde Nanjiang Co., Ltd. He served as GM assistant of the Company from October 2013 to June 2015; and served as the deputy GM of the Company since June 2015.

Li Wenying, female, was born in 1985, a university degree. She served as planning specialist and system support administrator of the Joyoung Co., Ltd. from July 2008 to October 2010; and worked in security department of Chengde Nanjiang Co., Ltd. in November 2010; she serves as GM of the security department of Chengde Nanjiang Co., Ltd. from April 2012 to July 2014; and serves as Secretary of the Board of the Company since July 2014.

Post-holding in shareholder's unit

Applicable Not applicable

Post-holding in other unit

Applicable Not applicable

| Name | Name of other units | Position in other unit n | Start dated of office term | End date of office term | Received remuneration from other unit (Y/N) |
|--------------|---|--------------------------|----------------------------|-------------------------|---|
| Chen Weihuan | Shenzhen Dongfeng Group Co., Ltd. | CFO | 2011-04-19 | | N |
| Chen Weihuan | Scenery Culture Culture Industry Co., Ltd. | Director | 2017-09-19 | | N |
| Chen Weihuan | Dongguan Dongfeng New Energy Tech. Co., Ltd. | Chairman | 2015-11-13 | | N |
| Chen Weihuan | Eagles Men Aeronautic Science and Technology Group Co., Ltd | Director | 2019-11-28 | | N |
| Lin Lixin | Beijing Xizhou Group Co., Ltd. | Director | 2015-12-02 | | N |

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

Decision-making procedures: remuneration & appraisal committee proposed remuneration plan, and being approved after deliberation by the Board, submitted for approval to shareholders' general meeting.

Recognition basis: based on the industry and scales of the remuneration standards, formulate remuneration

combine with actual operation status of the Company.

Payment: distribute monthly according to remuneration plan

In reporting period, the in-post directors, supervisors and senior executives received remuneration from the Company totally approximately as RMB 3,777,500.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

| Name | Title | Sex | Age | Post-holding status | Total remuneration obtained from the Company (before taxes) | Whether remuneration obtained from related party of the Company |
|----------------|--|-----|-----|---------------------|---|---|
| Zhao Yongsheng | Chairman, GM and CFO | M | 43 | Currently in office | 55.55 | N |
| Li Weimin | Vice Chairman | M | 57 | Currently in office | 10 | N |
| Chen Weihuan | Director | M | 45 | Currently in office | 30.1 | N |
| Wang Liang | Director | M | 45 | Currently in office | 34.76 | N |
| Zhai Hongtao | Independent director | M | 41 | Currently in office | 10 | N |
| Li Jianhui | Independent director | M | 52 | Currently in office | 10 | N |
| Zhou Jian | Independent director | M | 48 | Currently in office | 10 | N |
| Wu Zhe | Director | M | 63 | Currently in office | 10 | N |
| Lin Lixin | Director | M | 58 | Currently in office | 10 | N |
| Hao Guangxin | Chairman of Supervisory Committee, Employee supervisor | M | 44 | Currently in office | 37.98 | N |
| Xiao Yongfu | Supervisor | M | 53 | Currently in office | 36.16 | N |
| Ma Haipeng | Supervisor | M | 54 | Currently in office | 34.98 | N |
| Sun Hongwei | Deputy GM | M | 56 | Currently in | 44.2 | N |

| | | | | | | |
|------------|------------------------|----|----|---------------------|--------|----|
| | | | | office | | |
| Li Wenyang | Secretary of the Board | F | 35 | Currently in office | 44.02 | N |
| Total | -- | -- | -- | -- | 377.75 | -- |

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

| | |
|---|--|
| Employee in-post of the parent Company (people) | 37 |
| Employee in-post of main Subsidiaries (people) | 132 |
| The total number of current employees (people) | 169 |
| The total number of current employees to receive pay (people) | 169 |
| Retired employee' s expenses borne by the parent Company and main Subsidiaries (people) | 0 |
| Professional composition | |
| Category of professional composition | Numbers of professional composition (people) |
| Production personnel | 38 |
| Sales personnel | 10 |
| Technical personnel | 65 |
| Financial personnel | 22 |
| Administrative personnel | 34 |
| Total | 169 |
| Education background | |
| Category of education background | Numbers (people) |
| Doctor | 5 |
| Master | 21 |
| Bachelor degree | 45 |
| College | 48 |
| High school or below | 50 |
| Total | 169 |

2. Remuneration Policy

In accordance with national labor laws and policies and combining the company's actual situation, the company has established the salary management system, and pays the salary according to the assessment of salary

management system. The employees' remuneration and benefit level are adjusted appropriately according to the company's operating conditions, and the local living standards, and the changes in the price index.

The company strictly obeys the "Labor Law" and the relevant national and local labor laws and regulations; signs labor contracts with employees, and pays the employee insurances by rule.

3. Training programs

The company focuses on staff training and career planning, actively carries out staff training, and organizes various business skill training from time to time.

4. Labor outsourcing

Applicable Not applicable

Section X. Corporate Governance

I. Corporate governance of the Company

In reporting period, the Company complied to laws and rules such as the *Company Law*, the *Security Law*, the *Governance Rules of Listed Companies*, related regulations of CSRC and the *Rules Governing the Listing of Securities on Shenzhen Stock Exchange*, the *Internal Control Guidelines of Listed Companies* as well as relevant laws and regulations, standardized the operation, continues to improved and perfected the structure for corporate governance. Actual condition of the corporate governance almost consistent with requirement and regulations of normative documents of relevant laws and statute

1. Shareholders and the Shareholders' General Meeting:

The Company set up *Rules of Procedure of Shareholders' General Meeting* and was able to convene and hold the Shareholders' General Meeting strictly according to the requirement of normative opinions of the Shareholders' General Meeting and the procedure of the meeting was legal. The Company ensures that all shareholders share the actual information of the Company equally and guarantee the legal rights of medium and small shareholders.

2. Relation of the controlling shareholder and the listed company:

The Company is completely independent from the controlling shareholder in terms of personnel; assets, finance, organization and business, there are no decision-making and operation activities of the Company that being interfered directly or indirectly by controlling shareholder over the shareholders' general meeting, and no condition of capital and assets of the Company occupied by controlling shareholder and its related parties either.

3. Directors and the Board of Directors:

The Company elected directors strictly according to the procedure stated in the *Articles of Association* and engaged independent directors according to relevant requirements. All directors can take the responsibilities in a diligent attitude on behalf of the maximum interests of the Company and the shareholders. The Board of Directors established *Rules of procedure of the Board of Directors*, implemented patiently the regulations of the laws, regulations and the *Articles of Association* of the Company, treated all shareholders fairly and concentrated on the interest of relevant beneficial parties.

Specialized commissions were set up in the board of directors such as audit commission, remuneration and appraisal commission, strategy commission and nomination commission. They respectively take over function of discussion and determination of significant events according to corresponding working details.

4. Supervisors and the Supervisory Committee:

The population and constitution of the board of supervisors conform to requirements of the *Articles of Association*, including one staff representative among the three members. The supervisors could carefully exert duties, take necessary check and supervision on finance, directors, general managers and other senior managerial personnel, thus maintain lawful interests of the Company. The procedure of assembling and holding of the board of supervisors conform to relevant rules of the *Listing Rules*, the *Articles of Association* and the *Parliamentary*

Procedures of the Board of Supervisor.

5. In aspect of relevant beneficial parties

The company fully respects and safeguards the legitimate rights and interests of stakeholders, achieves the coordination and balance of the interests of shareholders, employees, and community, jointly promotes the sustainable and healthy development of the company.

6. In aspect of information disclosure and transparency:

The Company authorized the secretary of the Board of Directors to be responsible for information disclosure, reception of the shareholders' interviewing and consultation. The Company could disclose relevant information in a true, accurate, complete and timely manner strictly according to provisions of laws, regulations and the Articles of Association so as to ensure equal chances for all shareholders to obtain information.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independence of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The company is completely independent from the controlling shareholder in terms of personnel, assets, finance, organization and business for independent responsibility and risks undertake, owes an independent business and ability of self operation.

1. In aspect of personnel: The Company has an independent management of labor force, human resources and salary. Senior executive of the Company did not take double position in the listed company and controlling shareholders and with no remuneration received either.

2. In aspect of assets: the Company has clear property relations with its controlling shareholder, and assets of the Company are totally independent of controlling shareholder. The Company holds completely control and disposition over the assets, there are no assets or capital occupied by controlling shareholders with interest of the Company damaged.

3. In aspect of finance: The Company has independent financial department, whole, independent and normatively operated business accounting system and financial administration system and independent bank account.

4. In aspect of organization independence: The Company's organizations are wholly independent and the offices of the Company are wholly separated from the controlling shareholder.

5. In aspect of business: The Company is independent from the controlling shareholder in terms of businesses and has independent and whole business and operating ability.

III. Horizontal competition

Applicable Not applicable

IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Annual Shareholders' General Meeting in the report period

| Session of meeting | Type | Ratio of investor participation | Date | Date of disclosure | Index of disclosure |
|--|--|---------------------------------|------------|--------------------|--|
| First extraordinary shareholders general meeting of 2019 | Extraordinary shareholders general meeting | 10.06% | 2019-01-21 | 2019-01-22 | Securities Times, Hong Kong Commercial Daily and Juchao Website http://www.cninfo.com.cn |
| Annual general meeting of 2018 | AGM | 10.15% | 2019-06-13 | 2019-06-14 | Securities Times, Hong Kong Commercial Daily and Juchao Website http://www.cninfo.com.cn |

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and shareholders general meeting

| The attending of independent directors to Board meetings and shareholders general meeting | | | | | | | |
|---|--|----------------------------|-------------------------------------|-----------------------------|------------------|---|--|
| Independent director | Times of Board meeting supposed to attend in the report period | Times of present in person | Times of attending by communication | Times of entrusted presence | Times of Absence | Absent the Meeting for the second time in a row (Y/N) | Times presented in shareholders' general meeting |
| Li Jianhui | 6 | 0 | 6 | 0 | 0 | N | 1 |
| Zhou Jian | 6 | 0 | 6 | 0 | 0 | N | 1 |
| Zhai Hongtao | 6 | 0 | 6 | 0 | 0 | N | 0 |

Explanation of absent the Board Meeting for the second time in a row

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

According to the requirement of *Company Law*, *Security Laws*, *Rules for Stock Listing*, *Article of Association* and *Working Mechanism for Independent Directors*, independent directors of the Company pay attention to operation of the Company, performing vary responsibility of independent directors seriously; furthermore, they proactively investigate and studied operation status, business development and financial status of the Company, strictly supervise standard operation of the Company. Concerning the engagement of accounting firm, external guarantee, profit distribution plan and self-evaluation report of internal control, they carry out specific explanation and independent opinions; and fulfill responsibility to propose scientific and reasonable opinions and recommendation for operation and development of the Company base on their own professional knowledge, which protect all interest of the shareholders for the Company. In the report period, independent directors have no objections on relevant issues of the Company.

VI. Duty performance of the special committees under the board during the reporting period

1. Responsibility performance of Auditing Committee

In the report period, auditing committee followed related regulation of *Annual Report Work Regulations of Audit Committee*, seriously fulfilled their duties: examine accounting policy, financial system and financial status of eth Company for year of 2016 as well as the improvement and implementation of internal control; auditing company's periodic report and financial report; during the preparation, they cooperated with auditing institution to ensure the reality, accuracy and completeness of periodic report, and summary the annual work of auditing institution

2. Responsibility performance of Nomination Committee

In the reporting period, nomination committee in line with related regulation of CSRC and Shenzhen Stock Exchange, conscientiously performed their duties, reviewed the appointment qualification and competency-based for the Board, supervisory committee and senior executives: the person shall required relevant professional knowledge and ability of decision-making, supervision and cooperation, and be qualified for relevant positions, the qualification meets regulations from the *Company Law*, *Governance Rules for Listed Companies* and *Article of Association*.

3. Responsibility performance of Remuneration and Appraisal Committee

In reporting period, in strict accordance with *Working Rules of Remuneration and Appraisal Committee*, the committee earnestly perform their duties, mainly in charge of the formulation of assessment standards for directors and senior executives, and carried out evaluations; formulated and reviewed the remuneration policy and plan for directors and managers and directing the Board to improve remuneration system of the Company.

4. Responsibility performance of Strategy Committee

In the reporting period, strategy committee in line with related regulation of CSRC and Shenzhen Stock Exchange, conscientiously performed their duties, carried on research and proposed advice on the development strategy plans of the Company as well as the major events that may impact on the Company's development in the future; they broadly responsible for the strategic macro management of the Company, strategy formulation, planning approval and supervision implementation, and study the annual strategy development needs of the Company, development planning, strengthen scientific of decision-making, improved the decision-making efficiency for major investment and decision-making quality, perfected the structure of corporate governance.

VII. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objection about supervision events in reporting period

In 2019, all supervisor of the supervisory committee in a responsible manner for general meeting and whole shareholders, conscientiously abide by the State Laws, regulations and *Article of Association*, diligent and responsible, forge ahead, giver full play to the due role of supervisory committee in the Company.

(I) Meeting of the supervisory committee and resolutions in Period

Supervisory committee held three meetings in the Period with contents as:

1. On 11 April 2019, the 4th session of 7th supervisory committee was held in the conference room. Proposals below are been deliberated and approved:

(1) Meeting with 3 votes in favor, 0 votes against, 0 abstentions, deliberated and passed the *Working Report of Supervisory Committee for year of 2018*;

(2) Meeting with 3 votes in favor, 0 votes against, 0 abstentions, deliberated and passed the *Financial Report of 2018*;

(3) Meeting with 3 votes in favor, 0 votes against, 0 abstentions, deliberated and passed the *Annual Report of 2018 and Summary*;

(4) Meeting with 3 votes in favor, 0 votes against, 0 abstentions, deliberated and passed the “*Appraisal Report of Internal Control for year of 2018*”

(5) Meeting with 3 votes in favor, 0 votes against, 0 abstentions, deliberated and passed the “*Proposal of changes in accounting policies*”

The resolution notices were released on *Hong Kong Commercial Daily*, *Securities Times* and Juchao Website <http://www.cninfo.com.cn> dated 13 April 2019.

2. On 25 April 2019, the 5th session of 7th supervisory committee was held on conference room. Deliberated and approved the *Full Text/Text of 1Q Report of 2019*. The resolution was submitted for a record in Shenzhen Stock Exchange on 25 April 2019.

3. On 28 August 2019, the 6th session of 7th supervisory committee was held on conference room. Deliberated and approved the *Semi-Annual Report of 2019 and Summary*. The resolution was submitted for a record in Shenzhen Stock Exchange on 30 August 2019.

4. On 28 October 2019, the 7th session of 7th supervisory committee was held on conference room. Deliberated and

approved the *Full Text/Text of 3Q Report of 2018*. The resolution was submitted for a record in Shenzhen Stock Exchange on 30 October 2019.

(II) Independent opinion on relevant events of the Company for year of 2019

1. Independent opinion on operate according to law regulations

In accordance with relevant laws and regulations of the State, supervisory committee supervised the convening procedures of the Board Meeting and resolutions, execution of general meeting's resolution by the Board, duty performance of senior executives and management system of the Company. They considered that as for the work for year of 2018, the Board carried out standard operations in strict accordance with the *Company Law, Securities Law, Listing Rules, Article of Association* as well as other regulations and mechanism, responsible and conscientious, making operation decisions scientifically and reasonably, further to improved the internal management system and internal control mechanism, established a favorable IC mechanism; no interest of the Company was violated and behavior against the laws, regulations, article of associations in way of duty performance from the directors and managers been found.

2. Independent opinion on financial condition of the Company

Supervisory committee exercise carefully and diligent examination on the financial system and financial status of the Company, they considered that real financial status and operation results of the Company have been reflected in the financial report of 2018.

3. Independent opinion on latest actual investment of raised fund

The Company has no fund raised in the reporting period.

4. Independent opinion on related transaction

During the reporting period, the pricing of related party transactions followed market principles, and there was no damage to the interests of the company and investors.

5. Independent opinion on acquisition of assets sold

Acquisition and sales of the assets are runs in a reasonable price, no interest of part of the shareholders been violated or assets of the Company loss been found.

6. Self-appraisal of internal control

In line with relevant regulation of CSRC and Shenzhen Stock Exchange, the Company follow basic principle of internal control, according to actual condition, established and improved an internal control system that covers all aspects of the Company, guarantee business activities operates normally, protect the safety and completion of assets. In the reporting period, no situation of violation of *Guideline of Internal Control for Listed Companies* and IC system of the Company was found. In conclusion, the supervisory committee considered that the self-appraisal report of the internal control reflects a real, accurate condition of the Company in aspect of internal control, therefore, supervisory show no objections.

VIII. Examination and incentives of senior management

Senior executives' annual remuneration is paid monthly. They based on rules of salary management and level standard made by the company. They made the remuneration case for senior manager based on the annual examination of their work ability, performance and accomplishment of duty goals.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Appraisal Report of Internal Control

| Disclosure date of full internal control evaluation report | 2020-04-29 | |
|---|---|---|
| Disclosure index of full internal control evaluation report | Juchao Website (www.cninfo.com.cn) | |
| The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements | 100.00% | |
| The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements | 100.00% | |
| Defects Evaluation Standards | | |
| Category | Financial Reports | Non-financial Reports |
| Qualitative criteria | (1) Major deficiencies: major violations found in the company's financial statements, financial reports and information disclosure, the company's audit committee and internal audit service failed to effectively play their supervision functions, the CPA issued there kinds of opinion reports to the company's financial statements except for clean opinion. (2) Significant deficiencies: the establishment of the company's accounting statements and financial reports does not fully comply with the accounting standards for business enterprises and disclosure requirements, resulting in the material misstatements of financial statements, the company's financial reports declared in previous years have material misstatements and need to be retrospect and adjusted. (3) | (1) Major deficiencies: the company's important businesses are lack of system control or have system failure, the security of information systems has significant risks, and major deficiencies of internal control assessment are not rectified and reformed completely. (2) Significant deficiencies: the company's general businesses are lack of system control or have system failure, and the security of information systems has risks. (3) General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies. |

| | | |
|--|--|--|
| | General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies. | |
| Quantitative standard | <p>(1) Amount of potential mistakes and omissions in operating income: major deficiencies: amount of mistakes and omissions \geq 3% of total operating income or 10 million Yuan; significant deficiencies: 1% of total operating income or 5 million Yuan \leq mistakes and omissions $<$ 3% of total operating income or 10 million Yuan; general deficiencies: mistakes and omissions $<$ 1% of total operating income or 5 million Yuan.</p> <p>(2) Amount of potential mistakes and omissions in expenses: major deficiencies: amount of mistakes and omissions \geq 3% of total expenses or 5 million Yuan; significant deficiencies: 2% of total expenses or 3 million Yuan \leq mistakes and omissions $<$ 3% of total expenses or 5 million Yuan; general deficiencies: mistakes and omissions $<$ 2% of total expenses or 3 million Yuan.</p> <p>(3) Amount of potential mistakes and omissions in total assets: major deficiencies: amount of mistakes and omissions \geq 1% of total assets or 30 million Yuan; significant deficiencies: 0.5% of total assets or 20 million Yuan \leq mistakes and omissions $<$ 1% of total assets or 30 million Yuan; general deficiencies: mistakes and omissions $<$ 0.5% of total assets or 20 million Yuan.</p> | <p>(1) Major deficiencies: direct property loss \geq 10 million Yuan, and punished by national authorities; (2) Significant deficiencies: 5 million Yuan \leq direct property loss $<$ 10 million Yuan, and punished by the provincial government; (3) General deficiencies: direct property loss $<$ 5 million Yuan, and punished by the municipal or below government.</p> |
| Amount of significant defects in financial reports | | 0 |
| Amount of significant defects in non-financial reports | | 0 |
| Amount of important defects in financial reports | | 0 |
| Amount of important defects in non-financial reports | | 0 |

X. Auditing report of internal control

Applicable Not applicable

| Deliberations in Audit Report of Internal Control | |
|--|----------------------------------|
| We consider that, according to relevant regulations and <i>Basic Rules of Internal Control for Enterprise</i> , Dongfeng Sic-Tech maintained an efficiency internal control of financial report dated 31 December 2019, in all material aspects. | |
| Disclosure details of audit report of internal control | Disclosed |
| Disclosure date of audit report of internal control (full-text) | 2020-04-29 |
| Index of audit report of internal control (full-text) | Da Hua Nei Zi [2020] No.: 000119 |
| Opinion type of auditing report of IC | Standard unqualified |
| Whether the non-financial report had major defects | No |

Carried out modified opinion for internal control audit report from CPA

Yes No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes No

Section XI. Corporation bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

Section XII. Financial Report

I. Audit report

| | |
|------------------------------|---|
| Type of audit opinion | Standard unqualified opinion |
| Signing date of audit report | 2020-04-28 |
| Name of audit institute | Da Hua Certified Public Accountants (LLP) |
| Serial No. of audit report | Da Hua Shen Zi [2020] No.: 006778 |
| Name of CPA | Hu Zhigang, Yan Lisheng |

Text of Auditor's Report

Auditor's Report

Da Hua Shen Zi [2020] No.: 006778

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

I. Auditor's opinion

We, as the auditors, audited the financial statements of Dongfeng Sci-Tech Group CO., LTD. (the "Company"), which included the consolidated balance sheet as of 31 December 2019, the consolidated statement of income, the consolidated statement of cash flow and the consolidated statement of changes in equity of the Company for the year ended 31 December 2019, together with the relevant notes thereto.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2019 and its operation results and cash flows for the year ended.

II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of

the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter we identified is as follows:

We determine the following matters to be the key audit matters which require discussion in our audit report:

1. Confirmation of fixed assets;
2. Confirmation of real estate sales income.

(i) Confirmation of fixed assets

1. Description of the matter

Please refer to Note IV (16) and Note VI, Annotation 11 of the consolidated financial statements. As of December 31, 2019, the balance of fixed assets in the consolidated financial statements of Dongfeng Technology Group was RMB 306,237,939.37, accounting for 44.83% of the total assets. In the current period construction in process transferred into fixed assets RMB 292,273,019.84. Due to the importance of the fixed assets to the financial statements of Dongfeng Technology Group, the time point when the construction in process reaches the expected serviceable state and changes to fixed assets involves the significant judgment of the management, therefore, we identify the recognition of fixed assets as the key audit issue.

2. Audit response

Our important audit procedures for the confirmation of fixed assets include:

- (1) Understand and test the design and implementation of internal control system of Dongfeng Technology Group related to fixed assets;
- (2) Obtain or prepare detailed lists of fixed assets, accumulated depreciation, and impairment provisions, check whether the addition is correct, and check whether it is consistent with the total number of accounts and detailed accounts, and the number of statements. Combine the accumulated depreciation and fixed asset impairment provision to check whether it is consistent with the number of reports;
- (3) Check whether the confirmation time of fixed assets meets the requirements of accounting standards, check whether the entry value is consistent with the relevant records of the project under construction, and check whether the fixed assets that have reached the expected usable status but have not yet completed the final settlement procedures have been accounted for at the estimated value and depreciation has been accrued according to regulations;
- (4) Check whether the original certificate of the project under construction transferred into fixed assets is complete, such as the acceptance report, project progress, etc.;
- (5) Implement monitoring procedures for fixed assets and observe whether there are sealed or idle assets.

Based on the audit work performed, we have obtained the audit conclusion that the confirmation of the construction in progress of the management of Dongfeng Technology Group is reasonable.

(ii) Recognition of property sales revenue

1. Description

Please refer to Note IV (26) and Note VI (31) of the consolidated financial statement. In 2019, the sales revenue for the period shown in the consolidated financial statement of Dongfeng Sci-Tech Group is 44,121,179.41 Yuan,

among which, 43,917,525.95 Yuan is attributable to property development revenue accounting for 99.54% of the total revenue.

Since property development revenue is essential to the financial statements of Dongfeng Sci-Tech Group, we deem realization of property development revenue as key audit matter.

2. Audit actions

Our important audit procedures for the confirmation of property sales revenue include:

(1) understand and test design and implementation of the internal control system of Dongfeng Sci-Tech Group relating to sales and collection.

(2) select property purchase, so as to evaluate whether the revenue realization policies adopted by Dongfeng Sci-Tech Group for property development projects is in compliance with relevant accounting standards.

(3) select property sales sample, review sales contract and other supporting documents which may serve as an evidence to prove the property has met delivery conditions, so as to evaluate whether the property sales revenue has been realized under the revenue realization policy of Dongfeng Sci-Tech Group.

(4) obtain from the relevant departments sales progress control sheet, sales record, filing with competent property management authority, sales collection record and property hand-over procedures, so as to make a judgment on the actual sales and that whether the sales complies with financial data.

(5) with respect to the property sales revenue realized from property development projects during the year, we selected samples and compared its average selling price per square meter and the selling price per square meter available to us based on public information; analyze the reasonableness of change in gross profit margin of the respective property projects.

(6) make cut-off test for revenue realization of property development projects; cross-check the sales revenue realized around the balance sheet date and the supporting documents relating to delivery procedures, in order to assess whether revenue is realized during the right periods.

Based on our audit works done and the audit evidence acquired, we made the audit conclusion that realization of sales revenue by the management of Dongfeng Sci-Tech Group is in compliance with the accounting policies of the Company.

IV. Other information

The management of Dongfeng Sci-Tech Group CO., LTD. (the "Management") is responsible for other information which includes the information covered in the Company's 2019 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during

our audit, or whether there is any material misstatement.

Based on the works executed by us, we should report the fact if we find any material misstatement in other information. In this regard, we have nothing to report.

V. Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Responsibilities of the auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(There is no text in this page, and it is the signature page of Dahua CPA (LLP) for auditing report 2019 under the name of Dongfeng Sci-Tech Group Co., Ltd.)

DaHua CPA (LLP)

Certified Public Accountant of China: Hu

Zhigang
(engagement partner)

Beijing, China

Certified Public Accountant of China: Yan
Lisheng

28 April 2020

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated Balance Sheet

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

2019-12-31

In RMB

| Item | 2019-12-31 | 2018-12-31 |
|---|---------------|---------------|
| Current assets: | | |
| Monetary funds | 27,759,127.05 | 36,306,825.10 |
| Settlement provisions | | |
| Capital lent | | |
| Tradable financial assets | 8,300,000.00 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |
| Note receivable | | |
| Account receivable | 150,330.00 | 11,171.25 |
| Receivable financing | | |
| Accounts paid in advance | 9,117,061.66 | 61,099,009.67 |
| Insurance receivable | | |
| Reinsurance receivables | | |
| Contract reserve of reinsurance receivable | | |
| Other account receivable | 17,921,552.05 | 8,588,597.44 |
| Including: Interest receivable | | |

| | | |
|--|----------------|----------------|
| Dividend receivable | | |
| Buying back the sale of financial assets | | |
| Inventories | 196,431,731.67 | 151,585,557.50 |
| Contractual assets | | |
| Assets held for sale | | |
| Non-current asset due within one year | | |
| Other current assets | 45,828,612.47 | 37,786,874.66 |
| Total current assets | 305,508,414.90 | 295,378,035.62 |
| Non-current assets: | | |
| Loans and payments on behalf | | |
| Debt investment | | |
| Finance asset available for sales | | 16,331,037.08 |
| Other debt investment | | |
| Held-to-maturity investment | | |
| Long-term account receivable | | |
| Long-term equity investment | | |
| Investment in other equity instrument | 15,963,446.39 | |
| Other non-current financial assets | | |
| Investment real estate | | |
| Fixed assets | 306,237,939.37 | 17,302,279.65 |
| Construction in progress | | 101,650,833.16 |
| Productive biological asset | 5,536.23 | 121,437.50 |
| Oil and gas asset | | |
| Right-of-use assets | | |
| Intangible assets | 54,633,364.35 | 56,686,960.59 |
| Expense on Research and Development | | 13,346,410.47 |
| Goodwill | | 1,543,786.41 |
| Long-term expenses to be apportioned | 246,496.00 | 266,884.56 |
| Deferred income tax asset | | |
| Other non-current asset | 496,880.00 | 121,743,152.36 |

| | | |
|--|----------------|----------------|
| Total non-current asset | 377,583,662.34 | 328,992,781.78 |
| Total assets | 683,092,077.24 | 624,370,817.40 |
| Current liabilities: | | |
| Short-term loans | | |
| Loan from central bank | | |
| Capital borrowed | | |
| Trading financial liability | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Note payable | | |
| Account payable | 8,461,096.51 | 6,668,789.67 |
| Accounts received in advance | 159,359,732.60 | 16,269,319.99 |
| Contractual liability | | |
| Selling financial asset of repurchase | | |
| Absorbing deposit and interbank deposit | | |
| Security trading of agency | | |
| Security sales of agency | | |
| Wage payable | 1,767,654.79 | 981,089.59 |
| Taxes payable | 67,933.78 | 921,967.58 |
| Other account payable | 53,454,293.48 | 118,570,218.85 |
| Including: Interest payable | | 193,333.41 |
| Dividend payable | | |
| Commission charge and commission payable | | |
| Reinsurance payable | | |
| Liability held for sale | | |
| Non-current liabilities due within one year | 373,696.88 | |
| Other current liabilities | | |
| Total current liabilities | 223,484,408.04 | 143,411,385.68 |
| Non-current liabilities: | | |
| Insurance contract reserve | | |

| | | |
|---|-----------------|-----------------|
| Long-term loans | 175,210,000.00 | 101,710,000.00 |
| Bonds payable | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | | |
| Long-term wages payable | | |
| Accrual liability | | |
| Deferred income | | |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 175,210,000.00 | 101,710,000.00 |
| Total liabilities | 398,694,408.04 | 245,121,385.68 |
| Owner's equity: | | |
| Share capital | 706,320,000.00 | 706,320,000.00 |
| Other equity instrument | | |
| Including: Preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 463,681,309.55 | 463,681,309.55 |
| Less: Inventory shares | 28,826,485.70 | 19,718,613.55 |
| Other comprehensive income | -367,590.69 | |
| Reasonable reserve | | |
| Surplus public reserve | 76,791,550.17 | 76,791,550.17 |
| Provision of general risk | | |
| Retained profit | -948,013,965.63 | -875,480,247.09 |
| Total owner's equity attributable to parent company | 269,584,817.70 | 351,593,999.08 |
| Minority interests | 14,812,851.50 | 27,655,432.64 |
| Total owner's equity | 284,397,669.20 | 379,249,431.72 |
| Total liabilities and owner's equity | 683,092,077.24 | 624,370,817.40 |

Legal Representative: Zhao Yongsheng

Person in charge of accounting works: Zhao Yongsheng

Person in charge of accounting institute: Liu Fengguo

2. Balance Sheet of Parent Company

In RMB

| Item | 2019-12-31 | 2018-12-31 |
|---|----------------|----------------|
| Current assets: | | |
| Monetary funds | 22,660,812.82 | 28,933,135.09 |
| Tradable financial assets | 4,000,000.00 | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |
| Note receivable | | |
| Account receivable | | |
| Receivable financing | | |
| Accounts paid in advance | 8,078,076.16 | 60,821,190.73 |
| Other account receivable | 37,622,110.45 | 80,991,042.06 |
| Including: Interest receivable | | |
| Dividend receivable | | |
| Inventories | 196,392,942.76 | 150,581,753.98 |
| Contractual assets | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 18,070,610.34 | 24,163,071.63 |
| Total current assets | 286,824,552.53 | 345,490,193.49 |
| Non-current assets: | | |
| Debt investment | | |
| Available-for-sale financial assets | | 16,331,037.08 |
| Other debt investment | | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | 372,803,036.40 | 272,803,036.40 |

| | | |
|--|----------------|----------------|
| Investment in other equity instrument | 15,963,446.39 | |
| Other non-current financial assets | | |
| Investment real estate | | |
| Fixed assets | 1,411,240.77 | 1,551,517.36 |
| Construction in progress | | |
| Productive biological assets | | |
| Oil and natural gas assets | | |
| Right-of-use assets | | |
| Intangible assets | | |
| Research and development costs | | |
| Goodwill | | |
| Long-term deferred expenses | | |
| Deferred income tax assets | | |
| Other non-current assets | | |
| Total non-current assets | 390,177,723.56 | 290,685,590.84 |
| Total assets | 677,002,276.09 | 636,175,784.33 |
| Current liabilities | | |
| Short-term borrowings | | |
| Trading financial liability | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Notes payable | | |
| Account payable | 2,481,983.35 | 6,263,184.67 |
| Accounts received in advance | 157,356,171.77 | 14,427,450.03 |
| Contractual liability | | |
| Wage payable | 291,167.02 | 257,362.42 |
| Taxes payable | 9,510.94 | 125,482.71 |
| Other accounts payable | 380,623,541.78 | 432,985,336.27 |
| Including: Interest payable | | |
| Dividend payable | | |
| Liability held for sale | | |

| | | |
|---|-------------------|-------------------|
| Non-current liabilities due within one year | | |
| Other current liabilities | | |
| Total current liabilities | 540,762,374.86 | 454,058,816.10 |
| Non-current liabilities: | | |
| Long-term loans | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Lease liability | | |
| Long-term account payable | | |
| Long term employee compensation payable | | |
| Accrued liabilities | | |
| Deferred income | | |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | | |
| Total liabilities | 540,762,374.86 | 454,058,816.10 |
| Owners' equity: | | |
| Share capital | 706,320,000.00 | 706,320,000.00 |
| Other equity instrument | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 456,569,124.55 | 456,569,124.55 |
| Less: Inventory shares | 28,826,485.70 | 19,718,613.55 |
| Other comprehensive income | -367,590.69 | |
| Special reserve | | |
| Surplus reserve | 76,791,550.17 | 76,791,550.17 |
| Retained profit | -1,074,246,697.10 | -1,037,845,092.94 |
| Total owner's equity | 136,239,901.23 | 182,116,968.23 |
| Total liabilities and owner's equity | 677,002,276.09 | 636,175,784.33 |

3. Consolidated Profit Statement

In RMB

| Item | 2019 | 2018 |
|--|----------------|----------------|
| I. Total operating income | 44,121,179.41 | 123,508,083.90 |
| Including: Operating income | 44,121,179.41 | 123,508,083.90 |
| Interest income | | |
| Insurance gained | | |
| Commission charge and commission income | | |
| II. Total operating cost | 120,422,863.97 | 142,215,193.41 |
| Including: Operating cost | 36,607,980.92 | 108,747,731.24 |
| Interest expense | | |
| Commission charge and commission expense | | |
| Cash surrender value | | |
| Net amount of expense of compensation | | |
| Net amount of withdrawal of insurance contract reserve | | |
| Bonus expense of guarantee slip | | |
| Reinsurance expense | | |
| Tax and extras | 1,987,455.08 | -247,832.89 |
| Sales expense | 10,684,423.09 | 115,346.71 |
| Administrative expense | 38,636,539.45 | 29,236,648.47 |
| R&D expense | 32,520,368.65 | 4,748,852.86 |
| Financial expense | -13,903.22 | -385,552.98 |
| Including: Interest expenses | | |
| Interest income | 192,163.03 | 175,090.92 |
| Add: other income | 12,451.79 | 2,896,903.64 |
| Investment income (Loss is listed with “-”) | 436,020.07 | 19,646,046.57 |
| Including: Investment income on affiliated company and joint venture | | |

| | | |
|--|----------------|---------------|
| The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”) | | |
| Exchange income (Loss is listed with “-”) | | |
| Net exposure hedging income (Loss is listed with “-”) | | |
| Income from change of fair value (Loss is listed with “-”) | | |
| Loss of credit impairment (Loss is listed with “-”) | -2,664,077.06 | |
| Losses of devaluation of asset (Loss is listed with “-”) | -3,081,861.98 | -448,072.80 |
| Income from assets disposal (Loss is listed with “-”) | -197,590.25 | 4,526,245.58 |
| III. Operating profit (Loss is listed with “-”) | -81,796,741.99 | 7,914,013.48 |
| Add: Non-operating income | 865.35 | 3,125.00 |
| Less: Non-operating expense | 3,580,423.04 | 473,944.42 |
| IV. Total profit (Loss is listed with “-”) | -85,376,299.68 | 7,443,194.06 |
| Less: Income tax expense | | 885,955.09 |
| V. Net profit (Net loss is listed with “-”) | -85,376,299.68 | 6,557,238.97 |
| (i) Classify by business continuity | | |
| 1.continuous operating net profit (net loss listed with “-”) | -85,376,299.68 | 10,617,300.84 |
| 2.termination of net profit (net loss listed with “-”) | | -4,060,061.87 |
| (ii) Classify by ownership | | |
| 1.Net profit attributable to owner’s of parent company | -72,533,718.54 | 7,383,835.76 |
| 2.Minority shareholders’ gains and losses | -12,842,581.14 | -826,596.79 |
| VI. Net after-tax of other comprehensive income | -367,590.69 | |
| Net after-tax of other comprehensive income attributable to owners of parent | -367,590.69 | |

| | | |
|--|--|-------------|
| company | | |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss | | |
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (ii) Other comprehensive income items which will be reclassified subsequently to profit or loss | | -367,590.69 |
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | | |

| | | |
|---|----------------|--------------|
| 9.Other | -367,590.69 | |
| Net after-tax of other comprehensive income attributable to minority shareholders | | |
| VII. Total comprehensive income | -85,743,890.37 | 6,557,238.97 |
| Total comprehensive income attributable to owners of parent Company | -72,901,309.23 | 7,383,835.76 |
| Total comprehensive income attributable to minority shareholders | -12,842,581.14 | -826,596.79 |
| VIII. Earnings per share: | | |
| (i) Basic earnings per share | -0.10 | 0.01 |
| (ii) Diluted earnings per share | -0.10 | 0.01 |

As for the enterprise combined under the same control, net profit of 0 Yuan achieved by the merged party before combination while 0 Yuan achieved last period

Legal Representative: Zhao Yongsheng

Person in charge of accounting works: Zhao Yongsheng

Person in charge of accounting institute: Liu Fengguo

4. Profit Statement of Parent Company

In RMB

| Item | 2019 | 2018 |
|------------------------------|---------------|----------------|
| I. Operating income | 39,034,049.06 | 121,071,870.89 |
| Less: Operating cost | 31,288,535.20 | 103,821,248.79 |
| Taxes and surcharge | 973,495.33 | -1,521,613.57 |
| Sales expenses | 10,678,138.54 | 110,444.59 |
| Administration expenses | 26,272,704.27 | 12,121,942.53 |
| R&D expenses | | |
| Financial expenses | -89,973.64 | 2,590.40 |
| Including: interest expenses | | |
| Interest income | 128,784.84 | 175,090.92 |
| Add: other income | 6,451.79 | 2,890,000.00 |
| Investment income (Loss is | 273,093.26 | 53,773,285.06 |

| | | |
|---|----------------|---------------|
| listed with “-”) | | |
| Including: Investment income on affiliated Company and joint venture | | |
| The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”) | | |
| Net exposure hedging income (Loss is listed with “-”) | | |
| Changing income of fair value (Loss is listed with “-”) | | |
| Loss of credit impairment (Loss is listed with “-”) | -2,669,641.61 | |
| Losses of devaluation of asset (Loss is listed with “-”) | -1,425,966.21 | 530,281.37 |
| Income on disposal of assets (Loss is listed with “-”) | 107,959.62 | |
| II. Operating profit (Loss is listed with “-”) | -33,796,953.79 | 63,730,824.58 |
| Add: Non-operating income | 1.32 | |
| Less: Non-operating expense | 2,604,651.69 | 124,650.33 |
| III. Total Profit (Loss is listed with “-”) | -36,401,604.16 | 63,606,174.25 |
| Less: Income tax | | 750.00 |
| IV. Net profit (Net loss is listed with “-”) | -36,401,604.16 | 63,605,424.25 |
| (i)continuous operating net profit (net loss listed with “-”) | -36,401,604.16 | 63,605,424.25 |
| (ii) termination of net profit (net loss listed with “-”) | | |
| V. Net after-tax of other comprehensive income | -367,590.69 | |
| (I) Other comprehensive income items which will not be reclassified subsequently to profit of loss | | |
| 1.Changes of the defined benefit plans that re-measured | | |
| 2.Other comprehensive | | |

| | | |
|--|----------------|---------------|
| income under equity method that cannot be transfer to gain/loss | | |
| 3.Change of fair value of investment in other equity instrument | | |
| 4.Fair value change of enterprise's credit risk | | |
| 5. Other | | |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss | -367,590.69 | |
| 1.Other comprehensive income under equity method that can transfer to gain/loss | | |
| 2.Change of fair value of other debt investment | | |
| 3.gain/loss of fair value changes for available-for-sale financial assets | | |
| 4.Amount of financial assets re-classify to other comprehensive income | | |
| 5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset | | |
| 6.Credit impairment provision for other debt investment | | |
| 7.Cash flow hedging reserve | | |
| 8.Translation differences arising on translation of foreign currency financial statements | | |
| 9.Other | -367,590.69 | |
| VI. Total comprehensive income | -36,769,194.85 | 63,605,424.25 |
| VII. Earnings per share: | | |
| (i) Basic earnings per share | | |
| (ii) Diluted earnings per share | | |

5. Consolidated Cash Flow Statement

In RMB

| Item | 2019 | 2018 |
|---|----------------|----------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 175,602,548.28 | 84,460,974.01 |
| Net increase of customer deposit and interbank deposit | | |
| Net increase of loan from central bank | | |
| Net increase of capital borrowed from other financial institution | | |
| Cash received from original insurance contract fee | | |
| Net cash received from reinsurance business | | |
| Net increase of insured savings and investment | | |
| Cash received from interest, commission charge and commission | | |
| Net increase of capital borrowed | | |
| Net increase of returned business capital | | |
| Net cash received by agents in sale and purchase of securities | | |
| Write-back of tax received | 4,942,346.42 | 8,101,715.65 |
| Other cash received concerning operating activities | 28,428,611.73 | 116,131,170.58 |
| Subtotal of cash inflow arising from operating activities | 208,973,506.43 | 208,693,860.24 |
| Cash paid for purchasing commodities and receiving labor service | 36,083,519.92 | 123,728,104.36 |
| Net increase of customer loans and advances | | |
| Net increase of deposits in | | |

| | | |
|---|----------------|----------------|
| central bank and interbank | | |
| Cash paid for original insurance contract compensation | | |
| Net increase of capital lent | | |
| Cash paid for interest, commission charge and commission | | |
| Cash paid for bonus of guarantee slip | | |
| Cash paid to/for staff and workers | 27,752,640.08 | 16,697,226.16 |
| Taxes paid | 18,257,946.77 | 32,848,901.70 |
| Other cash paid concerning operating activities | 81,603,429.04 | 853,578.71 |
| Subtotal of cash outflow arising from operating activities | 163,697,535.81 | 174,127,810.93 |
| Net cash flows arising from operating activities | 45,275,970.62 | 34,566,049.31 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 189,500,000.00 | 31,230,000.00 |
| Cash received from investment income | 436,020.07 | 680,926.85 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 980,067.35 | 28,160,000.00 |
| Net cash received from disposal of subsidiaries and other units | | 17,328,070.03 |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflow from investing activities | 190,916,087.42 | 77,398,996.88 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 77,265,319.06 | 231,847,353.86 |
| Cash paid for investment | 171,000,000.00 | 1,500,000.00 |
| Net increase of mortgaged loans | | |
| Net cash received from subsidiaries and other units obtained | | -6,604,668.64 |

| | | |
|---|----------------|-----------------|
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflow from investing activities | 248,265,319.06 | 226,742,685.22 |
| Net cash flows arising from investing activities | -57,349,231.64 | -149,343,688.34 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | | |
| Cash received from loans | 77,500,000.00 | 101,710,000.00 |
| Other cash received concerning financing activities | 64,291,005.41 | |
| Subtotal of cash inflow from financing activities | 141,791,005.41 | 101,710,000.00 |
| Cash paid for settling debts | 4,000,000.00 | |
| Cash paid for dividend and profit distributing or interest paying | 13,520,613.99 | 2,077,900.24 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | | |
| Other cash paid concerning financing activities | 120,095,434.36 | 19,718,613.55 |
| Subtotal of cash outflow from financing activities | 137,616,048.35 | 21,796,513.79 |
| Net cash flows arising from financing activities | 4,174,957.06 | 79,913,486.21 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 103,546.27 | 269,681.12 |
| V. Net increase of cash and cash equivalents | -7,794,757.69 | -34,594,471.70 |
| Add: Balance of cash and cash equivalents at the period -begin | 33,512,916.99 | 68,107,388.69 |
| VI. Balance of cash and cash equivalents at the period -end | 25,718,159.30 | 33,512,916.99 |

6. Cash Flow Statement of Parent Company

In RMB

| Item | 2019 | 2018 |
|---|----------------|----------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 170,133,206.89 | 79,011,942.34 |
| Write-back of tax received | 4,942,346.42 | 86,715.65 |
| Other cash received concerning operating activities | 134,572,211.96 | 124,344,882.32 |
| Subtotal of cash inflow arising from operating activities | 309,647,765.27 | 203,443,540.31 |
| Cash paid for purchasing commodities and receiving labor service | 22,062,518.85 | 106,587,804.23 |
| Cash paid to/for staff and workers | 13,096,257.89 | 5,445,538.85 |
| Taxes paid | 15,851,587.77 | 9,232,241.12 |
| Other cash paid concerning operating activities | 121,828,405.26 | 65,454,115.32 |
| Subtotal of cash outflow arising from operating activities | 172,838,769.77 | 186,719,699.52 |
| Net cash flows arising from operating activities | 136,808,995.50 | 16,723,840.79 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | 154,300,000.00 | |
| Cash received from investment income | 273,093.26 | 36,445,215.03 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 386,427.35 | |
| Net cash received from disposal of subsidiaries and other units | | 17,328,070.03 |
| Other cash received concerning investing activities | | |

| | | |
|--|----------------|----------------|
| Subtotal of cash inflow from investing activities | 154,959,520.61 | 53,773,285.06 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 4,970,781.75 | 33,304.61 |
| Cash paid for investment | 234,300,000.00 | 30,000,000.00 |
| Net cash received from subsidiaries and other units obtained | | |
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflow from investing activities | 239,270,781.75 | 30,033,304.61 |
| Net cash flows arising from investing activities | -84,311,261.14 | 23,739,980.45 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | | |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflow from financing activities | 64,291,005.41 | |
| Cash paid for settling debts | 64,291,005.41 | |
| Cash paid for dividend and profit distributing or interest paying | | |
| Other cash paid concerning financing activities | 1,911,422.82 | 19,718,613.55 |
| Subtotal of cash outflow from financing activities | 120,246,066.61 | 19,718,613.55 |
| Net cash flows arising from financing activities | 122,157,489.43 | -19,718,613.55 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | | |
| V. Net increase of cash and cash equivalents | -5,368,749.66 | 20,745,207.69 |
| Add: Balance of cash and cash equivalents at the period -begin | 26,139,226.98 | 5,394,019.29 |

| | | |
|---|---------------|---------------|
| VI. Balance of cash and cash equivalents at the period -end | 20,770,477.32 | 26,139,226.98 |
|---|---------------|---------------|

7. Statement of Changes in Owners' Equity (Consolidated)

This Period

In RMB

| Item | 2019 | | | | | | | | | | | | | Min ority inter ests | Tota l own ers' equit y |
|---|---|----------------------------------|--------|--|-------------------|---------------------------|--------------------------------|----------------------|-------------------|-----------------------------|-------------------|--------|----------------|----------------------|-------------------------|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | | | | |
| | Sha re cap ital | Other equity instrument | | | Capi tal reser ve | Less : Inve ntory shar es | Othe r com preh ensive inco me | Reas onable reser ve | Surp lus reser ve | Prov ision of gene ral risk | Retain ed profi t | Othe r | Subt otal | | |
| Pre fer red stock | | Per pet ual cap ital secur ities | Ot her | | | | | | | | | | | | |
| I. Balance at the end of the last year | 706,320.00 | | | | 463,681,309.55 | 19,718,613.55 | | | 76,791,550.17 | | -875,480,247.09 | | 351,593,999.08 | 27,655,432.64 | 379,249,431.72 |
| Add: Changes of accounting policy | | | | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II. Balance at the beginning | 706,320.00 | | | | 463,681,309.55 | 19,718,613.55 | | | 76,791,550.17 | | -875,480,247.09 | | 351,593,999.08 | 27,655,432.64 | 379,249,431.72 |

| | | | | | | | | | | | | | | | |
|---|-----------|--|--|--|---------|--------------|-------------|--|--|--------|--|----------------|----------------|----------------|----------------|
| of this year | 0,000,000 | | | | 309,555 | 13,505 | | | | 50,107 | | 247,009 | 999,008 | 32,604 | 431,727 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | 9,107,872.15 | -367,590.69 | | | | | -72,533,718.54 | -82,009,181.38 | -12,842,581.14 | -94,851,762.52 |
| (i) Total comprehensive income | | | | | | | -367,590.69 | | | | | -72,533,718.54 | -72,901,309.23 | -12,842,581.14 | -85,743,890.37 |
| (ii) Owners’ devoted and decreased capital | | | | | | 9,107,872.15 | | | | | | | -9,107,872.15 | | -9,107,872.15 |
| 1. Common shares invested by shareholders | | | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | | | | |
| 4. Other | | | | | | 9,107,872.15 | | | | | | | -9,107,872.15 | | -9,107,872.15 |
| (III) Profit distribution | | | | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 2. Withdrawal of general risk provisions | | | | | | | | | | | | | | | |
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | | | | |
| 1. Capital reserves converted to capital (share capital) | | | | | | | | | | | | | | | |
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | | | | | | | | |
| 4 . Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | | | | |
| 5 . Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |
| (V) | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|---------------|-------------|--|---------------|--|-----------------|--|----------------|---------------|----------------|
| Reasonable reserve | | | | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 706,320,000.00 | | | | 463,681,309.55 | 28,826,485.70 | -367,590.69 | | 76,791,550.17 | | -948,013,965.63 | | 269,584,817.70 | 14,812,851.50 | 284,397,669.20 |

Last Period

In RMB

| Item | 2018 | | | | | | | | | | | | | Minority interests | Total owners' equity | | | | | |
|--|---|-------------------------|------------------------------|-------|-----------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|-------|---------------|--------------------|----------------------|--|----------------|---------------|----------------|--|
| | Owners' equity attributable to the parent Company | | | | | | | | | | | | | | | | | | | |
| | Share capital | Other equity instrument | | | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Provision of general risk | Retained profit | Other | Subtotal | | | | | | | |
| | | Preferred stock | Perpetual capital securities | Other | | | | | | | | | | | | | | | | |
| I. Balance at the end of the last year | 706,320,000.00 | | | | 463,681,309.55 | | | | | | | | 76,791,550.17 | | -882,864,082.85 | | 363,928,776.87 | 18,855,204.34 | 382,783,981.21 | |
| Add: Changes of accounting policy | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | |
|---|-------------|--|--|--|----------------|--|--|--|---------------|--|--|--|-----------------|----------------|---------------|----------------|
| Error correction of the last period | | | | | | | | | | | | | | | | |
| Enterprise combine under the same control | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 706,320,000 | | | | 463,681,309.55 | | | | 76,791,550.17 | | | | -882,864,082.85 | 363,928,776.87 | 18,855,204.34 | 382,783,981.21 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | 19,718,613.55 | | | | | | | | 7,383,835.76 | -12,334,777.79 | 8,800,228.30 | -3,534,549.49 |
| (i) Total comprehensive income | | | | | | | | | | | | | 7,383,835.76 | 7,383,835.76 | -826,596.79 | 6,557,238.97 |
| (ii) Owners’ devoted and decreased capital | | | | | 19,718,613.55 | | | | | | | | | -19,718,613.55 | 9,626,825.09 | -10,091,788.46 |
| 1. Common shares invested by shareholders | | | | | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | | | | | |
| 3. Amount reckoned into owners | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | |
|--|--|--|--|--|--|--------------|--|--|--|--|--|--|--|----------------|--------------|----------------|
| equity with share-based payment | | | | | | | | | | | | | | | | |
| 4. Other | | | | | | 19,718,613.5 | | | | | | | | -19,718,613.55 | 9,626,825.09 | -10,091,788.46 |
| (III) Profit distribution | | | | | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | | | | | | |
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | | | | | |
| 1. Capital reserves converted to capital (share capital) | | | | | | | | | | | | | | | | |
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | | | | | |
| 3. Remedying | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|---------------|--|--|---------------|--|-----------------|--|----------------|---------------|----------------|
| loss with surplus reserve | | | | | | | | | | | | | | | |
| 4 .Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | | | | |
| 5 .Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 706,320,000.00 | | | | 463,681,309.55 | 19,718,613.55 | | | 76,791,550.17 | | -875,480,247.09 | | 351,593,999.08 | 27,655,432.64 | 379,249,431.72 |

8. Statement of Changes in Owners' Equity (Parent Company)

This Period

In RMB

| Item | 2019 | | | | | | | | | | | |
|------|---------------|-------------------------|------|------|----------------|-----------------|---------------------|--------------------|-----------------|-----------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public | Less: Inventory | Other comprehensive | Reasonable reserve | Surplu s reserv | Retain ed profi | Other | Total owners' equity |
| | | Prefe | Perp | Othe | | | | | | | | |
| | | | | | | | | | | | | |

| | | red stock | etual capit al secur ities | r | reserv e | shares | ve incom e | e | e | t | | |
|---|----------------|--------------|--|---|----------------|---------------|------------------|---|---------------|-------------------|--|----------------|
| I. Balance at the end of the last year | 706,320,000.00 | | | | 456,569,124.55 | 19,718,613.55 | | | 76,791,550.17 | -1,037,845.092.94 | | 182,116,968.23 |
| Add: Changes of accounting policy | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 706,320,000.00 | | | | 456,569,124.55 | 19,718,613.55 | | | 76,791,550.17 | -1,037,845.092.94 | | 182,116,968.23 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | 9,107,872.15 | -367,590.69 | | | -36,401,604.16 | | -45,877,067.00 |
| (i) Total comprehensive income | | | | | | | -367,590.69 | | | -36,401,604.16 | | -36,769,194.85 |
| (ii) Owners’ devoted and decreased capital | | | | | | 9,107,872.15 | | | | | | -9,107,872.15 |
| 1. Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--------------|--|--|--|--|--|---------------|
| holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | 9,107,872.15 | | | | | | -9,107,872.15 |
| (III) Profit distribution | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | | | |
| 3. Other | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | |
| 1. Capital reserves converted to capital (share capital) | | | | | | | | | | | | |
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | |
| 3. Remediating loss with surplus reserve | | | | | | | | | | | | |
| 4 . Carry-over retained earnings from the defined | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|---------------|-------------|--|---------------|-------------------|--|----------------|
| benefit plans | | | | | | | | | | | | |
| 5. Carry-over retained earnings from other comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 706,320,000.00 | | | | 456,569,124.55 | 28,826,485.70 | -367,590.69 | | 76,791,550.17 | -1,074,246.697.10 | | 136,239,901.23 |

Last period

In RMB

| Item | 2018 | | | | | | | | | | | |
|--|----------------|-------------------------|------------------------------|-------|------------------------|------------------------|----------------------------|--------------------|-----------------|-------------------|-------|----------------------|
| | Share capital | Other equity instrument | | | Capital public reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | Retained profit | Other | Total owners' equity |
| | | Preferrred stock | Perpetual capital securities | Other | | | | | | | | |
| I. Balance at the end of the last year | 706,320,000.00 | | | | 456,569,124.55 | | | | 76,791,550.17 | -1,101,450,517.19 | | 138,230,157.53 |
| Add: Changes of accounting | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|---------------|--|--|---------------|-------------------|--|----------------|
| policy | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 706,320,000.00 | | | | 456,569,124.55 | | | | 76,791,550.17 | -1,101,450,517.19 | | 138,230,157.53 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | 19,718,613.55 | | | | 63,605,424.25 | | 43,886,810.70 |
| (i) Total comprehensive income | | | | | | | | | | 63,605,424.25 | | 63,605,424.25 |
| (ii) Owners’ devoted and decreased capital | | | | | | 19,718,613.55 | | | | | | -19,718,613.55 |
| 1.Common shares invested by shareholders | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | | |
| 4. Other | | | | | | 19,718,613.55 | | | | | | 19,718,613.55 |

| | | | | | | | | | | | | |
|---|--|--|--|--|--|----|--|--|--|--|--|--|
| | | | | | | 55 | | | | | | |
| (III) Profit distribution | | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | | | |
| 3. Other | | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | | |
| 1. Capital reserves converted to capital (share capital) | | | | | | | | | | | | |
| 2. Surplus reserves converted to capital (share capital) | | | | | | | | | | | | |
| 3. Remedying loss with surplus reserve | | | | | | | | | | | | |
| 4 . Carry-over retained earnings from the defined benefit plans | | | | | | | | | | | | |
| 5 . Carry-over retained earnings from other | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|----------------|---------------|--|--|---------------|-------------------|--|----------------|
| comprehensive income | | | | | | | | | | | | |
| 6. Other | | | | | | | | | | | | |
| (V) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (VI)Others | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 706,320,000.00 | | | | 456,569,124.55 | 19,718,613.55 | | | 76,791,550.17 | -1,037,845,092.94 | | 182,116,968.23 |

III. Company profile

(i) Registered place, organization structure and head office of the Company

Dongfeng Sci-Tech. Group Co., Ltd. (Hereinafter referred to as Dongfeng Sci-Tech. Group or the Company) was formerly known as Chengde Dixian Knitting Co., Ltd., and was reorganized on 3 November 1999 by sponsorship, approved by the People's Government of Hebei Province with the issue of Ji Gu Ban [1999] No.: 36 with license of the business corporation obtained from Hebei Administration for Industry & Commerce; registered capital while established amounting as RMB 100,000,000, and RMB 1.00 per share. Among the abovementioned, RMB 85.10 million contributed by Wang Shuxian, representing 7.56 percent of the registered capital; Wang Zhongsong invested RMB 5.4444 million with 5.44 percent in total registered capital presented; Chengde Longfeng Cosmetics Co., Ltd. contributed RMB 0.9456 million, a 0.95 percent in registered capital and RMB 0.9456 million contributed by Chengde Xiabancheng Hongxing Plastics Products Plant with 0.95 percent in registered capital presented.

On 29 August 2000, according to the Zheng Jian Fa Xing Zi [2000] No.: 121 issued by the China Securities Regulatory Commission, the Company issued 100,000,000 domestically listed foreign shares in Shenzhen Stock Exchange dated 19 September 2000; and excised the over-allotment option to increase issuing 15,000,000 B shares from September 29, 2000 to October 29, 2000. The registered capital of the Company after the issuance of B shares was RMB 215,000,000 with one Yuan of face value per share.

According to the resolution of the shareholder's general meeting on March 12, 2002, the Company allotted

43,000,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares, and meanwhile increased 107,500,000 shares to all of the shareholding by transferring from capital reserve according to 5 shares free for every 10 shares. The registered capital of the company was changed to RMB 365,500,000 after it allotted bonus shares and increased by transferring.

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

On March 11, 2004, approved by the Ministry of Commerce of the People's Republic of China, the Company was allowed to be changed as a foreign investment limited liability company.

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

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

On August 4, 2008, according to the judgment ruled by Shenzhen Intermediate People's Court, 112,324,800 sponsor shares held by Wang Shuxian was compensated to Chen Rong for 45,491,544 Yuan, and on August 15, 2008, 96,000,000 sponsor shares held by Wang Shuxian was compensated to Chen Rong for 38,880,000 Yuan according to the judgment ruled by Dalian Intermediate People's Court.

On November 11, 2009, according to "reply to the approval of capital increase, and change of share as well as name of Chengde Dixian Knitting Co., Ltd" with No.143 [2009] by Bureau of Commerce of Hebei Province, it agreed that the Company increased 150,000,000 domestically listed foreign shares in 2004 and allotted 2 bonus shares free for every 10 shares in 2006; and it agreed that 208,324,800 shares of Dixian stock held by Wang Shuxian was changed to Chen Rong ; as well as the name of the Company changed to Chengde Dalu Co., Ltd. Total share capital of the Company was 706,320,000 shares and the registered capital of the Company was 706,320,000 Yuan after the Company's share increased and allotted,

On 23 August 2011, the Company received the enterprise corporate business license issued from Chengde Administration for Industry and Commerce, register serial was No.: 130000400001225; registered capital and paid-up capital was 706.32 million Yuan with corporate type of limited liability company (Sino-foreign joint venture, listed)

On April 6, 2012, Chen Rong, shareholder of Company, signed a share transfer agreement with Mr. Wang Dong for transferred all of the 208,324,800 shares held by himself (accounting for 29.49% of total capital of the Company) to Mr. Wang Dong; After equity transfer the above mentioned, capital contribution proportion of the shareholders of the Company were: 208.3248 million Yuan invested by Wang Dong, representing 29.49 percent of the register capital; 18517651 Yuan contributed by Hebei Chengde Northern Industrial Corporation, representing 2.62 percent of the register capital; 13327891 Yuan invested by Wang Zhengsong, a 0.33 percent in register capital; 2314829 Yuan invested by Chengde Xiabancheng Hongxing Plastics Products Plant, a 0.33 percent in register capital and 461.52 million Yuan contributed by shareholders of domestically listed foreign shares, representing 65.34 percent of the register capital.

On 19 September 2012, being verified and approved by Chengde Administration for Industry and Commerce, the Company's name changed as Chengde Nanjiang Co., Ltd.

On 15 May 2017, being verified and approved by Chengde Administration for Industry and Commerce, the Company's name changed as Dongfeng Sci-Tech Group Co., Ltd

Over the years of bonus issue, rights issue and capitalization, up to 31st December 2019, the issued shares totally amounting to 706.32 million shares, registered capital of the Company was 706.32 million Yuan; registered address: Xiabancheng Town, Chengde County, Hebei Province; HQ: Xiabancheng Town, Chengde County, Hebei Province. The Company has no parent company and Mr. Wang Dong is the first largest shareholder of the Company and also is the controller of the Company.

Business scope

R&D and sales of new energy, and new material products as well as technology promotion and technical service; scientific research of modern ecological agriculture and technology promotion service, wholesales of ecological agriculture products; import and export trade of goods and technology; Engage in the real estate development and management in the scope approved by the qualification certificates; property management.

Business nature and main operating activities of the Company

Dongfeng Sci-Tech Group belongs to the development operation of real estate business, subsidy engaged in new energy, new materials, property management and agricultural farming and breeding

Report approval for the financial statement

The statement has been approved by all Directors of the Company dated 28 April 2020 for reporting.

Totally 16 subjects are included in consolidate financial statement, including:

| Subsidiaries | Type | Level | Shareholding ratio (%) | Voting rights ratio (%) |
|---|-------------------------|-------|------------------------|-------------------------|
| Chengde Kefeng Engineering Project Management Co. Ltd.(hereinafter referred to as "Kefeng Engineering") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |

| | | | | |
|--|---------------------------|---|--------|--------|
| Chengde Dongfeng Investment Co., Ltd.(hereinafter referred to as "Dongfeng Investment ") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |
| Nanjiang Asia Investment Co., Ltd.(hereinafter referred to as "Nanjiang Asia ") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |
| Chengde Kefeng Trading Co., Ltd.(hereinafter referred to as "Kefeng Trading") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |
| Hangzhou Dongfeng Technology Co. Ltd.(hereinafter referred to as "Hangzhou Dongfeng") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |
| Dongguan Dongfeng Technology Development Co., Ltd.(hereinafter referred to as "Dongguan Dongfeng Technology") | Controlling subsidiary | 1 | 100.00 | 100.00 |
| Kefeng Chengde Logistics Co., Ltd.(hereinafter referred to as "Kefeng Logistics ") | Wholly-owned subsidiary | 1 | 100.00 | 100.00 |
| Dongguan Dongfeng Power Tech. Co., Ltd. (hereinafter referred to as "Dongfeng Power ") | Controlling subsidiary | 1 | 100.00 | 100.00 |
| Fengning Manchu Autonomous County Dongfeng Real Estate Development Co., Ltd.(hereinafter referred to as "Fengning Dongfeng") | Controlling subsidiary | 1 | 100.00 | 100.00 |
| Chengde Dongfeng Ecological Agriculture Co., Ltd.(hereinafter referred to as "Ecological Agriculture ") | Wholly-owned sub-subsiary | 2 | 100.00 | 100.00 |
| Chengde Nanjiang Technology Co. Ltd.(hereinafter referred to as "Nanjiang Technology") | Wholly-owned sub-subsiary | 2 | 100.00 | 100.00 |
| Chengde Huijing Property Services Co., Ltd.(hereinafter referred to as "Huijing Property") | Wholly-owned sub-subsiary | 2 | 100.00 | 100.00 |
| Dongguan Zhongchuang New Energy Technology Co., Ltd.(hereinafter referred to as "Zhongchuang New Energy") | Controlling sub-subsiary | 2 | 60.98 | 60.98 |
| Dongguan Dongfeng Intelligent Technology Co., Ltd.(hereinafter referred to as "Dongguan Dongfeng Intelligent") | Wholly-owned sub-subsiary | 2 | 100.00 | 100.00 |
| Dongguan Aolin New Materials Co., Ltd.(hereinafter referred to as "Aolin New Materials ") | Controlling sub-subsiary | 2 | 62.00 | 62.00 |
| Dongguan Haizhuo Energy Technology Co., Ltd.(hereinafter referred to as "Haizhuo Energy ") | Controlling sub-subsiary | 2 | 62.00 | 62.00 |

Note: (1) former Chengde Kefeng Aerospace Technology Development Co. Ltd was changed the name to Kefeng Chengde Logistics Co., Ltd on 25 Oct. 2019.

1.Subsidiary newly included in consolidation scope in the period

| Name | Causes |
|-------------------|-------------------|
| Fengning Dongfeng | New establishment |

2. In the period, there were no new special purpose entity and subsidiary that with control resulted through entrust operation or leasing newly included in consolidation scope

3. In the period, there were no special purpose entity and operation entity that with control resulted through entrust

operation or leasing not included in consolidation scope any more

4. Specific change of the entity in consolidation scope found more in Change of Consolation Scope in Note VII

IV. Basis of preparation of financial statements

1. Preparation basis

The Company conducts recognition and measurement according to actual occurrence of transactions and issues, pursuant to the *Accounting Standards for Business Enterprises- Basic Standard* and specific accounting principle as well as the application guidance for the accounting principles for enterprise, interpretation to the accounting principles for enterprise and other related requirements (hereinafter referred to as Enterprise Accounting Principles) issued by the ministry of finance, on that basis, combining the *Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2014)* of the CSRC for statement preparation.

2. Going concern

We evaluated the sustainable management ability for 12 months since end of the period, and found out that there was a significant doubt on sustainable management ability of the Runhua RW, listed in Note XII, while no impact on other entity in consolidation scope. Therefore, the financial statement is prepared based on the continuing operation assumption

V. Major accounting policy and accounting estimation

Notice of specific accounting policy and estimation:

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

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises; truthfully and completely reflect the financial status, operation results and cash flow etc. of the Company.

2. Fiscal period

The fiscal year of the Company is from 1 January to 31 December on basis of Gregorian calendar.

3. Operating cycle

One operating cycle for the Company is from 1 January to 31 December in Gregorian calendar

4. Standard currency

The Company and its subsidiaries take RMB as the standard currency for bookkeeping.

5. Accounting treatment for business combinations under the same control and those not under the same control

1. If the terms, conditions, and economic impact of each transaction involved in business combination achieved in stages fall within one or more of the following situations, such transactions will be accounted for as a package deal:

- (1) Such transactions are entered into simultaneously or in the case of considering the impact of each other;
- (2) Such transactions as a whole in order to reach a complete business results;
- (3) The occurrence of a transaction subject to that of at least one other transaction;
- (4) One transaction alone is not economic, but otherwise when considered with other transactions.

2. Business combination under the same control

The Company's assets and liabilities acquired in a business combination are measured by the book value in the consolidated financial statements of ultimate controlling party in accordance with the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition to the combined party) of combined party on combining date. If there is balance between the book value of net assets obtained in merger and the book value of paid merger consideration (or total face value of issued shares), adjust the stock premium in capital reserve, and adjust the retained earnings if the stock premium in capital reserve is not enough for writing down.

If there is a contingent consideration needs to confirm the expected liabilities or assets, and there is balance between the expected liabilities or assets amount and the settlement amount of follow-up contingent consideration, adjust the capital reserve (capital premium or stock premium), and adjust the retained earnings if the capital reserve is not enough.

As for business combination realized through numbers of transactions, and if these transactions belong to a bundle of transactions, then each of them shall be accounted as a transaction to acquire controlling right; and if not belong to a bundle of transactions, then the difference between the initial investment cost of the long term equity investment as of the date on which the Company obtains controlling right and the carrying value of the long term equity investment prior to combination plus the carrying value of the new consideration paid for further acquisition of shares as of the combination date shall be used to adjust capital reserve; in case of insufficient capital reserve, adjust retained earnings. For equity investment held prior to the combination date, the other comprehensive income recognized due to calculation by equity method or based on recognition and measurement principles for financial instruments would not be accounted for temporarily until the Company disposes of this investment on the same basis as the invested enterprise directly disposes of relevant assets or liabilities; other changes of owners' equity in the net assets of invested enterprise as recognized under equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for until being

transferred to current profit or loss when this investment is disposed of.

3. Business combination not under the same control

An acquisition date represents the date when the Company obtains the actual control of the acquiree, which means the date when the net assets or the right of control in relation to production or operation decisions of the acquiree transfer to the Company. In general, the Company will be deemed to materialize transfer of right of control upon satisfaction of the following conditions:

- ①the contracts or agreements relating to business combination has been approved by the internal authority of the Company.
- ②consent from the national competent authorities relating to business combination, if required, has been obtained.
- ③necessary property transfer procedure has been completed.
- ④the Company has paid a majority of the consolidated consideration, and it is capable of and scheduled to pay the outstanding balance.
- ⑤the Company has actually controlled the financing and operating policies of the acquiree, and is entitled to share relevant benefits and assume relevant risks.

The assets paid and liabilities occurred or assumed by the Company on the acquisition data as the consideration of the business combination shall be measured at fair value, and the difference between the fair value and its carrying value shall be included in profit or loss for the period.

The Company confirms the balance that the combined cost is greater than the fair value shares of acquiree's recognizable net assets obtained in the combination as the goodwill; the balance that the combined cost is less than the fair value shares of acquiree's net identifiable assets obtained in the combination is included in the current profit and loss after re-checking.

As for the business combination not under the same control realized through several exchange transactions step by step, part of the package deal, than carrying accounting treatment on transactions with controlling rights obtained through vary transactions; for equity investment held prior to combination date which is calculated under equity method, the sum between carrying value of the equity investment prior to acquisition date and cost of additional investment made on the acquisition date is deemed to be the initial investment cost of this investment. Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the invested enterprise directly disposes of relevant assets or liabilities. In case that equity investment held prior to combination date is calculated based on recognition and measurement principles for financial instruments, then the fair value of this equity investment as of combination date plus new investment cost shall be deemed as initial investment cost. The difference between fair value and carrying value of the originally held equity interests and the accumulated fair

value movements as originally recorded in other comprehensive income shall be all transferred to investment income of the period in which the combination date falls.

4. Relevant expenses from combination

The intermediate expenses occurred for business combination such as audit, legal service and appraisal consultation expenses and other related expenses shall be recorded in current gains and losses when occurred; the trading expenses for equity securities offering shall be excluded while reckoned into equity transaction directly.

6. Methods for preparation of consolidated financial statements

1. Consolidated scope

The consolidation scope of the consolidated financial statements of the Company is fixed on the basis of control, and all subsidiaries (including the independent subject control by the Company) have been consolidated.

2. Consolidated procedure

Based on financial statements of its own and the subsidiaries, the Company establishes the consolidated financial statements according to other relevant data. The consolidated financial statements established by the Company regard the whole enterprise group as an accounting subject, and reflect the overall financial situation, operating results and cash flow of the enterprise group by the uniform accounting policies in accordance with the relevant confirmation, measurement and presentation requirements of accounting standards.

The accounting policies and accounting period adopted by the subsidiaries taken into account of the consolidation scope are in line with the Company. If it is not the same as the Company, necessary adjustments will be made when preparing consolidated financial statements according to the accounting policy and accounting period of the Company.

When consolidating financial statements, the Company shall offset all effects upon consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in equity arising from the internal transactions between the Company and each subsidiary and between various subsidiaries. If there is difference between the point of view of consolidated financial statements of enterprise group and the affirmation to the same transaction by taking the Company or its subsidiaries as the accounting subject, adjust the transaction from the enterprise group's point of view.

The ownership interests of subsidiaries, current net profits or losses and shares of current comprehensive income belonging to minority shareholders are respectively and separately listed under the ownership interest item of consolidated balance sheet, the net profit item of consolidated profit statement and the total comprehensive income item. The balance that the current losses shared by the subsidiary's minority shareholders is greater than the shares in the ownership interests held by the minority shareholders in the beginning period of this subsidiary offsets against the minority stockholders' interests.

For the subsidiaries acquired through business combination under the same control, take the fair value of its assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition to the combined party) in the financial statements of ultimate controlling party as a basis to adjust its financial statements.

For the subsidiaries acquired through business combination not under the same control, take the fair value of net identifiable assets on acquisition date to adjust its financial statements.

(1) Increase subsidiaries or businesses

During the reporting period, if there are subsidiaries or businesses increased by the business combination under the same control, adjust the opening balance of consolidated balance sheet; include the income, expenses and profits of the subsidiaries or business combination from the beginning of the period to the end of the reporting period into the consolidated profit statement; include the cash flow of the subsidiaries or business combination from the beginning of the period to the end of the reporting period into the consolidated statement of cash flows, adjust the relevant items of comparative statements at the same time, and regard that the reporting entity after combination has been existing since the ultimate controller starts controlling.

If the control can be implemented to the invested enterprises under the same control due to the additional investment, it can be regarded that all parties in the combination can be adjusted when the ultimate controller starts controlling, i.e. by the current status and existence. For the equity investment held before obtaining the control power of combined party, the relevant profit and loss, other comprehensive income and other changes in net assets from the later date between the acquisition date of original stock right and the date when the combining party and combined party are under the same control to the combination date respectively offset against the retained earnings at the beginning of the period or the current profit and loss in the comparative statement period.

During the reporting period, if there are subsidiaries or businesses increased by the business combination not under the same control, don't adjust the opening balance of consolidated balance sheet; include the income, expenses and profits of the subsidiaries or business combination from the purchase date to the end of the reporting period into the consolidated profit statement; include the cash flow of the subsidiaries or business combination from the purchase date to the end of the reporting period into the consolidated statement of cash flows.

If the control can be implemented to the invested enterprises not under the same control due to the additional investment, the Company re-measures the stock right of acquiree held before the purchase date according to the fair value of this stock right on the purchase date, the balance between fair value and its book value is included in the current investment income. Other comprehensive income that the stock right of acquiree held before the purchase date involving in equity method business accounting and other changes in ownership interest except for net profit or loss, other comprehensive income and profits distribution, together with its relevant other comprehensive income and other changes in ownership interest are transferred into the current investment income

attributable to the purchase date, besides the other comprehensive income generated by the changes in the net indebtedness and net assets re-measured and defined benefit plans by invested enterprises.

(2) Disposal of subsidiaries or businesses

1) General approaches

During the reporting period, if the Company disposes a subsidiary or business, the income, expense and profit of this subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flow of this subsidiary or business from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When control power over invested enterprises are lost due to disposal of some equity investment or other reasons, the Company re-measure the remaining equity investment after disposal in accordance with its fair value on the date to lose the control power. The balance by subtracting the sum of consideration obtained by disposing stock right and fair value of residual equity from the sum of the shares of net assets continuously calculated according to the original shareholding ratio since the purchase date or combination date of the original subsidiary and the goodwill are included in the investment income of the current period of losing control power. Other comprehensive income related to the equity investment of original subsidiary and other changes in ownership interest except for other net profit and loss, other comprehensive income and profits distribution are transferred into current investment income when losing the control power, besides the other comprehensive income generated by the changes in the net indebtedness and net assets re-measured and defined benefit plans by invested enterprises.

2) Dispose subsidiaries step by step

Dispose a subsidiary's equity investment until losing the control power step by step through multiple transactions, if the terms, conditions and economic impact of the disposal to various transactions of the subsidiary's equity investment conform to following one or various conditions, it means that the multiple transactions should have accounting treatment as a package deal:

- A. These transactions are made by considering each other's impacts;
- B. These transactions can only reach a complete business result as a whole;
- C. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- D. One transaction alone is not economical, but it is economical when it is considered together with other transactions.

The various transactions that dispose a subsidiary's equity investment until losing the control power belong to a package deal, the Company handles accounting treatment to various transactions by taking them as a transaction disposing a subsidiary's equity investment and losing the control power; however, the balance between every disposal price before losing control power and net asset shares of the subsidiary corresponding to disposal of investment should be confirmed as other comprehensive income in the consolidated financial statements and transferred into the profit and loss of the current period of losing control power when losing the control power.

The various transactions that dispose a subsidiary's equity investment until losing the control power and don't belong to a package deal, before losing control power, are handled with accounting treatment according to relevant policies which used to partly dispose the subsidiary's equity investment on the condition of not losing the control power; when losing the control power, they are handled with accounting treatment according to the general handling methods used to dispose the subsidiary.

(3) Purchase the minority shareholding of a subsidiary

If there is balance between the Company's long-term equity investment newly obtained by purchasing the minority shareholding and the net asset shares of the subsidiary continuously calculated from the acquisition date (or combination date) according to the newly increased shareholding ratio, adjust the capital stock premium in capital reserve on consolidated balance sheet, if the capital stock premium in capital reserve is not enough for offset, adjust the retained earnings.

(4) The partial disposal of equity investments in subsidiaries without losing the control power

If there is balance between the disposal price obtained by the partial disposal of long-term equity investments in subsidiaries without losing the control power and the net asset shares of the subsidiary continuously calculated from the acquisition date or combination date corresponding to the disposal of long-term equity investments, adjust the capital stock premium in capital reserve on consolidated balance sheet, if the capital stock premium in capital reserve is not enough for offset, adjust the retained earnings.

7. Classification of joint arrangement and accounting for joint operations

1. Classification of joint arrangement

The Company classifies joint venture arrangement into joint operations and joint ventures based on the structure, legal form, agreed terms of the arrangement and other related facts and conditions.

Joint venture arrangement not concluded through separate entity is classified as joint operation; and those concluded through separate entity are generally classified as joint ventures. However, joint venture arrangement which meets any of the following conditions as proven by obvious evidence and satisfies relevant laws and rules is grouped as joint operation:

The legal form of the arrangement shows that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.

It is agreed by the terms of the arrangement that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.

Other related facts and conditions show that parties to the arrangement are entitled to and assume rights and obligations in respect of

the relevant assets and liabilities. For instance, joint parties are entitled to almost all the output related to joint venture arrangement and settlement of the liabilities under the arrangement continues to rely on supports from

the joint parties.

2. Accounting for joint operations

The Company recognizes its proportion of interests in joint operation as related to the Company, and accounts for under relevant business accounting principles:

1. To recognize separately-assumed liabilities and jointly-assumed liabilities under its proportion;
2. To recognize revenue from disposal of the output which the Company is entitled to under the proportion;
3. To recognize separately-held assets and jointly-held assets under its proportion;
4. To recognize revenue from disposal of the output under the proportion;
5. To recognize separately occurred expenses, and to recognize expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case those assets injected or disposed satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes this loss in full.

For acquisition of assets from joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the relevant assets are sold to any third party. In case that the acquired assets satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes relevant loss according to the proportion it assumes.

The Company exercises no common control over joint operations. If the Company is entitled to relevant assets of the joint operation and assure relevant liabilities, it shall be accounted for under the above principle, otherwise it would be accounted for under the relevant business accounting principles.

8. Recognition standards for cash and cash equivalents

When preparing cash flow statement, the Company recognized the stock cash and deposits available for payment at any time as cash, and investments featuring with the following four characters at the same time as cash equivalents: short term (expire within 3 months commencing from purchase day), active liquidity, easy to convert to already-known cash, and small value change risks.

9. Foreign currency business and conversion of foreign currency statement

1. Foreign currency business

For the foreign currency business, the Company converts the foreign currency into RMB for book-keeping based

on spot exchange rate at date of trading occurred while initially recognized.

On balance sheet date, balance of foreign currency monetary items shall be converted based on the spot rate as at the balance sheet date, and the arising exchange difference shall be recorded in current gains and losses other than those arising from the special foreign currency borrowings related to purchasing assets qualifying for capitalization which is treated under the principle of borrowing expense capitalization. As for the foreign currency non-monetary items measured in historical cost, conversion is still conducted with the spot rate as at the transaction date, without any change to its functional currency.

As for the foreign currency non-monetary items measured in fair value, conversion is conducted with the spot rate as at the date for determination of fair value, and the arising exchange difference shall be recorded in current gains and losses as the changes of fair value. if the foreign currency non-monetary items belong to foreign currency available for sale, the arising exchange difference shall be recorded in other comprehensive income.

2. Translation of foreign currency financial statement

Assets and liabilities in balance sheet are translated at the spot exchange rate at the balance sheet date. Equity items, excluding “undistributed profit”, are translated at the spot exchange rates at the transaction dates. As for those translated at the spot exchange rates at the transaction dates or those recognized in line with the reasonable method in system, translated at the similar exchange rate as at the transaction date. The resulting translation differences are recognized in other comprehensive income.

When disposing overseas operations, the foreign currency financial statement translation differences listed under items of other comprehensive income in balance sheet and which are directly related to the overseas operations are transferred to profit or loss in the period when the overseas operation is disposed; In case of partial disposal or the overseas business, which has lower operation ratio overseas without operation controlling loss due to other reason, the translation differences related to disposal part shall including in equity of minority shareholders, no need to transfer into current gains/losses. In case of partial disposal of associated or joint venture, foreign currency translation differences shall be calculated in respect of the disposed part under disposal proportion and transferred to profit or loss in the period when the overseas operation is disposed.

10. Financial instruments

A financial asset or liability is recognized when the company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and amortizing interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected lifetime to the book balance of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis

of considering all contractual terms of financial assets or financial liabilities (such as early repayment, roll-overs, call options or other similar options, etc.), but the expected credit losses are not considered.

The amortized cost of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability minus the principal repaid, plus or minus the accumulated amortization amount formed by amortizing the difference between the initially recognized amount and the amount on the due date on the basis of the actual interest rate method, and then deducting the accumulated loss provisions (only applicable to financial assets).

Category and measurement of financial assets

According to the business model of the financial assets under management and the characteristics of the contract cash flow of the financial assets, the Company divides the financial assets into the following three categories:

Financial assets measured at amortized cost;

Financial assets measured at fair value and with its variation reckoned into other comprehensive income;

Financial assets measured at fair value and with its variation reckoned into current gain/loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or bills receivable arising from the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, make initial measurement according to the transaction price.

For financial assets measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in the current profit and loss, and related transaction costs of other types of financial assets are included in the initial recognition amount.

Subsequent measurement of financial assets depends on their classification, and only if the Company changes the business model for managing financial assets, all affected related financial assets will be reclassified.

1. Classified as financial assets measured at amortized cost

The contractual terms of financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of outstanding principal, and the business model for managing the financial asset is to collect contractual cash flows, the Company classifies the financial asset as a financial asset measured at amortized cost. The Company's classified financial assets measured at amortized cost include monetary funds, accounts receivable, other receivables, long-term receivables, and debt investments.

The Company uses the actual interest rate method to recognize interest income for such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the impairment or derecognition and modification are included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the book balance of financial assets multiplied by the actual interest rate:

1) For financial assets purchased or originated that have suffered credit impairment, the Company calculates and determines the interest income based on the amortized cost of the financial assets and the credit-adjusted actual interest rate since initial recognition.

2) For financial assets purchased or originated without credit impairment, but becoming credit impairment in the

subsequent period, the Company will calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate in the subsequent period. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the Company will use the actual interest rate multiplied by the book balance of financial asset to calculate and determine the interest income.

2. Classified as financial assets measured at fair value and whose changes are included in other comprehensive income

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target at the contractual cash flow and sell the financial asset, the Company classifies the financial asset as a financial asset that is measured at fair value and its changes are included in other comprehensive income.

The Company uses the actual interest rate method to recognize interest income for such financial assets. Except that interest income, impairment losses and exchange differences are recognized as current gains and losses, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Bills receivable and accounts receivable measured at fair value and whose changes are included in other comprehensive income are reported as receivables financing, and other such financial assets are reported as other debt investments, of which other debt investments due within one year since balance sheet date are reported as non-current assets, and other debt investments with original maturity within one year are reported as other current assets.

3. Designated as financial assets measured at fair value and whose changes are included in other comprehensive income

At initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and their changes are included in other comprehensive income based on individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, and the Company's right to receive dividends has been established, the economic benefits related to the dividends are likely to flow into the Company, and when the amount of dividends can be reliably measured, the dividend income is recognized and included in the current profit and loss. The Company reports such financial assets in other equity instrument investment items.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value and its changes are included in the current profit and loss, the purpose of acquiring the financial asset is mainly for a recent sale; it belongs to a part of identifiable financial instruments portfolio with centralized management at initial recognition, and there is objective evidence that there is a short-term profit model in the near future; it is a

derivative instrument (except for derivative instruments that meet the definition of financial guarantee contracts and are designated as effective hedging instruments).

4. Classified as financial assets measured at fair value and whose changes are included in current profit or loss

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value and whose changes are included in other comprehensive income and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive income are classified as financial assets measured at fair value and whose changes are included in the current profit and loss.

The Company uses fair value for subsequent measurement for such financial assets, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

5. Designated as financial assets measured at fair value and whose changes are included in the current profit and loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate financial assets as financial assets measured at fair value and whose changes are included in the current profit or loss based on individual financial assets.

If the mixed contract contains one or more embedded derivatives, and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument measured at fair value and whose changes are included in the current profit and loss. Except for the following situations:

Embedded derivatives will not significantly change the cash flow of mixed contracts.

When determining whether a similar mixed contract needs to be split for the first time, almost no analysis is needed to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement for such financial assets, and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to such financial assets, are included in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

2. Classification and measurement of financial liabilities

The Company classifies the financial instrument or its components as financial liabilities or equity instruments at initial recognition based on the contractual terms of the financial instruments issued and the economic substance reflected, not just in legal form, and combined with the definition of financial liabilities and equity instruments. Financial liabilities are classified as financial liabilities measured at fair value and whose changes are included in current profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments at initial recognition.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities measured at fair value

and whose changes are included in the current profit or loss, the related transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

1. Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated to be measured at fair value and whose changes are included in the current profit or loss at initial recognition.

A financial liability meeting one of the following conditions is a transactional financial liability: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; it belongs to a part of identifiable financial instruments portfolio with centralized management at initial recognition, and there is objective evidence that the company has recently adopted short-term profit model recently; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that meet financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are included in the current profit and loss.

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value and whose changes are included in the current profit and loss:

- 1) Can eliminate or significantly reduce accounting mismatches.
- 2) According to the corporate risk management or investment strategy stated in the official written documents, conduct management and make performance evaluation on the financial liability portfolio or the financial asset and financial liability portfolio based on the fair value, and report to the key management personnel within the enterprise based on it.

The Company uses fair value for subsequent measurement for such financial liabilities. Except that changes in fair value caused by changes in the Company's own credit risks are included in other comprehensive income, other changes in fair value are included in the current profit and loss. Unless the fair value changes caused by the Company's own credit risk changes being included in other comprehensive income may cause or expand the accounting mismatches in profit or loss, the Company includes all fair value changes (including the amount affected by its own credit risk changes) in the current profit and loss.

2. Other financial liabilities

Except for the following items, the company classifies financial liabilities as financial liabilities measured at amortized cost, adopts the actual interest rate method for such financial liabilities, performs subsequent measurement based on amortized cost, and gains or losses generated by derecognition or amortization are included in the current profit and loss:

- 1) Financial liabilities measured at fair value and whose changes are included in the current profit and loss.
- 2) Financial liabilities whose transfer of financial assets does not meet the conditions for derecognition, or financial liabilities formed by continuous involvement in the transferred financial assets.

3) Financial guarantee contracts that do not belong to the first two categories of this article, and loan commitments for loans that are lower than the market interest rates and do not belong to the first category of this article.

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who suffers losses when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss are measured based on the higher balance of the loss reserve amount and the initial recognition amount after deducting the accumulated amortization amount during the guarantee period after initial recognition.

3. De-recognition condition for financial assets/liability

(1) Where a financial asset meets one of the following conditions, the recognition of such financial asset shall be terminated, that is, it shall be transferred from its account and balance sheet:

1) the contractual right to receive the cash flow of the financial asset is terminated.

2) the financial asset has been transferred and the transfer meets the requirements for the termination of the recognition of such financial asset.

(2) De-recognition condition for financial liability

If the current obligation of a financial liability (or part of it) has been lifted, derecognize the financial liability (or part of the financial liability).

The Company and the lender sign an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, or the contract terms of the original financial liability (or part of it) are substantially modified, the original financial liability will be derecognized, and a new financial liability will be recognized. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) is included in the current profit and loss.

If the Company repurchases part of its financial liabilities, the book value of the financial liabilities as a whole will be allocated according to the proportion of the fair value of the continuing recognized part and the derecognized part in the overall fair value on the repurchase date. The difference between the book value allocated to the derecognized part and the paid consideration (including non-cash assets transferred out or liabilities assumed) shall be included in the current profit and loss.

4. Recognition basis and measurement method of financial asset transfer

When the Company transfers financial assets, assess the degree of risk and reward of retaining the ownership of financial assets, and respectively deal with handle the following situations:

(1) If almost all risks and rewards in the ownership of financial assets are transferred, the financial assets are derecognized, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.

(2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets will continue to be recognized.

(3) If almost all risks and rewards in the ownership of financial assets are neither transferred nor retained (i.e. other situations except for (1), (2) of this article), respectively deal with the following situations according to

whether it has retained control of the financial assets:

- 1) If the control of the financial assets is not retained, derecognize the financial assets, and the rights and obligations generated or retained during the transfer are separately recognized as assets or liabilities.
- 2) If the control of the financial assets is retained, continue to recognize the relevant financial assets according to the extent to which they continue to be involved in the transferred financial assets, and confirm the relevant liabilities accordingly. The degree of continued involvement in the transferred financial assets refers to the degree of risk or reward for the value change of the transferred financial assets undertaken by the Company.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets.

(1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profit and loss:

- 1) The book value of the transferred financial assets on the derecognition date.
- 2) The sum of the consideration received by the transfer of financial assets and the amount corresponding to the derecognized part in the accumulated amount of fair value changes that were originally directly included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

(2) If the financial asset is partially transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the entire financial asset before the transfer shall be apportioned based on the respective fair value of the transfer date between the derecognized part and the continuing recognized part (in this case, the service assets retained shall be regarded as part of the continued recognition of financial assets), and the difference between the following two amounts is included in the current profit and loss:

- 1) The book value of the derecognition part on the derecognition day;
- 2) The sum of the consideration received by the transfer of financial assets and the amount corresponding to the derecognized part in the accumulated amount of fair value changes that were originally directly included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the transfer of financial assets does not satisfy the conditions for derecognition, continue to recognize the financial asset, and the received consideration is recognized as a financial liability.

5. Determination method for fair value of financial assets and financial liabilities

As for the financial assets or financial liability for which there is an active market, the quoted prices in the active market shall be used to determine the fair value thereof; Unless the financial asset has a restricted period for the asset itself, for financial assets that are restricted to the asset itself, it is determined after deducting the amount of compensation required by market participants to assume the risk of not being able to sell the financial asset on the open market within a specified period according to the quoted price in an active market. The quoted prices in the active market refers to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and etc. at a fixed term, and which represent the prices at which actually

occurred market transactions are made under fair conditions.

As for the financial assets initially acquired or financial liabilities assumed, their fair value are determined based on the market transaction prices.

In case that there are no such active market for financial assets and financial liabilities, the fair value shall be determined by evaluation technology. At time of evaluation, the applicable evaluation technology, in the prevailing circumstance, and those have available date and other information supporting shall be adopted, choose the input value, same with the assets or liability features that consider in transaction by market participants, and use the relevant observable input values as far as possible. Use the un-observable input values when relevant observable input values unable to obtained or obtained without feasible.

6.Impairment of financial instrument

On the basis of expected credit losses, the Company performs impairment accounting treatment and recognizes loss provisions for financial assets classified to be measured at amortized cost, financial assets classified to be measured at fair value and whose changes are included in other comprehensive income, and financial guarantee contracts.

Expected credit loss refers to the weighted average credit loss of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flow receivable by the Company, according to the original effective interest rate and call cash flows expected to be collected, that is, the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial assets.

For the receivables formed by transactions regulated by the income standards, the Company uses a simplified measurement method to measure the loss provisions according to the amount equivalent to the expected credit losses throughout the duration.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses for the entire duration of the period since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of changes in expected credit losses throughout the duration is included in the current profit and loss as an impairment loss or gain. Even if the expected credit losses for the entire duration determined on the balance sheet date is less than the amount of expected credit losses reflected in the estimated cash flow at initial recognition, the favorable change in expected credit losses is recognized as an impairment gain.

For other financial assets except for the above-mentioned simplified measurement methods and financial assets purchased or originated that have suffered credit impairment, the Company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and respectively measures their loss reserves, recognizes expected credit losses and their changes by following circumstances:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial recognition and is in the first stage, the Company shall measure its loss provisions according to the amount equivalent to the

expected credit loss of the financial instrument within the next 12 months, and calculate the interest income according to the book balance and the actual interest rate.

(2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred and is in the second stage, the Company shall measure its loss provisions according to the amount equivalent to the expected credit loss of the financial instrument throughout the duration, and calculate the interest income according to the book balance and the actual interest rate.

(3) If the financial instrument has undergone credit impairment since initial recognition and is in the third stage, the Company shall measure its loss provisions at the amount equivalent to the expected credit loss of the financial instrument throughout the duration, and calculate the interest income according to the amortized cost and the actual interest rate.

The increased or reversed amount of the credit loss provisions for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified to be measured fair value and whose changes are included in other comprehensive income, credit loss provisions offset the book balance of financial assets. For financial assets classified to be measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provisions according to the amount of expected credit losses for the entire duration of the financial instrument, but on the balance sheet date of the current period, the financial instrument no longer has a significant increase in credit risk since initial recognition, in this case, the Company measures the loss provisions of the financial instrument at the current balance sheet date according to the amount equivalent to the expected credit losses in the next 12 months, and the resulting reversed amount of the loss provisions is included in the current profit and loss as an impairment gain.

(1) Credit risk increased significantly

The Company uses the available and reasonable and evidence-based forward-looking information to determine whether the credit risk of financial instruments has increased significantly since initial recognition by comparing the default risk of financial instruments on the balance sheet date with the default risk of financial instruments on the initial recognition date. For financial guarantee contracts, when the Company applies the financial instrument impairment provisions, the day when the Company becomes the party making the irrevocable commitment is used as the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;
- 3) Whether there have been significant changes in the value of the collateral used as debt collateral, or in the guarantee provided by a third party, or in the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;

- 4) Whether the debtor's expected performance and repayment behavior have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company judges that a financial instrument has only a low credit risk, the Company shall assume that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of financial instrument is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have lower credit risk. (2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment.

Evidence that credit impairment has occurred in financial assets includes the following observable information:

- 1) The issuer or the debtor has significant financial difficulties.
- 2) The debtor breaches the contract, such as repayment of interest or principal default or overdue.
- 3) The Company gives concessions to the debtor which will not be made in any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor.
- 4) The debtor is likely to go bankrupt or carry out other financial restructuring.
- 5) The financial difficulties of the issuer or the debtor have caused the active market of the financial assets to disappear.
- 6) Purchase or originate a financial asset at a substantial discount, and the discount reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, but not by events that can be identified separately.

(3) Determination of expected credit losses

The Company assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, it considers relevant past events, current conditions, and predicted reasonable and well-founded information about future economic conditions.

The Company divides financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria and portfolios' credit risk characteristics of the relevant financial instruments, please refer to the accounting policies of the relevant financial instruments.

The Company determines the expected credit losses of related financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow and

the expected cash flow that the Company should charge.

2) For a financial guarantee contract, the credit loss is the present value of the difference between the estimated payment amount that the Company compensates to the contract holder for the occurred credit loss, minus the amount that the Company expects to charge the contract holder, debtor or any other party.

3) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or originated with credit impairment, the credit loss is the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

The Company's methods of measuring the expected credit loss of financial instruments reflect the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; relevant past events, current conditions, and reasonable and evidence-based information for prediction about future economic conditions that can be obtained without giving unnecessary additional costs or efforts on the balance sheet date.

(4) Write down financial assets

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book balance of the financial asset is directly written down. Such write-downs constitute the derecognition of related financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are stated in balance sheet separately without inner-offset. However, the net amount after inner offset is stated in balance sheet date when the following conditions are all met:

- (1) The Company has legal right to offset recognized amount and the right is enforceable;
- (2) The Company plans to settle on a net basis, or simultaneously realize the financial assets and settle the financial liabilities.

11. Account receivable

Recognition and accounting treatment of the expected credit loss for account receivable found more in the (IX)-6 Impairment of financial instrument in Note IX.

The Company separately determines its credit losses for accounts receivable that can be evaluated with sufficient evidence of expected credit losses at a reasonable cost at the single tool level.

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the single tool level, the Company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the receivables into several portfolios based on the characteristics of credit risk, and calculate expected credit losses on a portfolio basis. The basis for determining the portfolios is as follows:

| Portfolio | Basis for determining the portfolio | Accrual method |
|-----------|---|---|
| Others | All account receivable except for those withdraw bad debt on single basis | Refer to the historical credit loss experience, combine the current |

| | | |
|--|--|--|
| | | situation and the prediction of the future economic situation, compile the aging of accounts receivable and the expected credit loss rate of the entire duration, and calculate the expected credit loss |
|--|--|--|

12. Other account receivable

Determining method and accounting treatment on the expected credit loss of other account receivable

Recognition and accounting treatment of the expected credit loss for other account receivable found more in the (IX)-6 Impairment of financial instrument in Note IX.

The Company separately determines its credit losses for accounts receivable that can be evaluated with sufficient evidence of expected credit losses at a reasonable cost at the single tool level.

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the single tool level, the Company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the receivables into several portfolios based on the characteristics of credit risk, and calculate expected credit losses on a portfolio basis. The basis for determining the portfolios is as follows:

| Portfolio | Basis for determining the portfolio | Accrual method |
|----------------------|---|--|
| Internal transaction | Portfolio of the related party included in consolidate scope | Refer to the historical credit loss experience, combine the current situation and the prediction of the future economic situation, according to the expected rate of credit loss over the entire duration calculate the expected credit loss |
| Others | Including receivables other than the above portfolios, the Company makes the best estimate of the proportion of receivables based on historical credit loss experience, and refers to the aging of receivables for classification of credit risk portfolios | Refer to the historical credit loss experience, combine the current situation and the prediction of the future economic situation, compile the aging of accounts receivable and the expected credit loss rate of the entire duration, and calculate the expected credit loss |

13.Inventory

1. Classification of inventories

Inventories are categorized into development cost, development products, relocation housing animals & plants aquaculture plant products, finished goods of polyethylene and low value consumables etc.

2. Valuing of inventory

The Company adopts the historical cost for obtaining or the planned cost to value the inventory according to its actual situation, and specific identification method for the development projects.

Specific valuation method for consumptive biological assets found more in the biological assets listed in Note IV(18)

3. Confirmation of net realizable value for the inventory and provision for inventory impairment

The ending inventory is measured at the lower of cost and net realizable value. Provision for impairment of inventory is determined at the excess amount of the single cost of the inventory over its net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

In case the influencing factor for write-down of the inventory values has disappeared, the amount which has been written down can be recover, and shall switch back within the inventory falling price reserves which has been accrual originally, the amount switch back shall reckoned into current gains/losses.

4. Inventory System

Perpetual inventory system

5. Amortization method for low-value consumables and wrappage

(1) Low-value consumables are amortized on one-off amortization method

6. Relocation housing refers to the house for turnover purpose to arrange for relocation of residents, and amortized evenly in 50 years.

7. Calculation method of the lands for development purpose

As for the pure land development project, the costs constitute costs of the land development; the project develops along with the real estate, costs with clear burden of objects shall split into commercial house costs with actual area.

8. Calculation method of the expenses of public supporting facilities

Public supporting facilities cannot be transfer with compensation: reckoned into commercial house costs by the benefit ratio;

Public supporting facilities can transfer with compensation: take all supporting facilities as the cost calculation subject, summarize the costs occurred.

9.Accounting for maintenance funds

According to the relevant provisions at the location of the developed projects, the maintenance funds should be collected from the house buyer or withdrawn and stated by the Company as development costs of relevant developed projects at the time of sale (presale) of the developed projects and uniformly turned in to the maintenance fund management department.

10.Accounting for quality assurance funds

The quality assurance funds should be deducted from the project payment for the construction unit according to the construction contracts. Maintenance expense incurred in the warranty period of the developed projects should be written down by the quality assurance funds. The balance of the quality assurance funds should be returned to the construction unit upon expiry of the specified warranty period of the developed projects.

14.Assets held for sale

1. Recognition criteria of assets held for sale

The non-current asset will recognize as held-for-sale while satisfied the followed conditions simultaneously:

(1)immediate sale is available under the existing status based on the conventional practice for sale of such kind of assets or disposal group in similar transaction;

(2)The sale is likely to occur; that is, the Company has made resolution on the selling plan and obtained approval from regulatory department (if applicable) and obtained definite purchase commitment, the selling is estimated to be completed within one year.

Definite purchase commitment means a binding purchase agreement entered into by the Company and other parties, which contains transaction price, time and adequately strict punishments for breach of contract provisions, which renders the possibility of material adjustment or revocation of the agreement is extremely minor.

2. Calculation method

The Company makes no provision for depreciation or amortization for non-current assets or disposal group held for sale. For non-current asset or disposal group held for sale, for which it is found that the carrying value is higher than its fair value less disposal expense, the carrying value shall be deducted to the net amount of fair value less disposal expense, and the reduced amount shall be recognized as impairment loss in profit or loss for the period, and provision of impairment of assets held for sale shall be provided for accordingly.

As for non-current asset or disposal group classified as held for sale on the acquisition data, they are measured at the lower of their initial measurement amount and the net amount after their fair value less the selling expenses based on the assumption that such non-current assets or disposal group are not classified as held for sale at the time of initial measurement.

The above principle applies to all the non-current assets, other than investment property subsequently measured at fair value, biological assets measured at the net amount of fair value less selling expense, assets formed from staff remuneration, deferred income tax assets, financial assets regulated by financial instrument related accounting standards and right arising from insurance contract regulated by insurance contract related accounting standards.

15.Long-term equity investment

1. Recognition of investment cost

(1) As for the long-term equity investment formed from business combination under the same control, accounting

policy found in (IV) Accounting method for business combination (not) under the same control of Note IV

(2) Long-term equity investment obtained by other means

For long-term equity investments obtained through payment with cash, then the actual payment shall be viewed as initial investment cost. Initial investment cost including the expenses, taxes and other necessary costs that directly concerned with the long-term equity investment that acquired.

For long-term equity investments obtained through issuance of equity securities, then the fair value of such securities shall be viewed as initial investment cost; for transaction expenses from issuing or own equity instrument acquired, it can be deducted from the equity when such expenses attributable directly to equity transaction.

Under the precedent condition that non-monetary assets exchanges are featured with commercial nature and fair values of exchange-in or exchange-out assets can be reliably measured, long-term equity investment exchange-in through non-monetary assets exchange shall be recognized with initial investment cost on the basis of the fair value of the assets exchange-out, unless there is obvious evidence showing that fair value of exchange-in assets is more reliable; as for non-monetary assets exchanges not satisfying such precedent condition, initial investment cost of exchange-in long-term equity investment falls to the carrying value of exchange-out assets and relevant taxes payable.

For long-term equity investments obtained through debt reorganization, its initial investment cost is recognized based on fair value.

2. Subsequent measurement and recognition of gains and losses

(1) Cost method

The long-term equity investment control by invested entity shall counted by cost method, and pricing on initial investment cost, cost of the long-term equity investment shall be adjusted while additional investment or dis-investment.

Other than payment actually paid for obtaining investment or cash dividend or profit included in consideration which has been declared while not granted yet, the Company recognizes investment income according to its share in the cash dividend or profit declared for grant by the invested unit.

(2) Equity method

The Company calculates long term equity investment in associates and joint ventures under equity method. For certain equity investments in associates indirectly held through risk investment institutions, joint funds, trust companies or similar entities including investment linked insurance fund, the Company measures the investment at fair value through profit or loss.

Where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the invested enterprise's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the invested enterprise's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period.

Return on investments and other comprehensive income is recognized respectively by shares of net gains and losses realized by the invested company and other comprehensive income after acquisition of long-term equity,

and book value of such investment is adjusted accordingly. Profit or cash dividends pro rata distributed by the invested company are to minus book value of the relative long-term investment. Book value of long-term investment is adjusted when changes occur other than net gains and losses, other comprehensive income and profit distribution of the invested company, and is to reported in owners' equity accordingly

The Company should recognized net profit of invested unit after adjustment, based on fair value of vary identifiable assets of invested unit while obtained investment, while recognized net profit or net losses of invested units that should be enjoy by investment enterprise. the un-realized transaction gains/losses attributable to investment enterprise, internally occurred between the Company, affiliated units and joint-ventures should calculated by proportion of shares-holding which should be offset, than recognized investment gains/losses.

When the Company is confirmed to share losses of the invested units, the following order shall prevail for disposal: first of all, offset carrying value of long-term equity investment. Second, for long-term equity investment whose carrying value is not enough for offset, investment loss should be continued to recognize within the limit of carrying value of other long-term equity which substantially forms net investment to invested units, to offset carrying value of long-term items receivable. At last, after the aforesaid treatment, if enterprise still bears additional duties according to investment contract or agreement, projected liabilities are recognized in accordance to the obligations which are expected to undertake, and then recorded in current gains and losses.

In the event that the invested unit realizes profit in later periods, the Company will adopt disposal adverse to the above order after deduction the unrecognized share of loss, i.e. write off the carrying value of the recognized projected liabilities, recover carrying value of long-term equity which substantially forms net investment to invested unit and long-term equity investment, and recognize investment income at the same time.

3. Transfer of calculation for long term equity investment

(1) Measure at fair value transfer to equity method

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the invested enterprise and which is accounted for under recognition and measurement principle as financial assets, in case that the Company becomes able to exercise significant influence or common control upon the invested enterprise due to additional investment while no control is reached, the sum of fair value of the originally held equity investment as determined under *Accounting Standards for Business Enterprise No.22-Recognition and Measurement of Financial Instrument* plus cost of the new investment shall be deemed as the initial investment cost upon calculation under equity method.

If the originally held equity investment is classified as available for sale financial assets, the difference between its fair value and carrying value and the accumulated fair value movement which is originally included in other comprehensive income shall be transferred to current period gains and losses under equity method.

In case that the initial investment cost under equity method is lesser than share of fair value of the invested enterprise's net identifiable assets as of the date when additional investment is made as calculated based on the latest shareholding proportion upon additional investment, carrying value of the long term equity investment shall be adjusted against such difference which is included in current period non-operating income.

(2) Measure at fair value or calculation under equity method transfer to calculation under cost method

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the invested enterprise and which is accounted for under recognition and measurement principle as financial instrument, or for long term equity investment originally held in associates or joint ventures, in case that the Company becomes able to exercise control over invested enterprise not under common control due to additional investment, the sum of fair value of the originally held equity investment plus cost of the new investment shall be deemed as the initial investment cost upon calculation under cost method when preparing separate financial statement.

For other comprehensive income as recognized under equity method in respect of equity investment held prior to acquisition date, when the Company disposes this investment, the aforesaid income shall be accounted for on the same basis as the invested enterprise would otherwise adopt when it directly disposes relevant assets or liabilities. For equity investment held prior to acquisition date which is accounted for under Business Accounting Principles No.22- Recognition and Measurement of Financial Assets, the accumulated fair value movement which originally included in other comprehensive income shall be transferred to current period gains and losses upon calculation under cost method.

(3) Calculation under equity method transfer to fair value measurement

In case that the Company lost common control or significant influence upon invested enterprise due to disposal of part equity investment, the remaining equity investment shall be calculated under *Accounting Standards for Business Enterprise No.22- Recognition and Measurement of Financial Instrument*, and the difference between its fair value and carrying value as of the date when the Company lost common control or significant influence shall be included in current period gains and losses.

For other comprehensive income as recognized under equity method in respect of the original equity investment, when the Company ceases calculation under equity method, the aforesaid income shall be accounted for on the same basis as the invested enterprise would otherwise adopt when it directly disposes relevant assets or liabilities.

(4) Cost method transfer to equity method

In case that the Company lost control upon invested enterprise due to disposal of part equity investment, and if the remaining equity investment can exercise common control or significant influence over the invested enterprise, equity method shall be adopted when preparing separate financial statement, and the remaining equity investment shall be adjusted as if it had been stated under equity method since the acquisition.

(5) Cost method transfer to fair value measure

In case that the Company lost control upon invested enterprise due to disposal of part equity investment, and if the remaining equity investment cannot exercise common control or significant influence over the invested enterprise, *Accounting Standards for Business Enterprise No.22- Recognition and Measurement of Financial Instrument* shall be adopted for accounting treatment when preparing separate financial statement, and the fair value and carrying value as of the date when control is lost shall be included in current period gains and losses.

4. Disposal of long term equity investment

Difference between carrying value and actual acquisition price in respect of disposal of long term equity investment shall be included in current period gains and losses. For long term equity investment under equity

method, the Company shall adopt the same basis as the invested enterprise directly disposes relevant assets or liabilities when disposing this investment, and account for the part originally included in other comprehensive income under appropriate proportion.

If the terms, conditions and economic impact of each transaction involved in the disposal by steps of investment in subsidiaries fall into one or more of the following situations, such transactions will be accounted for as a package deal:

1. Such transactions are entered into simultaneously or in the case of considering the impact of each other;
2. Such transactions as a whole in order to reach complete commercial results;
3. The occurrence of one transaction is subject to that of at least one other transaction;
4. A transaction alone is not economic, but otherwise when considered with other transactions.

Enterprises that lose control of their original subsidiaries due to the disposal of partial equity investment or otherwise, and therefore disqualify a package deal, should prepare the relevant accounting treatment in differentiation with individual financial statements and consolidated financial statement:

(1) In separate financial statement, as for disposal of equity interest, difference between carrying value and actual acquisition price shall be included in current period gains and losses. In case that the remaining equity interests can exercise common control or significant influence over invested enterprise, it shall be stated under equity method in stead, and shall be adjusted as if the remaining equity interests had been stated under equity method since the acquisition. In case that the remaining equity interests cannot exercise common control or significant influence over invested enterprise, it shall be accounted for under Business Accounting Principles No.22-Recognition and Measurement Principle of Financial Instruments, and the difference between its fair value and carrying value as of the date then the Company lost control shall be included in current period gains and losses.

(2) In consolidated financial statement, for those transactions occurred before lost of control in subsidiaries, the difference between disposal price and share of net assets of subsidiaries since purchase date or combination date shall be used to adjust capital reserve (equity premium), and if capital reserve is insufficient to offset, then it shall adjust retained earnings; when the Company lost control in a subsidiary, the remaining equity interests would be re-measured at the fair value as of the control-lost date. The sum of consideration gained from the disposal of equity and the fair value of remaining equity minus the share of net assets of original subsidiaries since the day of purchase and based on its original shareholding ratio is credited into investment gain for the current period, and off-set the goodwill at the same time. Other comprehensive income in relation to equity investments of original subsidiaries should be transferred to investment gain for the period at the time of loss of control.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, carrying accounting treatment on transaction of losing control rights and disposing the company, and should be accounted for accordingly in differentiation with individual financial statements and consolidated financial statements:

(1) In consolidated financial statements, difference between each payment from disposal of an equity and the book value of such long-term equity investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

(2) In consolidated financial statements, difference between each payment from disposal of a subsidiary and the

share of its net assets through investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

5. Criteria for common control and significant influence

Where the Company jointly controls an arrangement with other participators under agreed terms, and decisions which materially affect return of such arrangement can only exist when other participators unanimously agree on the decisions, the Company is deemed to jointly control this arrangement with other participators, and the arrangement belongs to joint venture arrangement.

In case of a joint venture arrangement concluded through separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under equity method. However, when the Company is judged to be not entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant business accounting rules.

Significant influence refers to that investor has right to participate in making decisions relating to the financial and operational policies of the invested enterprise, while not able to control or jointly control (with others) establishment of these policies. The following one or more conditions are based to judge whether the Company has significant influence over invested enterprise with consideration of all facts and situations: (1) Has delegate in the board of directors or similar authority organs of invested enterprise; (2) Participate in establishing financial and operational policies of the invested enterprise; (3) Occur material transactions with the invested enterprise; (4) Delegate management to the invested enterprise; (5) Provide key technical data to the invested enterprise.

16. Investment real estate

Measurement model of investment real estate

Measure by cost

Depreciation or amortization method

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. Besides, in respect of any vacant building held by the Company ready for operation lease, if the Board passed a written resolution to expressly indicate that the building will be used for operation lease and the intention of such hold will not change in a short run, the building shall be presented as investment property either.

The investment property of the Company is accounted at its cost. Cost of investment property purchased from the external sources includes purchase payment, related taxes and other expenditures which can be directly attributable to such assets; Cost of investment property constructed by the Company comprise of the necessary expenditure occurred during the construction for reaching the condition of planned use.

Consequent measurement of investment estate shall be measured by cost method. Depreciation and amortization are provided to the buildings and land use right pursuant to the predicted service life and net rate of salvage value. The predicted service life and net rate of salvage value and annual depreciation (amortization) are listed as follows:

| Type | Expected operating life (year) | Predicted rate of net salvage value | Yearly depreciation (amortization) |
|---------------------|--------------------------------|-------------------------------------|------------------------------------|
| Land Use Right | 50 | 0%-10% | 1.80%-2.00% |
| House and buildings | 20-28 | 0%-10% | 3.56%-4.50% |

When investment real estate turns to be used by holders, it shall switch to fixed assets or intangible assets commencing from the date of such turning. And when self-used real estate turns to be leased out for rental or additional capital, the fixed assets or intangible assets shall switch to investment real estate commencing from the date of such turning. In situation of switch, the carrying value before the switch shall be deemed as the credit value after the switch.

Indication of impairment is assessed, the recoverable amount shall be estimated and the impairment shall be recognizing while the recoverable amount lower than its book value.

Impairment loss once recognized shall not be reversed.

When investment is disposed, or out of utilization forever and no economic benefit would be predicted to obtain through the disposal, the Company shall terminate recognition of such investment real estate. The amount of income from disposal, transfer, discarding as scrap or damage of investment real estate after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

17.Fixed assets

(1) Recognition

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets should be recognized for qualified the followed conditions at the same time:

- (1) It is probable that the economic benefits associated with the assets will flow into the Company; and
- (2) The cost of the assets can be measured reliably.

(2) Depreciation method

| Category | Depreciation method | Estimated useful life | Estimated residual rate | Annual depreciation rate |
|--------------------------|----------------------------|-----------------------|-------------------------|--------------------------|
| Houses and buildings | Straight-line depreciation | 20.00-40.00 | 5.00 | 3.38%-4.75% |
| Machinery equipment | Straight-line depreciation | 4.00-5.00 | 5.00 | 19.00%-23.75% |
| Transportation equipment | Straight-line depreciation | 5.00-20.00 | 5.00 | 4.75%-19.00% |

| | | | | |
|-----------------|----------------------------|-----------|------|--------------|
| Other equipment | Straight-line depreciation | 3.00-5.00 | 5.00 | 19.00-31.67% |
|-----------------|----------------------------|-----------|------|--------------|

Depreciation of fixed assets is accrued based on the recorded value minus the estimated net residual value within the expected useful lives. For fixed assets with impairment provision, the depreciation amount will be determined based on the book value after deducting the impairment provision in the future period and the remaining useful life.

For fixed assets formed by special reserve expenses, the special reserve is offset by the cost of forming fixed assets, and the accumulated depreciation of the same amount is confirmed, the fixed assets are no longer depreciated in the future period; the fixed assets that have been fully depreciated and continue to be used shall not be depreciated.

The company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life of the fixed assets, the estimated net residual value and the depreciation method are reviewed. If there is a difference from the original estimate, the corresponding adjustments are made.

(3) Basis of asserting, pricing and depreciation method on fixed assets under financing lease

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria are met:

- (1) Upon the expiry of the lease term, the ownership is transferred to the Company.
- (2) The Company has the option to purchase the leased asset at a predetermined price that is expected to be much lower than the fair value of the leased assets when the option is exercised. Therefore, it can be reasonably determine that the company will exercise this option on the lease start date.
- (3) The lease term approximates the useful life of the relevant asset even if the ownership is not transferred.
- (4) At the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset.
- (5) The leased assets are of such a specialized nature that only the Company can use them without major modification.

A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, and travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms.

The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will

obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

18. Construction in process

1. Category of construction in process

The construction in progress constructed by the Company on its own shall be measured at the actual cost which comprises of all the necessary expenses occurred to enable the asset to meet such conditions as required for expected purpose, including engineering materials cost, labor cost, relevant tax payment, loan expenses which should be capitalized and indirect expenses which should be amortized, etc.

2. Standard and point of time for construction in process carrying forward to fixed assets

Fixed asset is booked with the entire expenditures occurred in the construction in process till it arrives at predicted state for use. For those constructions in process of fixed assets which have already arrived at the predicted state for use, while still with absence of completion settlement, they shall be carried forward to fixed assets at the estimated value based on engineering budget, construction cost or actual cost commencing from the date of arrival of the predicted state for use. Meanwhile, they shall be also subject to the depreciation policies applicable to fixed assets of the Company for provision of depreciation. Once completion settlement is made, the original temporary estimated value shall be adjusted at the effective cost. However, the original provision of depreciation remains unchanged.

3. Impairment test and impairment provision for construction in process

The Company determines whether there is evidence of impairment that may occur upon construction in progress at end of each period.

If there is indication of impairment of construction in progress, the Company shall estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value of construction in progress after subtracting costs of disposal and the present value of expected future cash flow from construction in progress.

When the recoverable amount of construction in progress is below their book value, the book value of construction in progress shall be written down to its recoverable amount, and the amount of write-down shall recognized as impairment loss of construction in progress, and included into current profits and losses. At the same time, the provision for depreciation of construction in progress shall be accrued.

After the recognition, the impairment loss of construction in progress shall not be reversed in subsequent accounting period.

If there are indications showing that impairment of certain construction in progress is possible, the Company shall estimate its recoverable amount based on individual construction. If difficult to do so, the Company shall determine the recoverable amount of the assets group on basis of the asset groups to which the construction in

progress belongs.

19. Borrowing expenses

1. Recognition of the borrowing expenses capitalization

Borrowing expenses that attributed for purchasing or construction of assets that are complying with capitalizing conditions start to be capitalized and counted as relevant assets cost; other borrowing expenses, reckoned into current gains and losses after expenses recognized while occurred.

Assets satisfying the conditions of capitalization are those assets of fixed, investment real estate etc. which need a long period of time to purchase, construct, or manufacturing before becoming usable.

Capitalizing for borrowing expenses by satisfying the followed at same time:

- (1) Assets expense occurred, and paid as expenses in way of cash, non-cash assets transfer or debt with interest taken for purchasing, constructing or manufacturing assets that complying with capitalizing condition;
- (2) Borrowing expenses have occurred;
- (3) Necessary activities occurred for reaching predicted usable statues or sale-able status for assets purchased, constructed or manufactured.

2. Period of capitalization

Capitalizing period was from the time star capitalizing until the time of suspended capitalization. The period for borrowing expenses suspended excluded in the period.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization reached its predicted usable status or sale-able status, capitalization suspended for borrowing expenses.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization completed projects and usable independently for part of the projects, borrowing expenses for this kind of assets shall suspended capitalization.

If the assets have been completed in every part, but can be reached the useful status or sale-able status while completed entirely, the borrowing expense shall be suspended for capitalization while the assets completely finished in whole.

3. Period of suspended

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended; the suspended assets that satisfying the conditions of capitalization meets the necessary procedure of reaching predicted usable status or saleable status, capitalizing of borrowing expenses shall be resumed. The borrowing expenses occurred during the period of suspended shall reckon into current gains and losses until the purchasing, construction, or manufacturing process is resumed for capitalizing.

4. Calculation for capitalization amount

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting of the bank saving interest of unused borrowed fund or provisional investment gains

Capitalization amounts of common borrowings are decided by the weighted average of exceeding part of

accumulated asset expenses over the special borrowing assets multiply the capitalizing rate of common borrowings adopted. Capitalization rates are decided by the weighted average of common borrowings.

For those expenses with discount or premium, determined the amortizable discount or premium in every fiscal year by effective interest method, than adjusted interest amount in every period

20. Biological assets

1. Classification

The biological assets of the Company refer to consumptive biological assets and productive biological assets. The consumptive biological assets including young and livestock etc., productive biological assets includes scorpion.

Biological assets are recognized upon satisfaction of the following conditions:

- (1) The company owns or controls the biological asset due to the past transaction or proceeding;
- (2) The economic benefits or service potential related to the biological assets are likely to flow into the company;
- (3) Cost of the biological assets can be measured reliably.

2. Initial measurement of biological assets

Biological assets acquired by the Company is initially measured at the acquired cost. Cost of purchasing biological assets comprises of purchase price, relevant tax, delivery expense, insurance premium and other expenditure directly attributable to purchase of such asset. Biological assets injected by investors are accounted for with the value set out in the investment contract or agreement plus tax payable as the carrying value of the assets. However, if the value set out in the contract or agreement is not fair, the actual cost shall be determined at fair value.

3. Subsequent measurement of biological assets

(1) Subsequent expenditure

The cost of a consumptive biological asset that is propagated or bred by the Company itself is determined according to the necessary expenses, such as the feed fee, the labor cost and the indirect cost that should be allocated before the sale. Cost of the self propagating productive biological assets is determined according to the necessary expenses, such as the feed fee, the labor cost and the indirect cost that should be allocated before the asset satisfies the expected production and operation purposes. The subsequent expenditures of biological assets occurred after the asset satisfies the expected production and operation purposes, such as management and maintenance, raising expenses, etc, are recorded in current profits and losses.

(2) Depreciation of productive biological assets

For such productive biological assets as satisfy their expected production and operation purposes, the Company makes provision of depreciation over their periods on an average basis. The Company determines its service life

and anticipated net residual value according to the nature and service condition of the productive biological assets and the anticipated implementation way of the related economic interests. At the end of the year, the Company re-checks the service life, anticipated net residual value and depreciation method of the productive biological assets, and adjusts correspondingly if it differs from the original assessment.

The expected service life, anticipated net residual value and yearly depreciation of the productive biological assets of the Company are as follows:

| Category | Estimated useful life (Year) | Estimated residual rate | Yearly depreciation rate |
|----------------|------------------------------|-------------------------|--------------------------|
| Eggs | 1 | 5% | 95% |
| Sheep and pigs | 3 | 5% | 31.67% |

(3) Disposal of biological assets

The Company adopts weighted average method to carry forward cost of consumptive biological assets when acquiring or disposing such asset; cost of a biological asset after change of purpose is determined based on the carrying value as of such change; for sale, destroy or deficit of a biological asset, the balance between the disposal income less carrying value and relevant taxes should be recorded in current profit or loss.

4. Impairment of biological assets

The Company conducts inspection of consumptive and productive biological assets at least once at the end of each year. If there is any evidence proving that the net realizable value of consumptive biological assets or recoverable amount of productive biological assets is less than carrying value due to natural disaster, disease or insect pests, animal epidemic disease invasion or market demand change, the assets shall be measured at net realizable value or recoverable amount. For any difference lower than the carrying value, the Company makes devaluation provision or impairment provision for biological assets and records in current profit or loss.

In case that the factors affecting impairment of consumptive biological assets disappear, the reduced amount shall be restored and reverted from the devaluation provision previously made with the amount reverted recorded in current profit or loss. However, impairment provision for productive biological assets, once made, will be reverted in no way.

5. Subsequent measurement of biological assets

The Company adopts the fair value model for subsequent measurement of biological assets, no longer depreciates and accrues depreciation reserves or impairment reserves for biological assets, and measures in accordance with the net amount of biological assets' fair value minus selling expenses, changes in each period are included in the current profit and loss.

The basis for biological assets using the fair value model for the subsequent measurement is: ① There is an active trading market for biological assets; ② The market price and other relevant information of the same kind of or similar biological assets can be obtained from the trading market, so as to make reasonable estimate to the fair value of biological assets.

When the Company determines the fair value of a biological asset, it refers to the market price of the same kind of or similar biological assets in the active market; if the market price of the same kind of or similar biological assets cannot be obtained, it refers to the latest transaction price of the same kind of or similar biological assets in the active market, and considers factors such as variety, quality grade, growth time, climate and geographical environment, industry benchmarks, etc., so as to make reasonable estimates to the fair value of the biological asset;

or use the present value of expected net cash flow of the biological asset at a discount rate determined by the current market to determine the fair value.

21.Intangible assets

(1) Pricing method, service life and impairment test

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company, including land use right and non-patented technology etc.

1. Initial measurement of intangible assets

For those intangible assets purchased from outside, the purchase value, relevant taxes and other payments attributable to predicted purpose obtained should recognized as cost for this assets. For those purchased amount that paid overdue exceeded the normal credit condition, owns financing natures actually, the cost should be recognized based on the current value while purchased

As for the intangible assets acquired from the debtor in debt restructuring for the purpose of settlement of debt, the fair value of the intangible assets shall be based to determine the accounting value. The difference between the carrying value of restructured debt and the fair value of the intangible assets use for settlement of debt shall be recorded in current gains and losses.

With the preceding conditions that non-monetary assets exchange has commerce nature and the fair value of the assets exchanged in or out can be measured reliably, the intangible assets exchanged in through non-monetary assets exchange are accounted at the value based on the fair value of assets exchanged out, unless there is obvious evidence showing the fair value of assets exchanged in is more reliable; for non-monetary assets exchange not qualifying for the preceding conditions, the carrying value of assets exchanged out and related taxes payable shall be viewed as the cost of intangible assets exchanged in, without recognition of gains and losses.

Intangible assets obtained by means of enterprise combined under common control, recognized book-keeping value by the book value of combined party; Intangible assets obtained by means of enterprise combined under different control, recognized book-keeping value by the its fair value.

For those cost of intangible assets development internally including: the used materials, labor cost and register charge for development; amortization for other patent and concession used and interest expense satisfying the capitalization condition during process of development; other directly expense before reached its predated useful purpose.

2. Subsequent measurement

Analysis and determined the service life for intangible assets while obtained. And classified into intangible assets with limited useful life and assets without certain service life

(1) Intangible assets with limited useful life

Those intangible assets with limited useful life are evenly amortized on straight basis from the date when they become useful to the end of expected useful life. Particular about the estimation on intangible assets with limited service life:

| Item | Predicted useful life | Basis |
|---|-----------------------|--|
| Patent right, trademark right, non-patents and outsourcing software | 5-year | Within the terms of contractual rights or other statutory rights |
| Land Use Right | 50-year | Within the terms of contractual rights or other statutory rights |

At end of year, revising will be performed on the useful life of intangible assets with limited useful life and the methods of amortizing, if there is a difference with the original estimation, adjustment shall be implemented correspondingly

Being revised, the useful life of intangible assets and amortization method at period-end shows the same as previous

(2) Judgment basis of criterion for intangible assets without certain service life

Intangible assets for which it is impossible to predict the term during which the assets can bring in economic benefits are viewed as intangible assets with indefinite life.

Intangible assets with indefinite life are not amortized during the holding period, and useful life is re-reviewed at the end of each accounting period. In case that it is still determined as indefinite after such re-review, then impairment test will be conducted continuously in every accounting period.

At end of year, revising will be performed on the useful life of intangible assets with uncertain life.

The Company has no such intangible assets without certain service life after review.

(2) Accounting policy for expenditure of internal R&D

1. Detail standard for classification on research stage and exploitation stage

Research stage: stage of a planned investigation or research activity designed to acquire and understand new scientific or technological knowledge.

Exploitation stage: stage of the activities that produced new or material advance materials, devices and products that by research results or other knowledge adoption in certain plan or design before the commercial production or usage.

The expenditure of the research stage in R&D project internally shall reckon into current gains and losses while occurred.

2. Standards for capitalization satisfaction of expenditure in exploitation state

Intangible assets recognized for expenditure in exploitation stage by satisfying the followed at same time:

- (1) Owes feasibility in technology and completed the intangible assets for useful or for sale;
- (2) Owes the intention for completed the intangible assets and for sale purpose;
- (3) The way in which intangible assets generate economic benefits include proving that the products produced by the intangible assets exist in the market or that the intangible assets them selves exist in the market, that the intangible assets will be used internally and that their usefulness can be proved;
- (4) Possess sufficient technique, financial resources and other resources for the development of kind of intangible assets and has the ability for used or for sale;
- (5) The expenditure attributable to the exploitation stage for intangible assets could be measured reliably.

Expenditures at the development stage that do not meet the above conditions are included in the current profit and loss when incurred. Development expenditures that have been included in profit or loss in previous periods are not re-recognized as assets in subsequent periods. The capitalized development expenditures are listed as development expenditures on the balance sheet, and are converted into intangible assets from the date when the project reaches its intended use.

22. Impairment of long term assets

Long term asset is judged whether for which there is indication of impairment on balance sheet date. If there is indication of impairment, the Company would estimate its recoverable amount based on single asset; if it is difficult to estimate the recoverable amount of single asset, then the assets group which the single asset belongs to is based to determine the recoverable amount of the assets group.

Recoverable amount of an asset is determined at the higher of its fair value less disposal fee and present value of its predicted future cash flow.

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than carrying value, and then the carrying value shall be deducted to recoverable amount, with the deducted amount recognized as impairment loss which is included in current period gains and losses, meanwhile, asset impairment provision shall be made accordingly. Once recognized, asset impairment loss would not be reversed in future accounting period.

Once an asset is recognized for impairment loss, its depreciation or amortization expense would be adjusted in future periods, so as to systematically allocate the adjusted asset carrying value (after deduction of predicted net residual value) during the remaining useful life.

Goodwill arising from business combination and intangible assets with indefinite useful life shall be tested annually for impairment whether or not there is indication of impairment.

Goodwill is tested for impairment with the related assets group. When conducting impairment test for relevant asset group with inclusion of goodwill, in case that there is indication of impairment for such asset group, impairment test would be firstly conducted in respect of the asset groups without inclusion of goodwill. Then, it shall calculate the recoverable amount and determine the corresponding impairment loss as compared to its carrying value. Second, asset group with inclusion of goodwill would be tested for impairment. If it is found after comparison between the carrying value and recoverable amount of the asset group that the recoverable amount is less than carrying value, the Company would recognize impairment loss for goodwill.

23. Long-term expenses to be apportioned

1. Amortization method

Long term prepaid expense represents the expense which the Company has occurred and shall be amortized in the current and later periods with amortization period exceeding one year. Long term prepaid expense amortized on straight-line method by stages in benefit period.

2. Amortization term

Amortized equally during the benefit period for those long-term expenses whose has a defined benefit period, for those without a defined benefit period, amortized equally within 5 years.

24. Staff remuneration

(1) Accounting treatment of short-term remuneration

Staff remuneration refers to various forms of remuneration or compensation provided by the Company for services provided by employees or termination of employment relations. Staff remuneration includes short-term payoff, post employment benefits, dismissal benefits and other long-term employee benefits.

Short term remuneration refers to all the staff remuneration payable by the Company to its staff within 12 months after the end of annual reporting period in which staff provides relevant services, other than post office benefit and dismissal benefits. The Company recognizes short term remuneration payable as liabilities during the accounting period during which staff provides services, and includes in cost and expense of relevant asset according to the beneficial parties of such services.

(2) Accounting treatment of post office benefits

Post office benefits refer to kinds of remuneration or benefits granted by the Company to staff for their provision of service upon retirement or release of employment, other than short term remuneration and dismissal benefits. Post benefit plan is categorized as defined withdraw plan and defined benefit plan.

Defined withdraw plan under post office benefit mainly represents participation into social basic pension insurance and unemployment insurance operated by labor and social security authorities. During the accounting period when employee provides services for the Company, the contribution calculated under defined withdraw plan would be recognized as liabilities and included in current gains and losses or relevant asset cost.

Defined benefit plans for post-employment benefits are primarily clear and standard outside-plan welfare to pay the retirees and pay the living expenses for the deceased employees' family members. For the obligation assumed in the defined benefit plans, the independent actuaries will accurately calculate by using the expected cumulative actuarial unit credit method on the balance sheet date, attribute the benefit obligations arising from defined benefit plan to the period of employee providing services, and include in the current profit or loss or associated asset cost, thereinto, unless other accounting standards require or allow the employee benefits costs to be included in the asset cost, the service costs of defined benefit plans and the net interest of net indebtedness and net assets of defined benefit plans should be included in the current profit and loss in the current occurrence period; changes in the net indebtedness and net assets of re-measured defined benefit plans should be included in the other comprehensive income in the current occurrence period, and are not allowed to switch back to profit and loss in the follow-up accounting period.

(3) Accounting treatment of dismissal benefit

Dismissal benefit represents compensation paid to employees for release of employment before expiration or as compensation for their willing of cut, if the Company cannot recall the dismissal unilaterally or re-organization-related costs with dismissal benefit involved in cutting down, the liability arising from compensation for recognition of labor relationship released, reckoned into current gains/losses at the same time.

The Company provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits refer to salaries and social insurance premiums paid to employees who have not reached the retirement age prescribed by the state but voluntarily quit work with the approval of the management of the Company. The Company pays early retirement benefits to early retired employees from the day when the early retirement arrangements begin until the employees reach the normal retirement age. For early retirement benefits, the Company performs accounting treatment according to the termination benefits, when meeting the conditions for confirmation of the termination benefits, the salaries and social insurance premiums paid to the early retirement employees from the date when the employees stop providing services to the normal retirement date are recognized as liabilities and are included in the current profit and loss at one time. Differences arising from changes in the actuarial assumptions of early retirement benefits and adjustments to welfare standards are included in the current profit and loss when they occur.

(4) Accounting treatment of other long term staff benefits

25. Accrual liability

When the Company is involved in proceedings, debt guarantees, onerous contracts and reorganization events, if such events may require delivery of assets or rendering of services in the future and the amounts of such events can be reliably measured, accrued liabilities are recognized.

1. Recognition criteria of accrued liability

The Company recognizes the accrued liabilities when obligations related to contingencies satisfy all the following conditions:

This obligation is a present obligation of the Company;

The performance of such obligation is likely to result in outflow of economic benefits from the Company; and

The amount of the obligation can be measured reliably.

2. Method of measuring of accrued liabilities

Accrued liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the estimated liability.

26. Share-based payment

1. Category of share-based payment

Share-based payment of the Company divided into share-based payment settled by equity and by cash

2. Determination of fair value of equity instruments

If there is an active market for an equity instrument granted such as share option, the quoted price in the active market is used to establish the fair value of the equity instrument. If there is no active market for the equity instrument granted such as share option, the option pricing model is used to determine the fair value. Option pricing model is elected after taking into account the following factors: (1) Exercise price of the option; (2) Effective period of the option; (3) Prevailing price of the subject shares; (4) Predicted fluctuation rate of share prices; (5) Predicted dividend of shares; (6) Risk-free interest rate of the option in effective period.

When determining fair value of equity instruments on the date of grant, influences from market conditions among conditions available for exercising rights and those not available for exercising rights as provided in share-based payment agreement should be considered. If there is condition not available for exercising rights in respect of share-based payment, cost expenses attributable to services received can be recognized provided that employees or other parties satisfy all the non-market conditions among conditions available for exercising rights (such as service term).

3. Bases for determining the best estimate for equity instruments with feasible rights

On each balance sheet date during the vesting period, best estimate shall be made based on the latest available information on change of employees who are entitled to exercise right, and number of equity instruments of the feasible rights shall be amended accordingly. On the feasible date, the number of instruments of the feasible rights and interests is eventually predicted to be the same as the actual number of feasible rights.

4. Accounting treatment method

Equity-settled share-based payment is measured at fair value of equity instruments granted to staff. For equity instruments which are exercise immediately upon grant, they are included in relevant costs or expenses at fair

value of the instruments as of the date of grant, with increase of capital reserve accordingly. For instruments for which exercise is conditional upon completion of service in vesting period or satisfaction of required results, services received in current period are included in relevant costs or expenses and capital reserve at the fair value of the equity instrument as of the date of grant based on the best estimate of the feasible rights of equity instruments on each balance sheet date during the vesting period. Recognized relevant costs or expense and total owners' equity will not be adjusted after the exercise date.

The cash-settled share-based payment shall be measured at the fair value of liabilities identified on the basis of shares or other equity instruments undertaken by the Group. For the instruments that may be exercised immediately after the grant, the fair value shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For instruments that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the feasible rights, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Group. The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the profit or loss for the period.

5. Amendment and relevant accounting treatment for those with amendment clauses and condition concerned

During the vesting period, where an equity instrument award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is included immediately into the profit or loss for the period and capital reserve is recognized. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the vesting period, equity instrument award are deemed canceled.

27. Revenue

Implemented the new revenue standards

Yes No

Revenue of the Company mainly including revenue from goods selling, sale of real estate, and revenue from property rent-out and labor service revenue etc.

1. Recognition standards of income from commodity sales:

When main risks and rewards attached to the ownership of goods have been transferred to the buyer, reserved neither continuous management power nor effective control over the goods, incoming payment can be measured reliably, relative financial benefit possibly inflow to the company, cost occurred or will occur can be reliably measured, sales income of goods is recognized.

2. Sales revenue recognition for property industry:

- (1) Construction completion and qualified acceptance of properties;
- (2) Commercial property pre-sale license granted by relevant state resources and housing bureau;
- (3) Enter into sales contract;

- (4) Sales contract has been certified and confirmed by property exchange center;
- (5) Receive property price or obtain payment certificate from buyers;
- (6) Complete deliver procedure for commercial properties.

Upon satisfaction of all the above conditions, the Company recognizes sales revenue

3. Recognition of property leasing revenue:

Property leasing revenue is recognized when the Company receives rental or obtain payment certificate from buyers based on the payment date and rental amount to be paid by lessee as provided in the contract or agreement entered into between the Company and the lessee.

4. Labor service revenue

- (1) Income of the contract can be measured reliably
- (2) Financial benefit attached to the contract is possibly inflow to the company
- (3) Schedule of the contracted project can be determined reliably;
- (4) And the relevant amount of cost incurred or to be incurred can be measured reliably

5. Recognition basis of revenue from transferring the use right of assets

The economic benefits related to transactions are probable to flow into the Company; and amount of revenue can be measured reliably.

28. Government grants

1. Type

Government grant represents the monetary and non-monetary assets of the Company obtained from government agencies for free. Depending on the grantees under relevant government documents, government grant is classified into grant related to assets and income, respectively.

For such government grant under which no specific grantee is defined, it is classified as grant related to assets or income depending on the actual grantee. The details relating to relevant judgment reference is set out in note VI to this financial statement - deferred income/non-operating income.

Government grant related to assets refers to that obtained by the Company for the purpose of acquiring or otherwise forming long term assets. Government grant related to income refers to that other than that related to assets.

2. Realization of government grant

Where there are evidences showing that the Company meets the requirements of the financial supporting policies and it is expected that the financial supporting funds will be received, the government grant is recognized on the receivables. Otherwise, the government grant is recognized when actually received.

The grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably obtained, it should be measured at the nominal value (RMB1.00). government grants measured at nominal value will be recorded in profit or loss for the period directly.

3. Accounting treatment

Government grant related to assets constructed or purchased is realized as deferred income, and included in profit or loss by stages over the assets' useful life in a reasonable and systematic manner;

Government grant related to income, if it is used to compensate relevant expense or loss of a company to be occurred in future periods, shall be recognized as deferred income and included in profit or loss during the period in which the above expense or loss is recognized; if it is used to compensate relevant expense or loss of a company incurred, it shall be included in profit or loss upon acquisition.

Government grant related to a company's normal operation is recognized as other income, and otherwise, as non-operating income or expense.

Borrowing expense shall be reduced against the government grant received by a company provided that the grant is related to policy preferential loan discount. If the Company is granted by lending bank with policy preferential loan interest, the amount of borrowing actually received shall be taken as the carrying value of the borrowing with borrowing expense calculated based on principal of the borrowing and such policy preferential loan interest.

If a government grant recognized is required to return, carrying value of the asset shall be adjusted if the carrying value is written down at initial recognition; balance of carrying value of deferred income shall be written down if there such balance exists with the amount of excess included in current profit or loss; it shall be directly included in current profit or loss if no relevant deferred income exists.

29. Deferred income tax assets / Deferred income tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized according to the balance between the tax base and the book value of assets and liabilities (temporary differences). At the balance sheet date, the deferred tax assets and deferred tax liabilities are measured by the applicable tax rate during the period of expected recovery of assets or clearing off the liability.

1. The basis for confirming deferred tax assets

The Company takes the taxable income which is likely to be obtained for deducting the deductible temporary differences and can carry over the deductible loss and tax credits as the limit to confirm the deferred income tax assets generated by deductible temporary differences. However, the deferred income tax assets generated by the initial recognition of assets or liabilities in the transactions with following characteristics shall not be recognized:

(1) The transaction is not a business combination; (2) The occurrence of transaction affects neither the accounting profit nor the taxable income or deductible loss.

For the deductible temporary differences associated with investments in associated enterprises and satisfying the following conditions, confirm the corresponding deferred income tax assets: temporary difference is likely to be reversed back in the foreseeable future, and it is likely to obtain the taxable income used for deducting the deductible temporary differences in the future.

2. The basis for confirming deferred tax liabilities

The company recognizes the currently and previously payable but not paid taxable temporary differences as the deferred income tax liabilities. But not including:

- (1) The temporary differences formed in the initial recognition of goodwill;
- (2) Transactions or events formed by non-business combination, and it affects neither the accounting profit nor the temporary differences formed by taxable income (or deductible loss) when the transactions or events occur;
- (3) For the taxable temporary differences related to the subsidiary companies and investments in associated enterprises, the reversal time of this temporary difference can be controlled and this temporary difference is

unlikely to be reversed back in the foreseeable future.

3. Deferred tax assets and liabilities are offset if all the following conditions are met

- (1) An enterprise has the legal rights to settle the income tax assets and income tax liabilities for the current period by net amount;
- (2) They relate to income taxes levied by the same tax authority on either the taxable entity has a legally enforceable right or set off current income tax assets against current income tax liabilities, and different taxable entities which either intend to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

30. Lease

(1) Accounting treatment of operation lease

If a lease contains such clause that substantially transfers to the lessee all the risks and reward related to the ownership of the leased asset, this lease is accounted for as financial leasing, and others are operating leases.

Accounting treatment on operation lease

(1) Assets under operation lease-in

The lease payment paid for leasing assets is amortized under straight line method in the entire lease period without deduction of lease-for-free period, and is recorded in current expenses. The initial direct expenses paid by the Company related to lease transactions shall be recorded in current expenses.

If asset leaser assumes the lease related expenses which shall be assumed by the Company, the Company shall deduct such expenses from the total rental and amortize based on the deducted rental expenses during the lease period and record in current expenses.

(2) Assets under operation rent-out

The lease fee collected by the Company for assets lease is amortized under straight line method in the entire lease period without deduction of lease-for-free period, and is realize as lease income. The initial direct expenses paid by the Company related to lease transactions shall be recorded in current expenses; for significant amount, it shall be capitalized and recorded in current income in phases under the same basis as realization of lease income in the entire lease period.

If the Company assumes the lease related expenses which shall be assumed by the lessee, the Company shall deduct such expenses from the total rental income and allocate based on the deducted rental expenses during the lease period.

(2) Accounting treatment of financing lease

- (1) Assets leased by financing lease: the Company accounts the leased assets at the lower of the fair value of leased assets and present value of the minimum lease payment on the inception date of the lease, and the minimum lease payment is deemed as the accounting value of long term account payable, and the difference is taken as unrealized financing expenses. The identification basis, evaluation and depreciation method for assets leased by financing lease found more in the Fixed assets in Note IV (16)

The Company amortizes the unrealized financing expenses at effective interest rate method in the asset lease period and records in finance expenses.

(2) Assets leased out by financing lease: at the beginning of the lease, the Company recognizes the difference between the sum of financial lease receivable and the unsecured residual value and its present value as unrealized financing income, and recognized as rental income during the period of rents accepted; the initial direct expenses incurred by the Company in connection with the lease transaction are included in the initial measurement of financial lease receivable and the amount of revenue recognized during the lease period is reduced.

31. Other important accounting policies and accounting estimates

Discontinued operation

The Company recognizes a component as discontinued operation component if it meets any of the following conditions, it has been treated or classified as held for sale and can be distinguished from others:

- (1) the component represents an independent major business or a separate major operation region.
- (2) the component is a part of a related plan proposed for the purpose of treatment of an independent major business or a separate major operation region.
- (3) the component is a subsidiary particularly acquired for resale.

Impairment loss, reverted amount and other operating gains and losses or disposal gains and losses of discontinued operation are presented in profit statement as profit or loss from discontinued operation.

32. Changes of main accounting policy and estimate

(1) Changes of accounting policies

Applicable Not-applicable

| The content and reason of accounting policy change | approval procedure | remarks |
|--|--|---------|
| The company shall implement the accounting standard for business enterprises no. 22 - recognition and measurement of financial instruments no. 23 - transfer of financial assets and accounting standard for business enterprises no. 24 - hedge accounting accounting standard for business enterprises no. 37 - presentation of financial instruments as amended by the ministry of finance in 2017 from January 1, 2019 | The eleventh meeting of the seventh board of directors | (1) |
| The company shall carry out the non-monetary asset exchange of the | The eleventh meeting of the seventh board of directors | (2) |

| | | |
|---|--|--|
| accounting standard for business enterprises no. 7 revised by the ministry of finance in 2019 as of June 10, 2019, and the debt restructuring of the accounting standard for business enterprises no. 12 revised by the ministry of finance in 2019 as of June 17, 2019 | | |
|---|--|--|

(1) Impact of implementing the new financial instrument standards

The Company has implemented the “Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments”, “Accounting Standards for Enterprises No. 23-Financial Asset Transfer”, “Accounting Standards for Business Enterprises No.24-Hedging Accounting”, and “Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments” revised by the Ministry of Finance in 2017 since January 1, 2019 (the above four items are collectively referred to as “new financial instrument standards”). For details of the changed accounting policies, please see Note VI.

If the recognition and measurement of financial instruments before January 1, 2019 are inconsistent with the requirements of the new financial instrument standards, the Company will make adjustments in accordance with the requirements of the new financial instrument standards. If the data of the previous comparative financial statements are inconsistent with the requirements of the new financial instrument standards, the Company has not adjusted the information of the comparable period. The difference between the original book value of financial instruments and the new book value on the date of implementation of the new financial instrument standards is included in retained earnings or other comprehensive income on January 1, 2019.

The impact of the implementation of the new financial instrument standards on the relevant items of balance sheet at the beginning of the period is listed as follows:

| Item | 2018-12-31 | Cumulative impact amount | | | 2019-1-1 |
|-------------------------------------|---------------|--|--|----------------|---------------|
| | | Classification and quantitative impact (note 1) | Impairment of financial assets(note 2) | Subtotal | |
| Tradable financial assets | ----- | 26,800,000.00 | ----- | 26,800,000.00 | 26,800,000.00 |
| Other current assets | 37,786,874.66 | -26,800,000.00 | ----- | -26,800,000.00 | 10,986,874.66 |
| Financial assets available-for-sale | 16,331,037.08 | -16,331,037.08 | ----- | -16,331,037.08 | ----- |
| Other equity instrument investment | ----- | 16,331,037.08 | ----- | 16,331,037.08 | 16,331,037.08 |
| Total assets | 54,117,911.74 | ----- | ----- | ----- | 54,117,911.74 |

Note: The above table only presents the affected financial statement items, and the unaffected financial statement items are not included, so the subtotals and totals disclosed cannot be recalculated based on the figures presented in the table above.

Note 1: The wealth management products classified as other current assets in the previous year with a book value

of 26,800,000.00 yuan are non-guaranteed floating income wealth management products, and the amount of interest income is affected by various market factors and macro-policy factors, and it is for the purpose of collecting contractual cash flow, which does not meet the “principal + interest” contractual cash flow characteristics, therefore, this part of the amount is reclassified from other current assets into trading financial assets.

The book value of RMB 16,331,037.08 was classified as available-for-sale equity instruments of available-for-sale financial assets in the previous year, according to the contract terms in this period, it is considered to be non-trading equity investment, and it is reclassified to other equity instrument investments.

(2) The impact of the implementation of new debt restructuring and non-monetary asset exchange standards on the Company

The Company has implemented the “Accounting Standards for Business Enterprises No. 7-Non-Monetary Asset Exchange” revised by the Ministry of Finance in 2019 from June 10, 2019, and implemented the “Accounting Standard for Business Enterprises No. 12-Debt Restructuring” revised by the Ministry of Finance in 2019 from June 17, 2019. The accounting policy changes adopt the future applicable method, and adjust the non-monetary asset exchange and debt restructuring that occurred between January 1, 2019 and the implementation date of the standards according to the provisions of the standards.

The implementation of the above standards by the Company had no impact on the financial statements during the reporting period.

(2) Changes in important accounting estimates

Applicable Not applicable

(3) Adjustment on the relevant items of financial statement at beginning of the year when implemented the new financial instrument standards, new revenue standards and new leasing standards since 2019

Applicable Not applicable

Consolidate balance sheet

In RMB

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|---|---------------|---------------|---------------|
| Current assets: | | | |
| Monetary fund | 36,306,825.10 | 36,306,825.10 | |
| Settlement provisions | | | |
| Capital lent | | | |
| Tradable financial assets | | 26,800,000.00 | 26,800,000.00 |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | | |

| | | | |
|--|----------------|----------------|----------------|
| Derivative financial assets | | | |
| Note receivable | | | |
| Account receivable | 11,171.25 | 11,171.25 | |
| Receivable financing | | | |
| Accounts paid in advance | 61,099,009.67 | 61,099,009.67 | |
| Insurance receivable | | | |
| Reinsurance receivables | | | |
| Contract reserve of reinsurance receivable | | | |
| Other account receivable | 8,588,597.44 | 8,588,597.44 | |
| Including: Interest receivable | | | |
| Dividend receivable | | | |
| Buying back the sale of financial assets | | | |
| Inventory | 151,585,557.50 | 151,585,557.50 | |
| Contractual assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 37,786,874.66 | 10,986,874.66 | -26,800,000.00 |
| Total current assets | 295,378,035.62 | 295,378,035.62 | |
| Non-current assets: | | | |
| Loans and payments on behalf | | | |
| Debt investment | | | |
| Finance asset available for sales | 16,331,037.08 | | -16,331,037.08 |
| Other debt investment | | | |
| Held-to-maturity investment | | | |
| Long-term account receivable | | | |
| Long-term equity investment | | | |

| | | | |
|--|----------------|----------------|---------------|
| Other equity instrument investment | | 16,331,037.08 | 16,331,037.08 |
| Other non-current financial assets | | | |
| Investment real estate | | | |
| Fixed assets | 17,302,279.65 | 17,302,279.65 | |
| Construction in process | 101,650,833.16 | 101,650,833.16 | |
| Productive biological asset | 121,437.50 | 121,437.50 | |
| Oil and gas asset | | | |
| Right to use asset | | | |
| Intangible assets | 56,686,960.59 | 56,686,960.59 | |
| Expense on Research and Development | 13,346,410.47 | 13,346,410.47 | |
| Goodwill | 1,543,786.41 | 1,543,786.41 | |
| Long-term expenses to be apportioned | 266,884.56 | 266,884.56 | |
| Deferred income tax asset | | | |
| Other non-current asset | 121,743,152.36 | 121,743,152.36 | |
| Total non-current asset | 328,992,781.78 | 328,992,781.78 | |
| Total assets | 624,370,817.40 | 624,370,817.40 | |
| Current liabilities: | | | |
| Short-term loans | | | |
| Loan from central bank | | | |
| Capital borrowed | | | |
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | | | |
| Note payable | | | |
| Account payable | 6,668,789.67 | 6,668,789.67 | |
| Accounts received in advance | 16,269,319.99 | 16,269,319.99 | |

| | | | |
|---|----------------|----------------|-------------|
| Contractual liabilities | | | |
| Selling financial asset of repurchase | | | |
| Absorbing deposit and interbank deposit | | | |
| Security trading of agency | | | |
| Security sales of agency | | | |
| Wage payable | 981,089.59 | 981,089.59 | |
| Taxes payable | 921,967.58 | 921,967.58 | |
| Other account payable | 118,570,218.85 | 118,376,885.44 | -193,333.41 |
| Including: Interest payable | 193,333.41 | | -193,333.41 |
| Dividend payable | | | |
| Commission charge and commission payable | | | |
| Reinsurance payable | | | |
| Liability held for sale | | | |
| Non-current liability due within one year | | 193,333.41 | 193,333.41 |
| Other current liabilities | | | |
| Total current liabilities | 143,411,385.68 | 143,411,385.68 | |
| Non-current liabilities: | | | |
| Insurance contract reserve | | | |
| Long-term loans | 101,710,000.00 | 101,710,000.00 | |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | | | |
| Long-term wages payable | | | |
| Accrual liability | | | |

| | | | |
|---|-----------------|-----------------|--|
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | 101,710,000.00 | 101,710,000.00 | |
| Total liabilities | 245,121,385.68 | 245,121,385.68 | |
| Owner's equity: | | | |
| Share capital | 706,320,000.00 | 706,320,000.00 | |
| Other equity instrument | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Capital public reserve | 463,681,309.55 | 463,681,309.55 | |
| Less: Inventory shares | 19,718,613.55 | 19,718,613.55 | |
| Other comprehensive income | | | |
| Reasonable reserve | | | |
| Surplus public reserve | 76,791,550.17 | 76,791,550.17 | |
| Provision of general risk | | | |
| Retained profit | -875,480,247.09 | -875,480,247.09 | |
| Total owner's equity attributable to parent company | 351,593,999.08 | 351,593,999.08 | |
| Minority interests | 27,655,432.64 | 27,655,432.64 | |
| Total owner's equity | 379,249,431.72 | 379,249,431.72 | |
| Total liabilities and owner's equity | 624,370,817.40 | 624,370,817.40 | |

Explanation on adjustment

Balance sheet of parent company

In RMB

| Item | 2018-12-31 | 2019-01-01 | Adjustments |
|-----------------|------------|------------|-------------|
| Current assets: | | | |

| | | | |
|---|----------------|----------------|----------------|
| Monetary fund | 28,933,135.09 | 28,933,135.09 | |
| Tradable financial assets | | | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial assets | | | |
| Note receivable | | | |
| Account receivable | | | |
| Receivable financing | | | |
| Account paid in advance | 60,821,190.73 | 60,821,190.73 | |
| Other receivable | 80,991,042.06 | 80,991,042.06 | |
| Including: Interest receivable | | | |
| Dividend receivable | | | |
| Inventory | 150,581,753.98 | 150,581,753.98 | |
| Contractual assets | | | |
| Assets held for sale | | | |
| Non-current asset due within one year | | | |
| Other current assets | 24,163,071.63 | 24,163,071.63 | |
| Total current assets | 345,490,193.49 | 345,490,193.49 | |
| Non-current assets: | | | |
| Debt investment | | | |
| Finance asset available for sales | 16,331,037.08 | | -16,331,037.08 |
| Other debt investment | | | |
| Held-to-maturity investment | | | |
| Long-term account receivable | | | |
| Long-term equity investment | 272,803,036.40 | 272,803,036.40 | |
| Other equity | | 16,331,037.08 | 16,331,037.08 |

| | | | |
|--|----------------|----------------|--|
| instrument investment | | | |
| Other non-current financial assets | | | |
| Other non-current financial assets | | | |
| Fixed assets | 1,551,517.36 | 1,551,517.36 | |
| Construction in process | | | |
| Productive biological asset | | | |
| Oil and gas asset | | | |
| Other non-current financial assets | | | |
| Intangible assets | | | |
| Expense on Research and Development | | | |
| Goodwill | | | |
| Long-term expenses to be apportioned | | | |
| Deferred income tax asset | | | |
| Other non-current asset | | | |
| Total non-current asset | 290,685,590.84 | 290,685,590.84 | |
| Total assets | 636,175,784.33 | 636,175,784.33 | |
| Current liabilities: | | | |
| Short-term loans | | | |
| Tradable financial liability | | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | | |
| Derivative financial liability | | | |
| Note payable | | | |
| Account payable | 6,263,184.67 | 6,263,184.67 | |
| Accounts received in advance | 14,427,450.03 | 14,427,450.03 | |
| Contractual liabilities | | | |

| | | | |
|---|----------------|----------------|--|
| Wage payable | 257,362.42 | 257,362.42 | |
| Taxes payable | 125,482.71 | 125,482.71 | |
| Other account payable | 432,985,336.27 | 432,985,336.27 | |
| Including: Interest payable | | | |
| Dividend payable | | | |
| Liability held for sale | | | |
| Non-current liability due within one year | | | |
| Other current liabilities | | | |
| Total current liabilities | 454,058,816.10 | 454,058,816.10 | |
| Non-current liabilities: | | | |
| Long-term loans | | | |
| Bonds payable | | | |
| Including: preferred stock | | | |
| Perpetual capital securities | | | |
| Lease liability | | | |
| Long-term account payable | | | |
| Long-term wages payable | | | |
| Accrual liability | | | |
| Deferred income | | | |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | | |
| Total liabilities | 454,058,816.10 | 454,058,816.10 | |
| Owner's equity: | | | |
| Share capital | 706,320,000.00 | 706,320,000.00 | |
| Other equity instrument | | | |
| Including: preferred | | | |

| | | | |
|--------------------------------------|-------------------|-------------------|--|
| stock | | | |
| Perpetual capital securities | | | |
| Capital public reserve | 456,569,124.55 | 456,569,124.55 | |
| Less: Inventory shares | 19,718,613.55 | 19,718,613.55 | |
| Other comprehensive income | | | |
| Reasonable reserve | | | |
| Surplus public reserve | 76,791,550.17 | 76,791,550.17 | |
| Retained profit | -1,037,845,092.94 | -1,037,845,092.94 | |
| Total owner's equity | 182,116,968.23 | 182,116,968.23 | |
| Total liabilities and owner's equity | 636,175,784.33 | 636,175,784.33 | |

Explanation on adjustment

(4) Retrospective adjustment of early comparison data description when implemented the new financial instrument standards and new leasing standards since 2019

Applicable Not applicable

33.Other

Explanation on change of items in financial statement

In 2019, the ministry of finance issued on revision issued by 2019 annual general corporate financial statements format notice (2019 6 accounting) and about the revised printing of the consolidated financial statements format (2019 edition) notice 2019 16 (accounting), the general corporate financial statements format was revised, split part of the balance sheet and adjusting profit projects the company has been under the new enterprise financial report format required by financial statements, the presentation of financial statements project so changed, the have, in accordance with the accounting standards for enterprises no. 30 presentation of financial statements In accordance with the relevant provisions of, etc., the effect of adjusting the comparison data of the comparable period on the items and amounts presented in the financial statements of the comparable period is as follows:

| Items | Amount before change | Impact number | Amount after change | Note |
|--|----------------------|---------------|---------------------|------|
| Note receivable | --- | --- | --- | --- |
| Account receivable | --- | 11,171.25 | 11,171.25 | --- |
| Note receivable and account receivable | 11,171.25 | -11,171.25 | --- | --- |
| Note payable | --- | --- | --- | --- |
| Account payable | --- | 6,668,789.67 | 6,668,789.67 | --- |
| Note payable and account payable | 6,668,789.67 | -6,668,789.67 | --- | --- |

VI. Taxes

1. Main tax category and tax rate

| Taxes | Basis | Rate |
|--|--|-------------------|
| VAT | Sales of goods, taxable sales service income, intangible assets or real property | 6%、9%、13% |
| Urban maintenance and construction tax | Turnover tax payable | 5% |
| Enterprise income tax | Taxable income | 25% or 16.5% |
| Land appreciation tax | Appreciation value or prerequisite | Progressive rates |
| Educational surtax | Turnover tax payable | 3% |
| Local educational surtax | Turnover tax payable | 2% |
| Property tax | Rental income or original value of the property | 12% or 1.2% |

As for the taxpaying body with different tax rate for enterprise income tax, disclosed explanations:

| Taxpaying body | Rate for income tax |
|-------------------------------|---------------------|
| Dongfeng Sci-Tech Group | 25% |
| Kefeng Engineering | 25% |
| Dongfeng Investment | 25% |
| Nanjiang Asia | 16.5% |
| Kefeng Trading | 25% |
| Hangzhou Dongfeng | 25% |
| Dongguan Dongfeng Technology | 25% |
| Kefeng Aerospace | 25% |
| Dongfeng Power | 25% |
| Fengning Dongfeng | 25% |
| Ecological Agriculture | 25% |
| Nanjiang Technology | 25% |
| Huijin Property | 25% |
| Zhongchuang New Energy | 15% |
| Dongguan Dongfeng Intelligent | 25% |
| Aolin New Materials | 25% |
| Haizhuo Energy | 25% |

2. Tax preference

The company's holding subsidiary, Dongguan Zhongchuang New Energy Technology Co., Ltd., was identified as a high-tech enterprise in Guangdong Province in 2019, and was included in the list of the second batch of high-tech enterprises in Guangdong Province in 2019 (certificate number: GR201944003967). According to the relevant preferential tax policies for high-tech enterprises of the "Administrative Measures on the Identification of High-tech Enterprises", the "Enterprise Income Tax Law of the People's Republic of China", and the "Notice on the Announcement of the List of High-tech Enterprises in Guangdong Province in 2019", Zhongchuang New Energy can enjoy the relevant preferential tax policies of the state regarding high-tech enterprises from January 1, 2019 to December 31, 2021, that is, the enterprise income tax is levied at a tax rate of 15%.

3. Other

In accordance with the provisions of the Notice on Adjusting the Value-Added Tax Rate (CS No. [2018] 32) of the Ministry of Finance and the State Administration of Taxation, the company has adjusted the value-added tax rate to 13%, 9% and 6% respectively from April 1, 2019.

Nanjiang Asia paying taxes in Hong Kong Special Administrative Region (HKSAR) with income tax rate of 16.5%

Employee personal income tax is withheld by the company.

VII. Notes to the main items of consolidate financial statements

1. Monetary fund

In RMB

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Cash in stock | 84,142.47 | 368,614.69 |
| Bank deposit | 25,634,016.83 | 12,986,115.85 |
| Other monetary fund | 2,040,967.75 | 22,952,094.56 |
| Total | 27,759,127.05 | 36,306,825.10 |
| Including: total amount deposit aboard | 136,633.90 | 5,626,045.88 |

Other explanation

Monetary fund with restrictions:

| Item | Ending balance | Opening balance |
|----------------------------|----------------|-----------------|
| Margin of housing mortgage | 1,890,335.50 | 2,793,908.11 |
| Performance bond | 150,632.25 | --- |
| Total | 2,040,967.75 | 2,793,908.11 |

2. Trading financial assets

In RMB

| Item | Ending balance | Opening balance |
|---|----------------|-----------------|
| Financial assets measured by fair value and with variation reckoned into current gains/losses | 8,300,000.00 | 26,800,000.00 |
| Including: | | |
| Including: | | |
| Total | 8,300,000.00 | 26,800,000.00 |

Other explanation:

3. Account receivable

(1) By category

In RMB

| Category | Ending balance | | | | | Opening balance | | | | |
|--|----------------|------------|--------------------|---------------|------------|-----------------|------------|--------------------|---------------|------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion | Amount | Accrual ratio | | Amount | Proportion | Amount | Accrual ratio | |
| Account receivable with bad debt provision accrual on single basis | 2,364,219.40 | 90.96% | 2,364,219.40 | 100.00% | | 2,364,219.40 | 96.64% | 2,364,219.40 | 100.00% | |
| Including: | | | | | | | | | | |
| Account receivable with bad debt provision accrual on portfolio | 235,038.85 | 9.04% | 84,708.85 | 36.04% | 150,330.00 | 82,138.85 | 3.36% | 70,967.60 | 86.40% | 11,171.25 |
| Including: | | | | | | | | | | |
| Total | 2,599,258.25 | 100.00% | 2,448,928.25 | 94.22% | 150,330.00 | 2,446,358.25 | 100.00% | 2,435,187.00 | 99.54% | 11,171.25 |

Accrual of bad debt provision on single basis:

In RMB

| Name | Ending balance | | | |
|---------------------|----------------|--------------------|---------------|--------------------|
| | Book balance | Bad debt provision | Accrual ratio | Reasons of accrual |
| Beijing Xian geqing | 2,320,047.40 | 2,320,047.40 | 100.00% | Unrecoverable |

| | | | | |
|--|---------------------|---------------------|-----------|---------------|
| Industrial & Trade Co., Ltd. | | | | |
| Inner Mongolia Ajinnai Horse Culture Development Co., Ltd. | 44,172.00 | 44,172.00 | 100.00% | Unrecoverable |
| Total | 2,364,219.40 | 2,364,219.40 | -- | -- |

Accrual of bad debt provision on single basis:

In RMB

| Name | Ending balance | | | |
|------|----------------|--------------------|---------------|--------------------|
| | Book balance | Bad debt provision | Accrual ratio | Reasons of accrual |

Accrual of bad debt provision on portfolio:

| Name | Ending balance | | |
|-------------------------------------|-------------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |
| Within one year (one year included) | 152,900.00 | 7,645.00 | 5% |
| 1 – 2 years | | | |
| 2 – 3 years | 10,150.00 | 5,075.00 | 50.00% |
| Over 3 years | 71,988.85 | 71,988.85 | 100.00% |
| Total | 235,038.85 | 84,708.85 | -- |

Explanation on portfolio basis:

Accrual of bad debt provision on portfolio:

In RMB

| Name | Ending balance | | |
|------|----------------|--------------------|---------------|
| | Book balance | Bad debt provision | Accrual ratio |

Explanation on portfolio basis:

If the provision for bad debts of account receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other account receivable to disclose related information about bad-debt provisions:

Applicable Not-applicable

By account age

In RMB

| Account age | Ending balance |
|-------------------------------------|---------------------|
| Within one year (one year included) | 152,900.00 |
| 2-3 years | 10,150.00 |
| Over 3 years | 2,436,208.25 |
| 3-4 years | 2,436,208.25 |
| Total | 2,599,258.25 |

(2) Bad debt provision accrual, collected or reversal in the period

Accrual of bad debt provision in the period:

In RMB

| Category | Opening balance | Current changes | | | | Ending balance |
|---|---------------------|------------------|-----------------------|------------|-------|---------------------|
| | | Accrual | Collected or reversal | Charge-off | Other | |
| Accounts receivable withdrawing expected credit losses individually | 2,364,219.40 | | | | | 2,364,219.40 |
| Accounts receivable withdrawing expected credit losses by combination | 70,967.60 | 13,741.25 | | | | 84,708.85 |
| Total | 2,435,187.00 | 13,741.25 | | | | 2,448,928.25 |

Including important amount of bad debt provision collected or reversal in the period:

In RMB

| Enterprise | Amount collected or reversal | Collection way |
|------------|------------------------------|----------------|
| | | |

(3) Account receivables actually charge-off during the reporting period

In RMB

| Item | Amount charge-off |
|------|-------------------|
| | |

Including major account receivables charge-off:

In RMB

| Enterprise | Nature | Amount charge-off | Causes | Procedure for charge-off | Amount cause by related transactions or not (Y/N) |
|------------|--------|-------------------|--------|--------------------------|---|
| | | | | | |

Explanation on account receivable charge-off

(4) Top five account receivables collected by arrears party at ending balance

| Name | Closing balance of accounts receivable | Proportion of total closing balance of accounts receivable | Provision for bad debts Ending balance |
|--------------------|--|--|--|
| Beijing Xiangeqing | 2,320,047.40 | 89.26% | 2,320,047.40 |

| | | | |
|--|---------------------|---------------|-----------|
| Industrial & Trade Co., Ltd. | | | |
| Beijing University of Aeronautics and Astronautics | 122,400.00 | 4.71% | 6,120.00 |
| Electricity Authority of Chengde County | 82,138.85 | 3.16% | 77,063.85 |
| Inner Mongolia Ajinnai Horse Culture Development Co., Ltd. | 44,172.00 | 1.70% | 44,172.00 |
| Zhejiang Aoka Refractories Co., Ltd. | 20,000.00 | 0.77% | 1,000.00 |
| Total | 2,588,758.25 | 99.60% | |

(5) Account receivable de-recognition due to financial assets transfer

(6) Assets and liabilities resulted by account receivable transfer and continues involvement

Other explanation:

4. Accounts paid in advance

(1) By account age

In RMB

| Account age | Ending balance | | Opening balance | |
|-----------------|---------------------|-----------|----------------------|-----------|
| | Amount | Ratio | Amount | Ratio |
| Within one year | 8,470,309.46 | 92.91% | 61,088,678.72 | 99.98% |
| 1-2 years | 646,752.20 | 7.09% | 3,431.50 | 0.01% |
| 2-3 years | | | 6,899.45 | 0.01% |
| Total | 9,117,061.66 | -- | 61,099,009.67 | -- |

Explanation on accounts paid in advance with over one year in age and reasons of un-settle:

(2) Top 5 account paid in advance collected by objects at ending balance

| Enterprise | Ending amount | Ratio in total account paid in advance (%) | Time of repayment | Un-settle reasons |
|---|---------------|--|-------------------|--------------------------|
| Chengde Wanrong Real Estate Development Co., Ltd. | 4,232,226.00 | 46.42 | Within one year | Not in settlement period |

| | | | | |
|--|---------------------|--------------|-----------------|--------------------------|
| Chengde Wanxuan Construction Engineering Co., Ltd. | 1,883,831.00 | 20.66 | Within one year | Not in settlement period |
| Beijing Jianyan Lianhe Architectural Design Consulting Co., Ltd. | 1,300,000.00 | 14.26 | Within one year | Not in settlement period |
| | 600,000.00 | 6.58 | 1-2 year | Not in settlement period |
| Guangdong Zhongpeng New Energy Technology Co., Ltd. | 716,000.00 | 7.85 | Within one year | Not in settlement period |
| Dongguan Hongxing Industrial Furnace Manufacturing Co., Ltd. | 58,000.00 | 0.64 | Within one year | Not in settlement period |
| | 29,000.00 | 0.32 | 1-2 year | Not in settlement period |
| Total | 8,819,057.00 | 96.73 | --- | --- |

Other explanation:

5. Other account receivable

In RMB

| Item | Ending balance | Opening balance |
|--------------------------|----------------------|---------------------|
| Other account receivable | 17,921,552.05 | 8,588,597.44 |
| Total | 17,921,552.05 | 8,588,597.44 |

(1) Interest receivable

1) Category

In RMB

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

2) Major overdue interest

In RMB

| Borrower | Ending balance | Overdue time | Causes | Whether has impairment occurred and determination basis |
|----------|----------------|--------------|--------|---|
|----------|----------------|--------------|--------|---|

Other explanation:

3) Accrual of bad debt provision

Applicable Not-applicable

(2) Dividend receivable

1) Category

In RMB

| Item (or invested company) | Ending balance | Opening balance |
|----------------------------|----------------|-----------------|
|----------------------------|----------------|-----------------|

2) Major dividend receivable with over one year aged

In RMB

| Item (or invested company) | Ending balance | Account age | Causes of failure for collection | Whether has impairment occurred and determination basis |
|----------------------------|----------------|-------------|----------------------------------|---|
|----------------------------|----------------|-------------|----------------------------------|---|

3) Accrual of bad debt provision

Applicable Not-applicable

Other explanation:

(3) Other account receivable

1) By nature

In RMB

| Nature | Ending book balance | Opening book balance |
|------------------------------|---------------------|----------------------|
| Margin | 1,643,185.28 | 1,520,000.00 |
| Petty cash | 2,735,843.69 | 1,485,155.23 |
| Debt auction | 1,209,273.00 | 1,209,273.00 |
| Replacement of utility bills | 25,818.24 | |
| Intercourse funds | 134,241.42 | |
| Other | 20,148,995.92 | 9,699,638.90 |
| Total | 25,897,357.55 | 13,914,067.13 |

2) Accrual of bad debt provision

In RMB

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|--------------------|--|---|--|-------|
| | Expected credit losses over next 12 months | Expected credit losses for the entire duration (without credit impairment occurred) | Expected credit losses for the entire duration (with credit impairment occurred) | |

| | | | | |
|---------------------------------------|--------------|-----|--------------|--------------|
| Balance on Jan. 1, 2019 | 307,939.95 | | 5,017,529.74 | 5,325,469.69 |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Accrual in the period | 958,673.69 | --- | 1,691,662.12 | 2,650,335.81 |
| Balance on Dec. 31, 2019 | 1,266,613.64 | --- | 6,709,191.86 | 7,975,805.50 |

Change of book balance of loss provision with amount has major changes in the period

Applicable Not-applicable

By account age

In RMB

| Account age | Ending balance |
|-------------------------------------|----------------|
| Within one year (one year included) | 20,095,431.01 |
| 1-2 years | 656,528.37 |
| 2-3 years | 1,775,344.70 |
| Over 3 years | 15,800.00 |
| 3-4 years | 3,286,806.04 |
| Total | 25,897,357.55 |

3) Bad debt provision accrual, collected or reversal in the period

Accrual of bad debt provision in the period:

In RMB

| Category | Opening balance | Current changes | | | | Ending balance |
|---|-----------------|-----------------|-----------------------|-------------|-------|----------------|
| | | Accrual | Collected or reversal | Written off | Other | |
| Other receivables withdrawn individually for expected credit losses | 4,780,605.08 | 1,818,165.78 | | | | 6,598,770.86 |
| Other receivables with expected credit losses in combination | 544,864.61 | 832,170.03 | | | | 1,377,034.64 |
| Total | 5,325,469.69 | 2,650,335.81 | | | | 7,975,805.50 |

Important amount of bad debt provision switch-back or collection in the period:

In RMB

| Enterprise | Amount switch-back or collection | Collection way |
|------------|----------------------------------|----------------|
|------------|----------------------------------|----------------|

4) Other account receivables actually charge-off during the reporting period

In RMB

| Item | Amount charge-off |
|------|-------------------|
|------|-------------------|

Including major other account receivables charge-off:

In RMB

| Enterprise | Other Nature | Amount charge-off | Causes | Procedure for charge-off | Amount cause by related transactions or not (Y/N) |
|------------|--------------|-------------------|--------|--------------------------|---|
|------------|--------------|-------------------|--------|--------------------------|---|

Other explanation on account receivable charge-off

5) Top 5 other account receivable collected by arrears party at ending balance

In RMB

| Enterprise | Nature | Ending balance | Account age | Proportion in total other account receivables at period-end | Ending balance of bad debt provision |
|---|--------------|----------------|---------------------------|---|--------------------------------------|
| Liu Chengjin | Other | 2,282,924.36 | With 1 year, over 5 years | 8.82% | 2,282,924.36 |
| Non-Taxable Revenue Authority of Chengde County | Margin | 1,500,000.00 | Over 3 years | 5.79% | 1,500,000.00 |
| Auction Rate Securities | Other | 1,209,273.00 | Over 5 years | 4.67% | 1,209,273.00 |
| Diao Xiangyu | Housing fund | 700,000.00 | Within 1 year | 2.70% | 35,000.00 |
| Zhou Haihong | Other | 642,689.25 | Over 5 years | 2.48% | 642,689.25 |
| Total | -- | 6,334,886.61 | -- | 24.46% | 5,669,886.61 |

6) Account receivables related to government grant

In RMB

| Enterprise | Government grant | Ending balance | Account age at period-end | Time and amount collected and basis |
|------------|------------------|----------------|---------------------------|-------------------------------------|
|------------|------------------|----------------|---------------------------|-------------------------------------|

7) Other receivable for termination of confirmation due to the transfer of financial assets

8) The amount of assets and liabilities that are transferred other receivable and continued to be involved

Other explanation:

6. Inventory

Whether implemented the new revenue standards

Yes No

(1) Category

The Company needs to comply with the disclosure requirement of *Information Disclosure Guidelines of Shenzhen Stock Exchange No.3-engaged in real estate business for the listed companies*

By nature:

In RMB

| Item | Ending balance | | | Opening balance | | |
|----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Book balance | Depreciation reserve | Book value | Book balance | Depreciation reserve | Book value |
| Development cost | 187,024,779.68 | 1,425,966.21 | 185,598,813.47 | 107,073,123.28 | | 107,073,123.28 |
| Development products | 10,794,129.29 | | 10,794,129.29 | 42,082,664.49 | | 42,082,664.49 |
| Raw materials | 22,575.68 | | 22,575.68 | 53,653.93 | | 53,653.93 |
| Production costs | | | | 1,442,179.44 | | 1,442,179.44 |
| Stock products | 112,109.36 | 112,109.36 | | 933,817.53 | | 933,817.53 |
| Revolving materials | 16,213.23 | | 16,213.23 | 118.83 | | 118.83 |
| Total | 197,969,807.24 | 1,538,075.57 | 196,431,731.67 | 151,585,557.50 | | 151,585,557.50 |

Disclose of “development cost” and interest capitalization rate:

In RMB

| Name of project | Time to start | Estimated completion time | Estimated total investment | Opening balance | Switch to development products | Other decrease in Period | Increase in Period (development costs) | Ending balance | Cumulative amount of interest capitalized | Including amount of interest capitalization in | Source of funds |
|-----------------|---------------|---------------------------|----------------------------|-----------------|--------------------------------|--------------------------|--|----------------|---|--|-----------------|
| | | | | | | | | | | | |

| | | | | | | | | | | Period | |
|-----------------|------------|------------|----------------|----------------|--|--|----------------|----------------|--------------|--------------|-------|
| Tian Xi project | 2018-12-01 | 2020-12-31 | 300,000,000.00 | 107,073,123.28 | | | | 187,024,779.68 | 8,414,621.85 | 7,871,005.41 | Other |
| Total | -- | -- | 300,000,000.00 | 107,073,123.28 | | | 187,024,779.68 | 8,414,621.85 | 7,871,005.41 | -- | |

Disclose of “Development products”:

In RMB

| Name of project | Time of completion | Opening balance | Current increased | Current decreased | Ending balance | Cumulative amount of interest capitalized | Including: amount of interest capitalization in Period |
|-----------------|--------------------|-----------------|-------------------|-------------------|----------------|---|--|
| Huijing Tiandi | 2016-12-31 | 42,082,664.49 | | 31,288,535.20 | 10,794,129.29 | | |
| Total | -- | 42,082,664.49 | | 31,288,535.20 | 10,794,129.29 | | |

Disclosed the “installment development products”, “rental development products” and “relocation housing”:

In RMB

| Name of project | Opening balance | Current increased | Current decreased | Ending balance |
|-----------------|-----------------|-------------------|-------------------|----------------|
| | | | | |

(2) Inventory depreciation reserve

Accrual for inventory depreciation reserves:

By nature:

In RMB

| Item | Opening balance | Current increased | | Current decreased | | Ending balance | Note |
|-------------------|-----------------|-------------------|-------|---------------------------|-------|----------------|------|
| | | Accrual | Other | Switch back or charge-off | Other | | |
| Development costs | | 1,425,966.21 | | | | 1,425,966.21 | |
| Stock | | 112,109.36 | | | | 112,109.36 | |
| Total | | 1,538,075.57 | | | | 1,538,075.57 | -- |

By project:

In RMB

| Name of project | Opening balance | Current increased | | Current decreased | | Ending balance | Note |
|-----------------|-----------------|-------------------|-------|-------------------|-------|----------------|------|
| | | Accrual | Other | Reversing or | Other | | |
| | | | | | | | |

| | | | | | | | |
|--|--|--|--|-----------|--|--|--|
| | | | | write-off | | | |
|--|--|--|--|-----------|--|--|--|

(3) Rate of capitalization of interest for inventory at period-end

(4) Inventory constrained

Disclosure by items:

In RMB

| Name of project | Opening balance | Ending balance | Reasons of restricted |
|-----------------|-----------------|----------------|-----------------------|
| | | | |

(5) Assets completed without settle resulted by construction contract at period-end

In RMB

| Item | Amount |
|------|--------|
| | |

Other explanation:

7. Other current assets

Whether implemented the new revenue standards

Yes No

In RMB

| Item | Ending balance | Opening balance |
|-----------------------|----------------|-----------------|
| Taxes paid in advance | 45,828,612.47 | 10,986,874.66 |
| Total | 45,828,612.47 | 10,986,874.66 |

Other explanation:

8. Long-term equity investments

In RMB

| The invested entity | Opening balance (Book value) | Changes in the period (+, -) | | | | | | | | Ending balance (Book value) | Ending balance of impairment provision |
|---------------------------|------------------------------|------------------------------|-------------------|--|---------------------------------------|---------------------|---|------------------------------|-------|-----------------------------|--|
| | | Additional investment | Capital reduction | Investment gains recognized under equity | Other comprehensive income adjustment | Other equity change | Cash dividend or profit announced to issued | Accrual Impairment provision | Other | | |
| I. Joint venture | | | | | | | | | | | |
| II. Associated enterprise | | | | | | | | | | | |
| Runhua | 9,170,370 | | | | | | | | | 9,170,370 | 9,170,370 |

| | | | | | | | | | | | |
|---|--------------|--|--|--|--|--|--|--|--|--------------|--------------|
| Rural Water (Tianjin) International Trade Co., Ltd. | .00 | | | | | | | | | .00 | .00 |
| Subtotal | 9,170,370.00 | | | | | | | | | 9,170,370.00 | 9,170,370.00 |
| Total | 9,170,370.00 | | | | | | | | | 9,170,370.00 | 9,170,370.00 |

Other explanation

9. Other equity instrument investment

In RMB

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Dongguan Dongfeng New Energy Technology Co., Ltd | 15,963,446.39 | 16,331,037.08 |
| Total | 15,963,446.39 | 16,331,037.08 |

Itemized the non-tradable equity instrument investment in the period

In RMB

| Item | Dividend income recognized | Cumulative gains | Cumulative losses | Retained earnings transfer from other comprehensive income | Causes of those that designated measured by fair value and with its variation reckoned into other comprehensive income | Cause of retained earnings transfer from other comprehensive income |
|--|----------------------------|------------------|-------------------|--|--|---|
| Dongguan Dongfeng New Energy Technology Co., Ltd | | | 9,036,553.61 | | | |

Other explanation:

10. Fixed assets

In RMB

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

| | | |
|--------------|----------------|---------------|
| Fixed assets | 306,237,939.37 | 17,302,279.65 |
| Total | 306,237,939.37 | 17,302,279.65 |

(1) Fixed assets

In RMB

| Item | Houses and buildings | Machinery equipment | Transportation equipment | Other equipment | Total |
|--|----------------------|---------------------|--------------------------|-----------------|----------------|
| I. Original book value: | | | | | |
| 1. Opening balance | 13,042,545.23 | 2,285,732.82 | 5,356,248.36 | 3,058,011.88 | 23,742,538.29 |
| 2. Current increased | 292,273,019.84 | 11,000.00 | 87,000.00 | 3,588,715.84 | 295,959,735.68 |
| (1) Purchase | | | 87,000.00 | 3,588,715.84 | 3,675,715.84 |
| (2) Transferred from construction in process | 292,273,019.84 | | | | 292,273,019.84 |
| (3) Increased by enterprise combination | | | | | |
| (4) Other | | 11,000.00 | | | 11,000.00 |
| 3. Current decreased | 3,883,944.45 | | 334,700.85 | 55,043.00 | 4,273,688.30 |
| (1) Disposal or scrap | 3,883,944.45 | | 334,700.85 | 55,043.00 | 4,273,688.30 |
| 4. Ending balance | 301,431,620.62 | 2,296,732.82 | 5,108,547.51 | 6,591,684.72 | 315,428,585.67 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | 1,398,667.55 | 1,365,589.69 | 2,482,839.71 | 1,193,161.69 | 6,440,258.64 |
| 2. Current increased | 1,250,521.95 | 113,153.36 | 730,184.84 | 1,239,602.66 | 3,333,462.81 |
| (1) Accrual | 1,250,521.95 | 93,246.02 | 725,054.84 | 1,235,847.02 | 3,304,669.83 |
| (2) Other | | 19,907.34 | 5,130.00 | 3,755.64 | 28,792.98 |
| 3. Current decreased | 447,366.00 | | 100,689.36 | 35,019.79 | 583,075.15 |
| (1) Disposal or scrap | 447,366.00 | | 100,689.36 | 35,019.79 | 583,075.15 |

| | | | | | |
|---------------------------|----------------|--------------|--------------|--------------|----------------|
| | | | | | |
| 4. Ending balance | 2,201,823.50 | 1,478,743.05 | 3,112,335.19 | 2,397,744.57 | 9,190,646.30 |
| III. Impairment provision | | | | | |
| 1. Opening balance | | | | | |
| 2. Current increased | | | | | |
| (1) Accrual | | | | | |
| | | | | | |
| 3. Current decreased | | | | | |
| (1) Disposal or scrap | | | | | |
| | | | | | |
| 4. Ending balance | | | | | |
| IV. Book value | | | | | |
| 1. Ending book value | 299,229,797.12 | 817,989.77 | 1,996,212.32 | 4,193,940.15 | 306,237,939.37 |
| 2. Opening book value | 11,643,877.68 | 920,143.13 | 2,873,408.65 | 1,864,850.19 | 17,302,279.65 |

(2) Temporarily idle fixed assets

In RMB

| Item | Original book value | Accumulated depreciation | Impairment provision | Book value | Note |
|------|---------------------|--------------------------|----------------------|------------|------|
| | | | | | |

(3) Fixed assets leasing-in by financing lease

In RMB

| Item | Original book value | Accumulated depreciation | Impairment provision | Book value |
|------|---------------------|--------------------------|----------------------|------------|
| | | | | |

(4) Fixed assets leasing-out by operational lease

In RMB

| Item | Ending book value |
|------|-------------------|
| | |

(5) Fixed assets without property certificates

In RMB

| Item | Book value | Reasons for failure to handle the property right certificate |
|----------------------|----------------|---|
| Houses and buildings | 292,273,019.84 | The project has not been completely completed and the real estate title certificate is being processed. |

Other explanation

The fixed assets transferred from the projects under construction in this period are Dongfeng Intelligent and Dongfeng New Energy Equipment Industrialization Projects, including the main buildings such as factory buildings, dormitory buildings, and scientific research office buildings. As a whole project, the construction of fire protection facilities was completed in December 2019, and received the “Opinion Letter on Construction Engineering Fire Control Acceptance from Dongguan City Housing and Urban-Rural Construction Bureau” on December 26. The company believes that the main buildings such as factory buildings, dormitory buildings, and scientific research office buildings have reached their intended usable condition and shall be converted into fixed assets.

(6) Disposal of fixed assets

In RMB

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
| | | |

Other explanation

11. Construction in process

In RMB

| Item | Ending balance | Opening balance |
|-------------------------|----------------|-----------------|
| Construction in process | | 101,650,833.16 |
| Total | | 101,650,833.16 |

(1) Construction in process

In RMB

| Item | Ending balance | | | Opening balance | | |
|---|----------------|----------------------|------------|-----------------|----------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Industrialization of equipment of the Dongfeng New Energy | | | | 101,650,833.16 | | 101,650,833.16 |
| Total | | | | 101,650,833.16 | | 101,650,833.16 |

(2) Changes of major projects under construction

In RMB

| Item | Budget | Opening balance | Current increased | Fixed assets transfer-in in the Period | Other decrease in Period | Ending balance | Proportion of project investment in budget | Progress | Cumulative amount of interest capitalized | Including amount of interest capitalization in Period | Interest capitalization rate of the year (%) | Source of funds |
|---|----------------|-----------------|-------------------|--|--------------------------|----------------|--|----------|---|---|--|------------------------------|
| Industrialization of equipment of the Dongfeng New Energy | 380,000,000.00 | 101,650,833.16 | 190,622,186.68 | 292,273,019.84 | | | 76.91% | 100.00 | 14,060,788.29 | 14,060,788.29 | 6.80% | Financial institutions loans |
| Total | 380,000,000.00 | 101,650,833.16 | 190,622,186.68 | 292,273,019.84 | | | -- | -- | 14,060,788.29 | 14,060,788.29 | 6.80% | -- |

(3) Provision for impairment of construction in process in the period

In RMB

| Item | Accrual in the period | Accrual Causes |
|-------------------|-----------------------|----------------|
| Other explanation | | |

(4) Engineering material

In RMB

| Item | Ending balance | | | Opening balance | | |
|--------------------|----------------|----------------------|------------|-----------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Other explanation: | | | | | | |

12. Productive biological asset

(1) Productive biological asset measured by cost

Applicable Not-applicable

In RMB

| Item | Plantation | Livestock | Forestry | Aquaculture | Total |
|------------------------------|------------|--------------|----------|-------------|--------------|
| I. Original book value | | | | | |
| 1. Opening balance | | 201,000.00 | | | 201,000.00 |
| 2. Current increased | | 928,488.13 | | | 928,488.13 |
| (1) Outsourcing | | | | | |
| (2) Self-cultivation | | 928,488.13 | | | 928,488.13 |
| 3. Current decreased | | 1,124,217.90 | | | 1,124,217.90 |
| (1) Disposal | | 1,124,217.90 | | | 1,124,217.90 |
| (2) Other | | | | | |
| 4. Ending balance | | 5,270.23 | | | 5,270.23 |
| II. Accumulated depreciation | | | | | |
| 1. Opening balance | | 79,562.50 | | | 79,562.50 |
| 2. Current increased | | 78,850.00 | | | 78,850.00 |
| (1) Accrual | | 78,850.00 | | | 78,850.00 |
| 3. Current decreased | | 158,412.50 | | | 158,412.50 |
| (1) Disposal | | 158,412.50 | | | 158,412.50 |
| (2) Other | | | | | |
| 4. Ending balance | | | | | |
| III. Impairment provision | | | | | |
| 1. Opening balance | | | | | |
| 2. Current increased | | | | | |
| (1) Accrual | | | | | |

| | | | | | |
|----------------------|--|------------|--|--|------------|
| | | | | | |
| 3.Current decreased | | | | | |
| (1) Disposal | | | | | |
| (2) Other | | | | | |
| | | | | | |
| 4.Ending balance | | | | | |
| IV. Book value | | | | | |
| 1.Ending book value | | 5,270.23 | | | 5,270.23 |
| 2.Opening book value | | 121,437.50 | | | 121,437.50 |

(2) Productive biological asset measured by fair value

Applicable Not-applicable

13. Intangible assets

(1) Intangible assets

In RMB

| Item | Land Use Right | Patent right | Non-patent technology | | Total |
|---|----------------|--------------|-----------------------|--|---------------|
| I. Original book value | | | | | |
| 1.Opening balance | 59,358,148.89 | | | | 59,358,148.89 |
| 2.Current increased | | | | | |
| (1) Purchase | | | | | |
| (2) Internal R&D | | | | | |
| (3) Increased by enterprise combination | | | | | |
| | | | | | |
| 3.Current | | | | | |

| | | | | | |
|------------------------------|---------------|--|--|--|---------------|
| decreased | | | | | |
| (1) Disposal | | | | | |
| 4.Ending balance | 59,358,148.89 | | | | 59,358,148.89 |
| II. Accumulated amortization | | | | | |
| 1.Opening balance | 2,671,188.30 | | | | 2,671,188.30 |
| 2.Current increased | 2,053,596.24 | | | | 2,053,596.24 |
| (1) Accrual | 2,053,596.24 | | | | 2,053,596.24 |
| 3.Current decreased | | | | | |
| (1) Disposal | | | | | |
| 4.Ending balance | 4,724,784.54 | | | | 4,724,784.54 |
| III. Impairment provision | | | | | |
| 1.Opening balance | | | | | |
| 2.Current increased | | | | | |
| (1) Accrual | | | | | |
| 3.Current decreased | | | | | |
| (1) Disposal | | | | | |
| 4.Ending balance | | | | | |
| IV. Book value | | | | | |
| 1.Ending book value | 54,633,364.35 | | | | 54,633,364.35 |
| 2.Opening book | 56,686,960.59 | | | | 56,686,960.59 |

| | | | | | |
|-------|--|--|--|--|--|
| value | | | | | |
|-------|--|--|--|--|--|

Ratio of the intangible assets resulted by internal R&D in balance of the intangible assets at period

(2) Failure to handle the property right certificate

In RMB

| Item | Book value | Reasons for failure to handle the property right certificate |
|------|------------|--|
|------|------------|--|

Other explanation:

14. Expense on Research and Development

In RMB

| Item | Opening balance | Current increased | | | Current decreased | | | Ending balance |
|---|-----------------|----------------------------------|-------|--|--------------------------------|-------------------------------------|--|----------------|
| | | Internal development expenditure | Other | | Confirmed as intangible assets | Transfer to current profit and loss | | |
| Air-cooled hydrogen fuel cell power system for vehicle used | 3,096,125.13 | 6,681,984.43 | | | | 9,778,109.56 | | |
| ZS01 alumina fiber | 4,839,555.82 | 7,913,840.40 | | | | 12,753,396.22 | | |
| Real-time hydrogen production equipment | 5,410,729.52 | 4,578,133.40 | | | | 9,988,862.87 | | |
| Total | 13,346,410.47 | 19,173,958.23 | | | | 32,520,368.65 | | |

Other explanation

15. Goodwill

(1) Original book value of goodwill

In RMB

| Name of invested company or items formed goodwill | Opening balance | Current increased | | Current decreased | | Ending balance |
|---|-----------------|--------------------------------|--|-------------------|--|----------------|
| | | Formed by business combination | | Disposal | | |
| Aolin New Materials | 1,294,711.56 | | | | | 1,294,711.56 |
| Haizhuo Energy | 249,074.85 | | | | | 249,074.85 |
| Total | 1,543,786.41 | | | | | 1,543,786.41 |

(2) Impairment provision of goodwill

In RMB

| Name of invested company or items formed goodwill | Opening balance | Current increased | | Current decreased | | Ending balance |
|---|-----------------|-------------------|--|-------------------|--|----------------|
| | | 计提 | | 处置 | | |
| Aolin New Materials | | 1,294,711.56 | | | | 1,294,711.56 |
| Haizhuo Energy | | 249,074.85 | | | | 249,074.85 |
| Total | | 1,543,786.41 | | | | 1,543,786.41 |

Assets group with the goodwill involved or portfolio information

Aolin New Materials, the subsidiary operates as an independent economic entity after the merger, and the cash inflow generated by it is basically independent of other assets or asset groups, so it is regarded as an asset group during the impairment test, and the carrying amount (including goodwill) is 10,712,296.74 Yuan and the asset group or asset group combination is consistent with the asset group or asset group combination determined on the date of purchase.

Haizhuo Energy, the subsidiary operates as an independent economic entity after the merger, and the cash inflow generated by it is basically independent of other assets or asset groups, so it is regarded as an asset group during the impairment test, and the carrying amount (including goodwill) is 15,047,913.96 Yuan and the asset group or asset group combination is consistent with the asset group or asset group combination determined on the date of purchase.

Instructions for goodwill impairments test process and key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, and forecast period when estimating the present value of the future cash flow), and the method of confirming the impairment loss of goodwill:

The company conducted impairment test for the asset group related to goodwill at the end of the period, when conducting the impairment test, the book value of goodwill was apportioned to the asset group or asset group combination expected to benefit from

the synergy of business combination, and then compared the book value of the asset group with the recoverable amount so as to determine whether the asset group (including goodwill) had been impaired. The test results showed that the recoverable amount of the asset group including the apportioned goodwill was lower than the book value, and the corresponding impairment loss was confirmed. The specific test process was as follows:

The recoverable amount of the asset group was a five-year forecast prepared by the company's management based on the future development trend and business plan, which was calculated by using the future cash flow to convert into the present value. After testing, the recoverable amount of Aolin New Materials was 9,417,585.18 Yuan, which was less than the book value (including goodwill) of 10,712,296.74 Yuan, accrued impairment provision of 1,294,711.56 Yuan; and the recoverable amount of Haizhuo Energy was 14,798,839.11 Yuan, which was less than the book value (including goodwill) of 15,047,913.96 Yuan. accrued impairment provision of 249,074.85 Yuan. Asset groups including goodwill predicted by the management were not impaired and no impairment provision was required.

Impact of goodwill impairment test

Other explanation

16. Long-term prepaid expenses

In RMB

| Item | Opening balance | Current increased | Amortized in current period | Other decrease | Ending balance |
|---|-------------------|-------------------|-----------------------------|----------------|-------------------|
| Office remodeling costs | 20,555.48 | | 20,555.48 | | |
| Fire protection engineering | 10,000.00 | | 10,000.00 | | |
| Plant decoration | 141,061.31 | | 51,615.96 | | 89,445.35 |
| Floor pain engineering of the plant in Eco-Park | 95,267.77 | 95,166.80 | 49,974.13 | | 140,460.44 |
| Rectification and installation of low-voltage power distribution in spinning workshop | | 19,266.06 | 2,675.85 | | 16,590.21 |
| Total | 266,884.56 | 114,432.86 | 134,821.42 | | 246,496.00 |

Other explanation

17. Deferred income tax asset /Deferred income tax liabilities

(1) Deferred income tax assets without offset

In RMB

| Item | Ending balance | | Opening balance | |
|------|---------------------------------|---------------------------|---------------------------------|---------------------------|
| | Deductible temporary difference | Deferred income tax asset | Deductible temporary difference | Deferred income tax asset |

(2) Deferred income tax liabilities without offset

In RMB

| Item | Ending balance | | Opening balance | |
|------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |

(3) Deferred income tax assets and deferred income tax liabilities listed after off-set

In RMB

| Item | Trade-off between the deferred income tax assets and liabilities | Ending balance of deferred income tax assets or liabilities after off-set | Trade-off between the deferred income tax assets and liabilities at period-begin | Opening balance of deferred income tax assets or liabilities after off-set |
|------|--|---|--|--|
|------|--|---|--|--|

(4) Details of unrecognized deferred income tax assets

In RMB

| Item | Ending balance | Opening balance |
|---------------------------------|----------------|-----------------|
| Deductible temporary difference | 30,169,732.93 | 25,599,989.61 |
| Deductible losses | 199,771,360.91 | 144,594,924.49 |
| Total | 229,941,093.84 | 170,194,914.10 |

(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year

In RMB

| Year | Ending amount | Period-begin | Note |
|-------|----------------|----------------|------|
| 2019 | | 30,576,125.82 | 2014 |
| 2020 | 33,429,382.84 | 33,429,382.84 | 2015 |
| 2021 | 19,481,015.78 | 19,481,015.78 | 2016 |
| 2022 | 52,327,940.32 | 52,327,940.32 | 2017 |
| 2023 | 8,780,459.73 | 8,780,459.73 | 2018 |
| 2024 | 85,752,562.24 | | 2019 |
| Total | 199,771,360.91 | 144,594,924.49 | -- |

Other explanation:

18. Other non-current asset

Whether implemented the new revenue standards

Yes No

In RMB

| Item | Ending balance | Opening balance |
|------------------------------------|-------------------|-----------------------|
| Engineering amount paid in advance | | 120,392,369.00 |
| Equipment amount paid in advance | 496,880.00 | 1,350,783.36 |
| Total | 496,880.00 | 121,743,152.36 |

Other explanation:

19. Accounts payable

(1) Accounts payable

In RMB

| Item | Ending balance | Opening balance |
|---------------------------------|---------------------|---------------------|
| Account payable for materials | 68,050.00 | 33,996.00 |
| Account payable for engineering | 8,363,066.51 | 6,596,413.67 |
| Account payable for equipment | 11,800.00 | 20,200.00 |
| Other | 18,180.00 | 18,180.00 |
| Total | 8,461,096.51 | 6,668,789.67 |

(2) Important account payable with over one year account age

In RMB

| Item | Ending balance | Reasons for non-repayment or carry-over |
|---|---------------------|---|
| Chengde Great Wall Construction Group Co., Ltd. | 1,153,100.46 | Engineering amount |
| Total | 1,153,100.46 | -- |

Other explanation:

20. Accounts received in advance

Whether implemented the new revenue standards

Yes No

(1) Accounts received in advance

In RMB

| Item | Ending balance | Opening balance |
|---|-----------------------|----------------------|
| Account received in advance for property-Huijing Tiandi | 5,833,686.62 | 14,427,450.03 |
| Account received in advance for property-Tianxi | 151,522,485.15 | |
| Account received in advance for goods | 64,650.00 | 64,400.00 |
| Resident heating fees received in advance | 1,733,071.06 | 1,561,464.19 |
| Other | 205,839.77 | 216,005.77 |
| Total | 159,359,732.60 | 16,269,319.99 |

(2) Major account received in advance for over one year age

In RMB

| Item | Ending balance | Reasons for non-repayment or carry-over |
|------|----------------|---|
|------|----------------|---|

The Company needs to comply with the disclosure requirement of *Information Disclosure Guidelines of Shenzhen Stock Exchange No.3-engaged in real estate business for the listed companies*

Top 5 accounts received in advance:

In RMB

| Serial | Name of project | Opening balance | Ending balance | Estimated completion time | Ratio for sales in advance |
|--------|------------------------|-----------------|----------------|---------------------------|----------------------------|
| 1 | Tianxi project | | 151,522,485.15 | 2020-12-31 | 39.62% |
| 2 | Huijing Tiandi project | 14,427,450.03 | 5,833,686.62 | 2016-12-31 | 95.89% |

(3) Project closed for account without complete in construction from construction contract at period-end

In RMB

| Item | Amount |
|------|--------|
|------|--------|

Other explanation:

21. Wage payable

(1) Wage payable

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------|-----------------|-------------------|-------------------|----------------|
| I. Short-term employee benefits | 951,151.59 | 26,492,222.19 | 25,706,640.76 | 1,736,733.02 |
| II. Post-employment | 29,938.00 | 2,046,983.09 | 2,045,999.32 | 30,921.77 |

| | | | | |
|-------------------------------------|------------|---------------|---------------|--------------|
| benefits-defined contribution plans | | | | |
| Total | 981,089.59 | 28,539,205.28 | 27,752,640.08 | 1,767,654.79 |

(2) Short-term employee benefits

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---|-----------------|-------------------|-------------------|----------------|
| 1. Salary, bonus, allowance and subsidy | 924,301.59 | 24,141,825.33 | 23,347,643.51 | 1,718,483.41 |
| 2. Employee welfare | | 368,645.25 | 368,645.25 | |
| 3. Social insurance | 17,470.00 | 843,706.25 | 849,980.06 | 11,196.19 |
| Including: medical insurance expenses | 15,475.00 | 712,770.22 | 718,909.45 | 9,335.77 |
| Work injury insurance expenses | 437.00 | 55,968.23 | 56,029.28 | 375.95 |
| Maternity insurance | 1,558.00 | 74,967.79 | 75,041.33 | 1,484.47 |
| 4. Housing provident funds | 9,380.00 | 1,130,135.95 | 1,133,005.95 | 6,510.00 |
| 5. Labor union expenditures and employee education expenses | | 7,909.41 | 7,365.99 | 543.42 |
| Total | 951,151.59 | 26,492,222.19 | 25,706,640.76 | 1,736,733.02 |

(3) Defined contribution plans

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------------|-----------------|-------------------|-------------------|----------------|
| 1. Basic endowment insurance expenses | 29,120.00 | 1,995,310.00 | 1,993,875.84 | 30,554.16 |
| 2. Unemployment insurance expenses | 818.00 | 51,673.09 | 52,123.48 | 367.61 |
| Total | 29,938.00 | 2,046,983.09 | 2,045,999.32 | 30,921.77 |

Other explanation:

22. Taxes payable

In RMB

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| VAT | 111,090.89 | 364,882.08 |
| Individual income tax | 15,759.93 | 12,830.10 |
| Urban maintenance and construction tax | 3,293.69 | 20,216.47 |
| Land VAT | | 468,597.56 |
| Educational surtax | 1,976.21 | 12,129.88 |
| Local educational surtax | 1,317.47 | 8,086.59 |
| Stamp tax | 29,221.50 | 35,224.90 |
| Urban land use tax | 155,828.28 | |
| Total | 318,487.97 | 921,967.58 |

Other explanation:

23. Other accounts payable

In RMB

| Item | Ending balance | Opening balance |
|------------------------|----------------|-----------------|
| Interest payable | | |
| Other accounts payable | 53,454,293.48 | 118,376,885.44 |
| Total | 53,454,293.48 | 118,376,885.44 |

(1) Interest payable

In RMB

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| Interest of the long-term loans repayment of principal due in installments | | |
| Total | | 1 |

Important interest overdue without paid:

In RMB

| Borrower | Amount overdue | Causes |
|----------|----------------|--------|
| | | |

Other explanation:

(2) Dividend payable

In RMB

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

Other explanation, including dividends payable with over one year age and disclosure un-payment reasons:

(3) Other accounts payable

1) By nature

In RMB

| Item | Ending balance | Opening balance |
|-----------------------------------|----------------------|-----------------------|
| Deposit and margin | 355,441.20 | 971,041.20 |
| Agency fee | 1,660,309.85 | 309,178.00 |
| Intercourse fund | 17,165,046.66 | 16,327,166.66 |
| Tax withholding | 445,253.58 | 10,679.28 |
| Quality guarantee deposit | | 18,000,000.00 |
| Non-financial corporate borrowing | 33,200,000.00 | 79,143,616.44 |
| Other | 628,242.19 | 3,615,203.86 |
| Total | 53,454,293.48 | 118,376,885.44 |

2) Significant other payable with over one year age

In RMB

| Item | Ending balance | Reasons for non-repayment or carry-over |
|------|----------------|---|
|------|----------------|---|

Other explanation

24、 Non-current liabilities that mature within one year

单位： 元

| Item | Ending balance | Opening balance |
|---|-------------------|-------------------|
| short term accounts payable | 373,696.88 | 193,333.41 |
| Bonds payable that mature within one year | | |
| Long-term payables due within one year | | |
| Lease liabilities due within one year | | |
| | | |
| 合计 | 373,696.88 | 193,333.41 |

25. Long-term loans

(1) Category

In RMB

| Item | Ending balance | Opening balance |
|--------------------|----------------|-----------------|
| Mortgage loans | 175,210,000.00 | 101,710,000.00 |
| Unexpired interest | 373,696.88 | 193,333.41 |
| Total | -373,696.88 | -193,333.41 |

Explanation on category of long-term loans:

Other explanation, including interest rate section:

Dongguan Dongfeng Intelligent Technology Co., Ltd. signed a contract Dongyin (3900) 2018 NGDZ No. 016477 with Dongguan Bank Songshan Lake Technology Sub-branch, the total contract loan amount was RMB 200 million. Dongfeng Technology Group Co., Ltd., Dongguan Dongfeng Technology Development Co., Ltd., Dongguan Zhongchuang New Energy Technology Co., Ltd., Dongguan Aolin New Materials Co., Ltd., and Dongguan Haizhuo Energy Technology Co., Ltd. guaranteed with the joint liability warranty; and the collaterals were the land use rights and above-ground buildings of Yue (2017) Dongguan Real Property No. 0121786; the pledge was 100% equity of Dongguan Dongfeng Intelligent Technology Co., Ltd. held by Dongguan Dongfeng Technology Development Co., Ltd. As of December 31, 2019, the company obtained the long-term loan balance of RMB 175.21 million from Bank of Dongguan Co., Ltd. Songshan Lake Technology Sub-branch, and the borrowing was limited to the follow-up construction of the equipment industrialization project of Dongfeng New Energy

26. Share capital

In RMB

| | Opening balance | Changes in the period (+, -) | | | | | Ending balance |
|--------------|-----------------|------------------------------|-------------|---|-------|----------|----------------|
| | | New shares issued | Bonus share | Shares transferred from capital reserve | Other | Subtotal | |
| Total shares | 706,320,000.00 | | | | | | 706,320,000.00 |

Other explanation:

27. Capital reserve

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|---------------------------------|-----------------|-------------------|-------------------|----------------|
| Capital premium (share premium) | 397,808,090.32 | | | 397,808,090.32 |

| | | | | |
|-----------------------|----------------|--|--|----------------|
| Other capital reserve | 65,873,219.23 | | | 65,873,219.23 |
| Total | 463,681,309.55 | | | 463,681,309.55 |

Other explanation, including changed in Period as well as reasons for changes:

28. Treasury stock

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|-------------------|-----------------|-------------------|-------------------|----------------|
| Equity repurchase | 19,718,613.55 | 9,107,872.15 | | 28,826,485.70 |
| Total | 19,718,613.55 | 9,107,872.15 | | 28,826,485.70 |

Other explanation, including changed in Period as well as reasons for changes:

29. Other comprehensive income

In RMB

| Item | Opening balance | Current period | | | | | | Ending balance |
|---|-----------------|---|--|---|--------------------------|------------------------------------|---|----------------|
| | | Account before income tax in the period | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less: written in other comprehensive income in previous period and carried forward to retained earnings in current period | Less: income tax expense | Belong to parent company after tax | Belong to minority shareholders after tax | |
| I. Other comprehensive income that cannot be reclassified into profit or loss | | | | | | -367,590.69 | | -367,590.69 |
| Other equity instrument investment fair value changes | | | | | | -367,590.69 | | -367,590.69 |
| Total other comprehensive income | | | | | | -367,590.69 | | -367,590.69 |

Other explanation, including the active part of the hedging gains/losses of cash flow transfer to initial recognition adjustment for the arbitrated items:

30. Surplus reserve

In RMB

| Item | Opening balance | Current increased | Current decreased | Ending balance |
|----------------------------|-----------------|-------------------|-------------------|----------------|
| Statutory surplus reserves | 76,791,550.17 | | | 76,791,550.17 |
| Total | 76,791,550.17 | | | 76,791,550.17 |

Explanation on surplus reserve, including changed in Period as well as reasons for changes:

31. Retained profit

In RMB

| Item | Current period | Last period |
|--|-----------------|-----------------|
| Retained profits at the end of last period before adjustment | -875,480,247.09 | -882,864,082.85 |
| Retained profits at the beginning of the period after adjustment | -875,480,247.09 | -882,864,082.85 |
| Add: The net profits belong to owners of patent company of this period | -72,533,718.54 | 7,383,835.76 |
| Retained profits at the end of the period | -948,013,965.63 | -875,480,247.09 |

Details about adjusting the retained profits at the beginning of the year:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the undistributed profits at the beginning of the year amounting to Yuan.
- 2) The changes in accounting policies affect the undistributed profits at the beginning of the year amounting to Yuan.
- 3) The major accounting error correction affects the undistributed profits at the beginning of the year amounting to Yuan.
- 4) Merge scope changes caused by the same control affect the undistributed profits at the beginning of the year amounting to Yuan.
- 5) Other adjustments affect the undistributed profits at the beginning of the year amounting to Yuan.

32. Operating income and operating cost

In RMB

| Item | Current period | | Last period | |
|----------------|----------------|---------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Main business | 43,917,525.95 | 36,458,872.03 | 123,462,309.48 | 108,747,731.24 |
| Other business | 203,653.46 | 149,108.89 | 45,774.42 | |
| Total | 44,121,179.41 | 36,607,980.92 | 123,508,083.90 | 108,747,731.24 |

Whether implemented the new revenue standards

Yes No

Other explanation

The Company needs to comply with the disclosure requirement of Information Disclosure Guidelines of Shenzhen Stock Exchange No.3-engaged in real estate business for the listed companies

Top 5 account with revenue recognized in the period:

In RMB

| Serial | Name of project | Revenue |
|--------|------------------------|---------------|
| 1 | Huijing Tiandi project | 39,034,049.06 |
| 2 | Property heating fee | 4,883,476.89 |

33. Tax and extras

In RMB

| Item | Current period | Last period |
|--|----------------|---------------|
| Urban maintenance and construction tax | 79,920.86 | 207,179.94 |
| Educational surtax | 47,952.46 | 129,234.81 |
| Property tax | 156,393.14 | 109,230.51 |
| Local educational surtax | 31,968.34 | 77,945.15 |
| Land appreciation tax | 969,703.08 | -2,214,613.09 |
| Business tax | | 547,780.45 |
| Other | 701,517.20 | 895,409.34 |
| Total | 1,987,455.08 | -247,832.89 |

Other explanation:

34. Sales expense

In RMB

| Item | Current period | Last period |
|-------------------------------------|----------------|-------------|
| Salary | 571,140.00 | 89,350.00 |
| Advertising fees | 198,537.76 | 1,200.00 |
| Packaging fee | | 4,902.12 |
| Transportation and handling charges | 6,284.55 | |
| Insurance | 81,877.60 | |
| Business promotion fee | 113,945.00 | |
| Sales agency fee | 9,682,562.68 | |
| Other | 30,075.50 | 19,894.59 |
| Total | 10,684,423.09 | 115,346.71 |

Other explanation:

35. Management expense

In RMB

| Item | Current period | Last period |
|--|----------------|---------------|
| emolument http://www.youdao.com/w/emolument/javascript:void(0); | 13,189,543.54 | 11,289,704.54 |
| agency fee | 4,543,781.47 | 2,712,227.89 |
| business entertainment | 8,471,334.34 | 4,503,880.70 |
| depreciation and amortization | 4,221,595.83 | 3,993,026.12 |
| travel expense http://www.youdao.com/w/travel%20expense/javascript:void(0); | 1,456,492.09 | 1,299,616.63 |
| office allowance | 913,997.90 | 723,349.13 |
| repair charge | 693,745.59 | 415,429.92 |
| rental fee | 1,503,019.31 | 5,700.00 |
| insurance expenses | 791,651.87 | 129,447.86 |
| other | 2,851,377.51 | 4,164,265.68 |
| Total | 38,636,539.45 | 29,236,648.47 |

Other explanation:

36. R&D expense

In RMB

| Item | Current period | Last period |
|------------------------|----------------|--------------|
| Staff salary | 16,424,458.22 | 2,989,415.84 |
| Cost of fuel and power | 7,908,398.46 | 15,191.25 |
| Material expenses | 3,983,554.88 | 305,017.96 |
| Depreciation expenses | 299,359.20 | 131,417.67 |

| | | |
|--------------|----------------------|---------------------|
| Other | 3,904,597.89 | 1,307,810.14 |
| Total | 32,520,368.65 | 4,748,852.86 |

Other explanation:

37. Financial expense

In RMB

| Item | Current period | Last period |
|-------------------------|-------------------|--------------------|
| Interest expense | | |
| Less: Interest income | 192,163.03 | 175,090.92 |
| Profit/loss on exchange | 101,552.57 | -269,681.12 |
| Bank handling charges | 76,707.24 | 59,219.06 |
| Total | -13,903.22 | -385,552.98 |

Other explanation:

38. Other income

In RMB

| Sources of other income | Current period | Last period |
|-------------------------|----------------|--------------|
| Government subsidy | 12,451.79 | 2,896,903.64 |

39. Investment income

In RMB

| Item | Current period | Last period |
|---|-------------------|----------------------|
| Investment income generated by the disposal of long-term equity investments | | 18,501,800.54 |
| Investment income from bank financial products in this year | 436,020.07 | 1,144,246.03 |
| Total | 436,020.07 | 19,646,046.57 |

Other explanation:

40. Credit impairment loss

In RMB

| Item | Current period | Last period |
|------------------------------------|----------------------|-------------|
| Other bad debt loss of receivables | -2,664,077.06 | |
| Total | -2,664,077.06 | |

Other explanation:

41. Asset impairment loss

Whether implemented the new revenue standards

Yes No

In RMB

| Item | Current period | Last period |
|---|----------------|-------------|
| I. Bad debt losses | | -108,706.75 |
| II. Inventory falling price loss | -1,538,075.57 | |
| III. Impairment loss of available for sale financial assets | | -339,366.05 |
| XIII. Impairment loss of goodwill | -1,543,786.41 | |
| Total | -3,081,861.98 | -448,072.80 |

Other explanation:

42. Income from assets disposal

In RMB

| Income from assets disposal | Current period | Last period |
|--|----------------|--------------|
| Gains/losses from biological assets disposal | | -18,684.68 |
| Gains/losses from fixed assets disposal | -197,590.25 | 4,544,930.26 |

43. Non-operating revenue

In RMB

| Item | Current period | Last period | Amount reckoned into current non-recurring gains/losses |
|-------|----------------|-------------|---|
| Other | 865.35 | 3,125.00 | 865.35 |
| Total | 865.35 | 3,125.00 | |

Government grants reckoned into current gains/losses:

In RMB

| Item | Distributed by | Reasons | Nature | Impact on current gains/losses (Y/N) | Special grants (Y/N) | Current Period | Last Period | Assets-related /income-related |
|------|----------------|---------|--------|--------------------------------------|----------------------|----------------|-------------|--------------------------------|
|------|----------------|---------|--------|--------------------------------------|----------------------|----------------|-------------|--------------------------------|

Other explanation:

44. Non-operating expenditure

In RMB

| Item | Current period | Last period | Amount reckoned into current non-recurring gains/losses |
|---|----------------|-------------|---|
| Donating | 2,558,905.00 | 384,980.00 | 2,558,905.00 |
| Loss of non current assets damaged and scrapped | 995,159.56 | 259.98 | 995,159.56 |
| Penalty and fine | 2,300.00 | 2,373.71 | 2,300.00 |
| Other | 24,058.48 | 86,330.73 | 24,058.48 |
| Total | 3,580,423.04 | 473,944.42 | 3, 580, 423. 04 |

Other explanation:

45. Income tax expense

(1) Income tax expense

In RMB

| Item | Current period | Last period |
|------------------------------|----------------|-------------|
| Current income tax | | 110,309.68 |
| Deferred income tax expenses | | 775,645.41 |
| Total | | 885,955.09 |

(2) Adjustment on accounting profit and income tax expenses

In RMB

| Item | Current period |
|---|-------------------|
| Total profit | -85,376,299.68 |
| Income tax measured by statutory/applicable tax rate | -21, 335, 352. 91 |
| Impact on different tax rate for subsidiary | 8,722.02 |
| The impact of non-deductible costs, expenses and losses | 847,133.43 |
| The deductible temporary differences or deductible losses of the un-recognized deferred income tax assets in the Period | 20, 479, 497. 46 |

Other explanation

46. Other comprehensive income

Found more in Note

47. Notes to statement of cash flow

(1) Other cash received in relation to operation activities

In RMB

| Item | Current period | Last period |
|------------------|----------------------|-----------------------|
| Intercourse fund | 192,163.03 | 175,090.92 |
| Subsidy income | 25,087,700.17 | 47,378,409.76 |
| Interest income | 12,451.79 | 2,896,000.00 |
| Other | 3,136,296.74 | 65,681,669.90 |
| Total | 28,428,611.73 | 116,131,170.58 |

Explanation on other cash received in relation to operation activities:

(2) Other cash paid in relation to operation activities

In RMB

| Item | Current period | Last period |
|--------------------------|----------------------|-------------------|
| Disbursement costs | 25,640,925.44 | 264,339.21 |
| Donation expenditure | 2,558,905.00 | 384,980.00 |
| Intercourse fund | 52,959,002.00 | 163,483.99 |
| Penalty and overdue fine | 2,300.00 | 2,373.71 |
| Other | 442,296.60 | 38,401.80 |
| Total | 81,603,429.04 | 853,578.71 |

Explanation on other cash paid in relation to operation activities:

(3) Cash received from other investment activities

In RMB

| Item | Current period | Last period |
|------|----------------|-------------|
|------|----------------|-------------|

Explanation on cash received from other investment activities:

(4) Cash paid related with other investment activities

In RMB

| Item | Current period | Last period |
|------|----------------|-------------|
|------|----------------|-------------|

Explanation on cash paid related with other investment activities:

(5) Cash received from other financing activities

In RMB

| Item | Current period | Last period |
|-------------------------------|----------------|-------------|
| Housing mortgage loans refund | 64,291,005.41 | |

Explanation on cash received from financing activities:

(6) Cash paid related with other financing activities

In RMB

| Item | Current period | Last period |
|--------------------------------------|-------------------|---------------|
| Changes in restricted currency funds | 752, 940. 36 | |
| Share buyback funds | 9,107,872.15 | 19,718,613.55 |
| Other | 110, 234, 621. 85 | |
| Total | 120, 095, 434. 36 | 19,718,613.55 |

Explanation on cash paid related with other financing activities:

48. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

In RMB

| Supplementary information | Current Period | Last Period |
|--|----------------|----------------|
| 1. Net profit adjusted to cash flow of operation activities: | -- | -- |
| Net profit | -85,376,299.68 | 6,557,238.97 |
| Add: Preparations of assets depreciation | 5,745,939.04 | 448,072.80 |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 3,383,519.83 | 2,261,508.53 |
| Amortization of intangible assets | 2,053,596.24 | 1,970,099.34 |
| Amortization of long-term deferred expenses | 134,821.42 | 207,423.67 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with “-”) | 197,590.25 | -4,526,245.58 |
| Loss of fixed assets scrapping (gain is listed with “-”) | 995,159.56 | 259.98 |
| Financial expenses (gain is listed with “-”) | -103, 546. 27 | |
| Investment losses (gain is listed with “-”) | -436,020.07 | -19,646,046.57 |

| | | |
|---|----------------|----------------|
| Decrease of deferred income tax assets (gain is listed with “-”) | | 775,645.41 |
| Decrease of inventory (gain is listed with “-”) | -46,384,249.74 | 83,068,268.34 |
| Decrease of operating receivable accounts (gain is listed with “-”) | 58,587,188.06 | -58,983,097.43 |
| Increase of operating payable accounts (loss is listed with “-”) | 93,131,861.51 | 22,432,921.85 |
| Other | 13,346,410.47 | |
| Net cash flow arising from operating activities | 45,275,970.62 | 34,566,049.31 |
| 2. Material investment and financing not involved in cash flow | -- | -- |
| 3. Net change of cash and cash equivalents: | -- | -- |
| Balance of cash at period end | 25,718,159.30 | 33,512,916.99 |
| Less: Balance of cash equivalent at year-begin | 33,512,916.99 | 68,107,388.69 |
| Net increase of cash and cash equivalents | -7,794,757.69 | -34,594,471.70 |

(2) Net cash payment for the acquisition of a subsidiary of the current period

In RMB

| | Amount |
|------------|--------|
| Including: | -- |
| Including: | -- |
| Including: | -- |

Other explanation:

(3) Net cash received from the disposal of subsidiaries

In RMB

| | Amount |
|------------|--------|
| Including: | -- |
| Including: | -- |
| Including: | -- |

Other explanation:

(4) Constitution of cash and cash equivalent

In RMB

| Item | Ending balance | Opening balance |
|--|----------------|-----------------|
| I . Cash | 25,718,159.30 | 33,512,916.99 |
| Including: Cash in stock | 84,142.47 | 368,614.69 |
| Bank deposit available for payment at any time | 25,634,016.83 | 33,144,302.30 |
| III. Balance of cash and cash equivalent at period-end | 25,718,159.30 | 33,512,916.99 |

Other explanation:

Balance of cash and cash equivalent dated 31 December 2019 amounted as 25,718,159.30 Yuan, monetary fund has 27,759,127.05 Yuan at end of the period, which has 2,040,967.75 Yuan in difference, mainly because among the ending balance of monetary fund, there is a margin of housing mortgage 1,890,335.50 Yuan and performance bond 150,632.25 Yuan that can not be free in three months.

49. Notes of changes of owners' equity

Explain the name and adjusted amount in "Other" at end of last period:

50. Assets with ownership or use right restricted

In RMB

| Item | Ending book value | Restriction reasons |
|-------------------|-------------------|--|
| Monetary fund | 2,040,967.75 | Deposit for housing mortgage, the reclamation deposit paid for the performance of Contract for Temporary Use of Land |
| Fixed assets | 292,273,019.84 | Mortgage loan |
| Intangible assets | 52,406,400.00 | Mortgage loan |
| Total | 346,720,387.59 | -- |

Other explanation:

51. Foreign currency monetary items

(1) Foreign currency monetary items

In RMB

| Item | Ending foreign currency balance | Convert rate | Ending RMB balance converted |
|------|---------------------------------|--------------|------------------------------|
|------|---------------------------------|--------------|------------------------------|

| | | | |
|--------------------|-----------|--------|------------|
| Monetary fund | | | |
| Including: USD | 19,585.72 | 6,9762 | 136,633.90 |
| EURO | | | |
| HKD | | | |
| | | | |
| Account receivable | | | |
| Including: USD | | | |
| EURO | | | |
| HKD | | | |
| | | | |
| Long-term loans | | | |
| Including: USD | | | |
| EURO | | | |
| HKD | | | |
| | | | |

Other explanation:

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

Applicable Not-applicable

52. Hedging

Disclosed hedging items and relevant hedging instrument based on hedging's category, disclosed qualitative and quantitative information for the arbitrage risks:

53. Government grants

(1) Government grants

In RMB

| Category | Amount | Item | Amount reckoned into current gains/losses |
|---|-----------|------|---|
| Government subsidies included in other income | 12,451.79 | | 12,451.79 |

(2) Government grants rebate

Applicable Not-applicable

Other explanation:

54. Other

VIII. Changes of consolidation range

1. Enterprise combined not under the same control

(1) Enterprise combined under different control in the Period

In RMB

| Acquiree | Time point for equity obtained | Cost of equity obtained | Ratio of equity obtained | Acquired way Equity obtained way | Purchasing date | Standard to determine the purchasing date | Income of acquiree from purchasing date to period-end | Net profit of acquiree from purchasing date to period-end |
|----------|--------------------------------|-------------------------|--------------------------|----------------------------------|-----------------|---|---|---|
| | | | | | | | | |

Other explanation:

(2) Combination cost and goodwill

In RMB

| | |
|------------------|--|
| Combination cost | |
|------------------|--|

Determination method for fair value of the combination cost and contingent consideration and changes:

Main reasons for large goodwill resulted:

Other explanation:

(3) Identifiable assets and liability on purchasing date under the acquiree

In RMB

| | | |
|--|-------------------------------|-------------------------------|
| | | |
| | | |
| | Fair value on purchasing date | Book value on purchasing date |

Determination method for fair value of the identifiable assets and liabilities:

Contingent liability of the acquiree bear during combination:

Other explanation:

(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Yes No

(5) On purchasing date or period-end of the combination, combination consideration or fair value of identifiable assets and liability for the acquiree are un-able to confirm rationally

(6) Other explanation

2. Enterprise combined under the same control

(1) Enterprise combined under the same control in the Period

In RMB

| Combined party | Equity ratio obtained in combination | Basis of combined under the same control | Combination date | Standard to determine the combination date | Income of the combined party from period-begin of combination to the combination date | Net profit of the combined party from period-begin of combination to the combination date | Income of the combined party during the comparison period | Net profit of the combined party during the comparison period |
|----------------|--------------------------------------|--|------------------|--|---|---|---|---|
| | | | | | | | | |

Other explanation:

(2) Combination cost

In RMB

| | |
|------------------|--|
| Combination cost | |
|------------------|--|

Explanation on contingent consideration and its changes:

Other explanation:

(3) Assets and liability of the combined party on combination date

In RMB

| | |
|--|-----------------------|
| | |
| | Combination date |
| | At end of last period |

Contingent liability of the combined party bear during combination:

Other explanation:

3. Counter purchase

Basic transaction information, basis of counter purchase, whether making up business due to the assets and liability reserved by listed company and basis, determination of combination cost, amount and calculation on adjusted equity by equity transaction

4. Subsidiary disposal

Whether there is a single disposal of the investment in subsidiaries that is the loss of control

Yes No

Whether there is disposal of the investment in subsidiaries through multiple transactions step by step and loss of control in the current period

Yes No

5. Other reasons for consolidation range changed

Reasons for changed on consolidation range (such as new subsidiary established, subsidiary liquidated etc.) and relevant information:

Subsidiary acquired by establishing in the period

| Name | Way of investment | Established on | Total shareholding ratio (%)) | Net assets at period-end | Net profit in the period |
|--|-------------------|----------------|--------------------------------|--------------------------|--------------------------|
| Fengning Manchu Autonomous County Dongfeng Real Estate Development Co., Ltd. | New establishment | 2019.07.16 | 100 | 0.00 | 0.00 |

Fengning Dongfeng is a company with limited liability registered and established by the market supervision and administration of Fengning Manchu Autonomous Country in Chengde on 16 July 2019, the Company holds 100% equity of Fengning Dongfeng.

6. Other

IX. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

| Subsidiaries | Main operation place | Registered place | Business nature | Share-holding ratio | | Acquired way |
|---------------------|----------------------|------------------|--|---------------------|------------|---------------|
| | | | | Directly | Indirectly | |
| Kefeng Engineering | Chengde | Chengde | Management and consultant of engineering project | 100.00% | | Establishment |
| Dongfeng Investment | Chengde | Chengde | Industrial investment | 100.00% | | Establishment |
| Nanjian g Asia | Chengde | Chengde | International investment | 100.00% | | Establishment |
| Kefeng Trading | Chengde | Chengde | Commercial trade | 100.00% | | Establishment |
| Hangzhou Dongfeng | Hangzhou | Hangzhou | High-tech development | 100.00% | | Establishment |

| | | | | | | |
|-------------------------------|----------|----------|---|---------|---------|--|
| Dongguan Dongfeng Technology | Dongguan | Dongguan | Technology Development of new materials | 100.00% | | Establishment |
| Kefeng Logistics | Chengde | Chengde | Cargo freight | 100.00% | | Establishment |
| Dongfeng Power | Dongguan | Dongguan | Technology Development of clean energy | 100.00% | | Enterprise combined under the same control |
| Ecological Agriculture | Chengde | Chengde | Animal husbandry | | 100.00% | Establishment |
| Nanjian Technology | Chengde | Chengde | Inflatable capsule, production and sale of Grapheme | | 100.00% | Establishment |
| Huijing Property | Chengde | Chengde | Property management | | 100.00% | Establishment |
| Zhongchuan g New Energy | Dongguan | Dongguan | Technology Development of new energy | | 60.98% | Enterprise combined not under the same control |
| Dongguan Dongfeng Intelligent | Dongguan | Dongguan | Technology Development in field of technology | | 100.00% | Enterprise combined under the same control |
| Aolin New Materials | Dongguan | Dongguan | Nano metric technology material | | 62.00% | Enterprise combined not under the same control |
| Haizhuo Energy | Dongguan | Dongguan | Technology Development of new materials | | 62.00% | Enterprise combined not under the same control |
| 丰宁东沣 | Chengde | Chengde | | | 100.00% | |

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Controlling basis for the structuring entity included in consolidated range:

Basis on determining to be an agent or consignior:

Other explanation:

*1 Ecological Agriculture was established by Nanjiang Investment on 24 October 2012, original registered capital was 5 million Yuan, shareholder Nanjiang Investment contributes 5 million Yuan with 100 percent held in total registered capital. On 18 April

2013, Nanjiang Investment increase 5 million Yuan to Ecological Agriculture and the registered capital turns to 10 million Yuan after increased.

*2 Nanjiang Asia was founded by Dongfeng Sci-Tech Group on 14th Nov. 2013, located in Hong Kong, with register capital of US\$ 20 million, the paid-up was US\$ 797, 583.34.

*3 Nanjiang Technology was founded jointly by Nanjiang Investment and Ningbo Morsh Technology on 24th Jan. 2013 with register capital of 50 million Yuan, including Nanjiang Investment invested 45 million Yuan taking up 90% of the total investment; Ningbo Morsh Technology invested 5 million Yuan taking up 10%.

*4 Huijing Property was founded by Nanjiang Investment on 18th Nov. 2013 with register capital of 500,000 Yuan. Shareholder Nanjiang Investment invested 500, 000 Yuan taking up 100.00% of register capital.

*5 Dongfeng Power was established by Tibet Dongfeng Investment Co., Ltd. on April 7, 2016 with a registered capital of RMB 70 million and an actual capital contribution of RMB 0. On August 28, 2018, it signed an equity transfer agreement with Dongguan Dongfeng Technology to transfer the 100% equity to Dongguan Dongfeng Technology at 0 yuan. On December 25, 2018, Dongguan Dongfeng Technology transferred its 100% equity to the Company at 0.00 yuan. As of December 31, 2019, it has not actually invested.

*6 Hangzhou Dongfeng established on 21 September 2016 by Dongfeng Sci-Tech Group, registered capital was 50 million Yuan; actually paid-in capital was 30 million Yuan.

*7 Kefeng Aerospace established on 12 December 2016 by Dongfeng Sci-Tech Group, registered capital was 30 million Yuan, no funds actually paid-up ended as 31st December 2019.

*8 Kefeng Engineering and Kefeng Trading are the new enterprise derivative split from Dongfen Trade and Business on 6 March 2017, registered capital amounted as 0.5 million Yuan and 8.5 million Yuan respectively. Totally 100% of the registered capital are taken by Dongfeng Sci-Tech Group.

*9 Dongguan Dongfeng Technology established on 17 August 2017 with registered capital of 100 million Yuan. Dongfeng Sci-Tech Group invested 100 million Yuan on 20 September 2017, and Dongfeng Sci-Tech Group invested 100 million Yuan on 13 March 2019, the registered capital is 200,000 yuan after the capital increase taking up 100.00% of the registered capital.

*10 Zhongchuang New Energy established on 4 July 2017 with registered capital of 24.6 million Yuan. On 5 September 2017, the Dongguang Dongfeng Technology Development entered into a capital increase agreement with Dongguang Hangda Venture Investment, registered capital goes to 24.6 million Yuan from one million Yuan. Among them, Dongguang Dongfeng Technology Development contributes 15 million Yuan in monetary, a 60.98% in total shares. Dongguang Dongfeng Technology contributed 15 million Yuan on 24 October 2017

*11 Dongguan Dongfeng Intelligent established on 14 February 2017 with registered capital of 60 million Yuan. On 5 December 2017, Dongfeng Technology Development entered into an equity transfer agreement with Dongguan Dongfeng New Energy with consideration of 15 million Yuan. Registered capital of 45 million are paid on 27 December 2017 with totally 100% holds in shares

*12 Aolin New Material established on 23 October 2015 with registered capital of 25 million Yuan. On 4 December 2017, Aolin entered into a capital increase agreement with Dongguang Dongfeng Technology, registered capital comes to 25 million Yuan from 9.5 million Yuan. In line with the agreement between Dongguang Hangda Venture Investment Co., Ltd. and Dongfeng Technology Development, increasing capital of 16.4025 million Yuan to Aolin New Material, among which, 15.5 million Yuan will be increased for registered capital, the 902,500 Yuan will be reckoned into the capital reserves of Aolin New Material. On 29 December 2017, Dongguang Dongfeng Technology invested 15.5 million Yuan, a 62% in total registered capital.

*13 Haizhuo Energy established on 15 September 2015 with registered capital of 25 million Yuan. On 28 December 2017, Haizhuo Energy entered into a capital increase agreement with Dongguan Dongfeng Technology, registered capital comes to 25 million Yuan from 9.5 million Yuan. In line with the agreement between Dongguan Hangda Venture Investment Co., Ltd. and Dongfeng Technology Development, increasing capital of 15.956 million Yuan to Haizhuo Energy, among which, 15.5 million Yuan will be increased for registered capital, the 456,000 Yuan will be reckoned into the capital reserves of Haizhuo Energy. On 6 March 2018, Dongguan Dongfeng Technology invested 15.5 million Yuan, a 62% in total registered capital.

*14 Fengning Dongfeng is a company with limited liability registered and established by the market supervision and administration of Fengning Manchu Autonomous Country in Chengde on 16 July 2019, the Company holds 100% equity of Fengning Dongning.

(2) Important non-wholly-owned subsidiary

In RMB

| Subsidiaries | Share-holding ratio of minority | Gains/losses attributable to minority in the Period | Dividend announced to distribute for minority in the Period | Ending equity of minority |
|--------------|---------------------------------|---|---|---------------------------|
| | | | | |

Explanation on share-holding ratio of minority different from ratio of voting right:

Other explanation:

(3) Main finance of the important non-wholly-owned subsidiary

In RMB

| Subsidiaries | Ending balance | | | | | | Opening balance | | | | | |
|--------------|----------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| | | | | | | | | | | | | |

In RMB

| Subsidiaries | Current period | | | | Last period | | | |
|--------------|-------------------|------------|----------------------------|-----------------------------------|-------------------|------------|----------------------------|-----------------------------------|
| | Operation revenue | Net profit | Total comprehensive income | Cash flow from operation activity | Operation revenue | Net profit | Total comprehensive income | Cash flow from operation activity |
| | | | | | | | | |

Other explanation:

(4) Major restriction on using corporate assets and liquidate corporate debts

(5) Financial or other supporting provided to structuring entity that included in consolidated financial statement

Other explanation:

2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights

(1) Owners equity shares changed in subsidiary

(2) Impact on minority's interest and owners' equity attributable to parent company

In RMB

| | |
|--|--|
| | |
|--|--|

Other explanation

3. Equity in joint venture and associated enterprise

(1) Important joint venture and associated enterprise

| Joint venture and associated enterprise | Main operation place | Registered place | Business nature | Share-holding ratio | | Accounting treatment on investment for joint venture and associated enterprise |
|--|----------------------|------------------|-----------------------|---------------------|------------|--|
| | | | | Directly | Indirectly | |
| Runhua Rural Water (Tianjin) International Trade Co., Ltd. | Tianjin | Tianjin | International Trading | 30.00% | | Equity method |

Share-holding ratio or shares enjoyed different from voting right ratio:

Basis of the voting rights with 20% below but with major influence, or without major influence but with over 20% (20% included) voting rights hold:

(2) Main financial information of the important joint venture

In RMB

| | Ending balance/Current period | Opening balance/Last period |
|--|-------------------------------|-----------------------------|
| | | |

Other explanation

(3) Main financial information of the important associated business

In RMB

| | Ending balance/Current period | Opening balance/Last period |
|--|-------------------------------|-----------------------------|
| | | |

Other explanation

(4) Financial summary for non-important Joint venture and associated enterprise

In RMB

| | Ending balance/Current period | Opening balance/Last period |
|---|-------------------------------|-----------------------------|
| Joint venture: | -- | -- |
| Total on below item by shareholding ratio | -- | -- |
| Associated enterprise: | -- | -- |
| Total on below item by shareholding ratio | -- | -- |

Other explanation

(5) Major limitation on capital transfer ability to the Company from joint venture or affiliates

(6) Excess loss occurred in joint venture or associated

In RMB

| Associated enterprise and joint venture | Accumulated previous losses determined | Losses un-determined in the Period (net profit share in the Period) | Accumulated losses un-determined at period-end |
|---|--|---|--|
| | | | |

Other explanation

(7) Unconfirmed commitment with joint venture investment concerned

(8) Intangible liability with joint venture or affiliates investment concerned

4. Major conduct joint operation

| Joint operation | Main operation place | Registered place | Business nature | Shareholding ratio/quota enjoy | |
|-----------------|----------------------|------------------|-----------------|--------------------------------|------------|
| | | | | Directly | Indirectly |
| | | | | | |

Explanation on shareholding ratio or quota enjoy in joint operation different from voting rights:

If the joint operation was the independent body, basis of classification of joint operation:

Other explanation

5. Structured body excluding in consolidate financial statement

Relevant explanation:

6. Other

X. Risk related with financial instrument

XI. Related party and related transactions

1. Parent company of the enterprise

| Item | Ending fair value | | | |
|---|---|--|---|---------------|
| | The first level of fair value measurement | The second level of fair value measurement | The third level of fair value measurement | 合计 |
| continuous fair value measurement | -- | -- | -- | -- |
| trading financial assets | | | 8,300,000.00 | 8,300,000.00 |
| Financial assets that are measured at fair value and whose changes are booked into current profits and losses | | | 8,300,000.00 | 8,300,000.00 |
| Investment in other equity instruments | | | 15,963,446.39 | 15,963,446.39 |

Explanation on parent company of the enterprise

The Company has no parent company; controller refers to the first largest shareholder Mr. Wang Dong, who holds 29.49% equity of the Company.

Ultimate controller of the Company is Mr. Wang Dong

Other explanation:

2. Subsidiary of the Enterprise

For details of the subsidiaries of this enterprise, please refer to Note VIII (1) equity in subsidiaries.

3. Associated enterprise and joint venture

Found more in Note

Other associated enterprise and joint venture that have related transaction with the Company in the Period or occurred in previous

period:

| Associated enterprise and joint venture | Relationship with the Enterprise |
|--|----------------------------------|
| Runhua Rural Water (Tianjin) International Trade Co., Ltd. | Associated enterprise |

Other explanation

4. Other related party

| Other related party | Relationship with the Enterprise |
|--|--|
| Runhua RW Industrial Development Company | Controller of the associated enterprise of the Company |
| Shanxi Products Minfeng Chemical Co., Ltd. | Controller of the associated enterprise of the Company |
| Dongguan Hangda Venture Investment Co., Ltd. | Non-controlling shareholder of the subsidiary of the Company |

Other explanation

5. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

| Related party | Content | Current period | Amount approved | Whether over the transaction limit | Last period |
|------------------------------------|---------|----------------|-----------------|------------------------------------|-------------|
| Goods sold/labor service providing | | | | | |

Goods sold/labor service providing

In RMB

| Related party | Content | Current period | Last period |
|--|---------|----------------|-------------|
| Explanation on goods purchasing, labor service providing and receiving | | | |

Explanation on goods purchasing, labor service providing and receiving

(2) Related trusteeship management/contract & entrust management/ outsourcing

Trusteeship management/contract:

In RMB

| Entrusting party/outsourcing party | Trustee/ Contractor | Type of trusteeship/contracted assets | Starting date of trusteeship/contract | Termination date of trusteeship/contract | Pricing basis of trusteeship/contracting income | Trusteeship/contracting income recognized in the period |
|---|---------------------|---------------------------------------|---------------------------------------|--|---|---|
| Explanation on related entrust/contract | | | | | | |

Explanation on related entrust/contract

Entrust management/ outsourcing:

In RMB

| Entrusting | Trustee/ | Type of | Starting date of | Termination date | Pricing basis of | Entrusted/outsour |
|---|----------|---------|------------------|------------------|------------------|-------------------|
| Explanation on related entrust/contract | | | | | | |

| party/outsourcing party | Contractor | entrusted/outsourcing assets | entrusted/outsourcing | of entrusted/outsourcing | entrusted/outsourcing expenses | cing expenses recognized in the period |
|-------------------------|------------|------------------------------|-----------------------|--------------------------|--------------------------------|--|
|-------------------------|------------|------------------------------|-----------------------|--------------------------|--------------------------------|--|

Explanation on related management/outsourcing

(3) Related leasing

As a lessor for the Company:

In RMB

| Lessee | Assets type | Lease income recognized in the Period | Lease income recognized in last Period |
|--------|-------------|---------------------------------------|--|
|--------|-------------|---------------------------------------|--|

As a lessee for the Company:

In RMB

| Lessor | Assets type | Rental fee recognized in the Period | Rental fee recognized in last Period |
|--|-------------------------|-------------------------------------|--------------------------------------|
| Dongguan Hangda Venture Investment Co., Ltd. | Warehouse and dormitory | 2,975,022.75 | 1,268,486.50 |

Explanation on related lease

Leasing factory: The factory that Dongguan Hangda Venture Capital Co., Ltd. rented out to Dongguan Aolin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., and Dongguan Zhongchuang New Energy Technology Co., Ltd. is located at Room 101—102, Building No. 6, Modern Enterprise Accelerator No. 24, Gongye East Road, Songshan Lake High-tech Industrial Development Zone, Dongguan with total building area of 6,399.60 square meters, of which Dongguan Aolin New Materials Co., Ltd. leased building area of 3,226.95 square meters, Dongguan Haizhuo Energy Technology Co., Ltd. leased building area of 2,448.20 square meters, and Dongguan Zhongchuang New Energy Technology Co., Ltd. leased building area of 724.45 square meters; of which the factory rent standard (including property management fee) was 39.50 yuan / m²/ month (including tax).

Leasing dormitory: The dormitory that Dongguan Hangda Venture Capital Co., Ltd. rented out to Dongguan Aolin New Materials Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., and Dongguan Zhongchuang New Energy Technology Co., Ltd. is located at the 7th Floor, Dormitory No. 8, Modern Enterprise Accelerator No. 24, Gongye East Road, Songshan Lake High-tech Industrial Development Zone, Dongguan, a total of 19 suites of single suite. Among them, Dongguan Aolin New Materials Co., Ltd. leased 8 suites of dormitory including Room 706, 707, 708, 709, 710, 711, 712, 713; Dongguan Haizhuo Energy Technology Co., Ltd. leased 8 suites of dormitory, including Room 714, 715, 717, 718, 719, 720, Dongguan Zhongchuang New Energy Technology Co., Ltd. leased 5 suites of dormitory, including Room 701, 702, 703, 704, 705, the dormitory rental standard (including property management fees) for a single suite was 620 yuan / suite / month (including tax).

(4) Related guarantee

The Company acts as a secured party

In RMB

| Secured party | Guarantee amount | Start date | Expiry date | Whether the guarantee implemented or not |
|---------------|------------------|------------|-------------|--|
|---------------|------------------|------------|-------------|--|

| | | | | |
|---|----------------|------------|------------|---|
| Dongguan Dongfeng Intelligent Technology Co., Ltd | 200,000,000.00 | 2018-07-02 | 2023-07-02 | N |
|---|----------------|------------|------------|---|

As a secured party by the Company

In RMB

| Guarantor | Guarantee amount | Start date | Expiry date | Whether the guarantee implemented or not |
|-----------|------------------|------------|-------------|--|
|-----------|------------------|------------|-------------|--|

Explanation on related guarantee

In order to meet the operation and development needs of Dongguan Dongfeng Intelligent Technology Co., Ltd., which is the holding sub-subsidiary of Dongfeng Technology Group, Dongfeng Intelligent intended to apply for a comprehensive credit of the amount of not more than 200 million Yuan from Dongguan Bank Songshan Lake Technology Sub-branch, with a credit period of two years and a single-use period of no more than five years, the special project was dedicated to the construction of the equipment industrialization project of Dongfeng New Energy located at the east side of Fuxing Road, Dongguan Ecological Park, which took the 100% equity of Dongfeng Intelligent held by Dongguan Dongfeng Technology Development Co., Ltd., a holding subsidiary of the company, as the pledge guarantee, and Dongfeng Intelligent used its own land and above-ground buildings as collateral guarantee, Dongfeng Technology Group, Technology Development, Dongguan Zhongchuang New Energy Technology Co., Ltd., Dongguan Haizhuo Energy Technology Co., Ltd., and Dongguan Aolin New Materials Co., Ltd. guaranteed with the joint liability warranty; and the guarantee period was 5 years

As of 31 December 2019, Dongfeng Intelligent obtained the long-term loan balance from Bank of Dongguan Co., Ltd. Songshan Lake Technology Sub-branch of 175.21 million Yuan, the borrowing was limited to the follow-up construction of the equipment industrialization project of Dongfeng New Energy. Dongfeng Technology Group Co., Ltd., Dongguan Dongfeng Technology Development Co., Ltd., Dongguan Zhongchuang New Energy Technology Co., Ltd., Dongguan Aolin New Materials Co., Ltd., and Dongguan Haizhuo Energy Technology Co., Ltd. guaranteed with the joint liability warranty; and the collaterals were the land use rights and above-ground buildings of Yue (2017) Dongguan Real Property No. 0121786; the pledge was 100% equity of Dongguan Dongfeng Intelligent Technology Co., Ltd. held by Dongguan Dongfeng Technology Development Co., Ltd.

(5) Borrowed funds from related party

In RMB

| Related party | Borrowing amount | Start date | Expiry date | Note |
|-----------------|------------------|------------|-------------|------|
| Borrowing funds | | | | |
| Funds lent | | | | |

(6) Related party's assets transfer and debt reorganization

In RMB

| Related party | Content | Current period | Last period |
|---------------|---------|----------------|-------------|
|---------------|---------|----------------|-------------|

(7) Remuneration of key management personnel

In RMB

| Item | Current period | Last period |
|--|----------------|--------------|
| Remuneration of key management personnel | 3,777,500.00 | 2,215,600.00 |

(8) Other related transaction

6. Account receivable/payable from/to related party

(1) Receivable item

In RMB

| Item | Related party | Ending balance | | Opening balance | |
|------|---------------|----------------|--------------------|-----------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |

(2) Payable item

In RMB

| Item | Related party | Ending book balance | Opening book balance |
|------|---------------|---------------------|----------------------|
|------|---------------|---------------------|----------------------|

7. Commitment of related party

8. Other

XII. Share-based payment

1. Share-based payment

Applicable Not-applicable

2. Share-based payment settled by equity

Applicable Not-applicable

3. Share-based payment settled by cash

Applicable Not-applicable

4. Modification and termination of the share-based payment

5. Other

XIV. Commitment and contingency

1. Important commitment

Important commitment on balance sheet date

2. Contingency

(1) Important contingency on balance sheet date

As of 31 December 2019, as for the mortgage loans from the owner of commercial property, balance for guarantee providing amounted as 44.8675 million Yuan.

Except for the above mentioned contingency, the Company has no other important contingency that need to released up to 31st December 2019

(2) If the Company has no important contingency need to disclosed, explain reasons

The Company has no important contingency that need to disclose.

3. Other

XIV. Events after balance sheet date

1. Important non adjustment matters

In RMB

| Item | Content | Impact on financial status and operation results | Reasons of fails to estimate the impact |
|------|---------|--|---|
|------|---------|--|---|

2. Profit distribution

In RMB

3. Sales return

4. Other events after balance sheet date

The novel coronavirus pneumonia epidemic has a certain impact on the overall economic operation of the country, the Company expects that the novel coronavirus pneumonia epidemic and the prevention and control measures will have a temporary impact on the Group's production and operation, and the impact degree depends on the progress and the duration of epidemic prevention and control and the implementation of prevention and control policies in various places. The Company will continue to pay close

attention to the development of the novel coronavirus pneumonia epidemic situation, and assess and actively respond to the impact on the Group's financial situation, operating results, and so on.

Except for the above-mentioned events after the balance sheet date, as of the date of approval of the financial report, the Company has no other undisclosed significant events after the balance sheet date that should be disclosed.

XV. Other important events

1. Previous accounting errors collection

(1) Retrospective restatement

In RMB

| Content | Treatment procedure | Items impact during vary comparative period | Accumulated impact |
|---------|---------------------|---|--------------------|
| | | | |

(2) Prospective application

| Content | Approval procedure | Reasons |
|---------|--------------------|---------|
| | | |

2. Debt restructuring

3. Assets exchange

(1) Exchange of non-monetary assets

(2) Other assets exchange

4. Pension plan

5. Discontinuing operation

In RMB

| Item | Revenue | Expenses | Total profit | Income tax expenses | Net profit | Profit of discontinuing operation attributable to owners of parent company |
|------|---------|----------|--------------|---------------------|------------|--|
| | | | | | | |

Other explanation

6. Segment

(1) Recognition basis and accounting policy for reportable segment

(2) Financial information for reportable segment

In RMB

| Item | | Offset between segment | Total |
|------|--|------------------------|-------|
|------|--|------------------------|-------|

(3) The Company has no segment, or unable to disclose total assets and liability of the segment, explain reasons

(4) Other explanation

7. Other major transaction and events makes influence on investor's decision

8. Other

XVI. Principle notes of financial statements of parent company

1. Other account receivable

In RMB

| Item | Ending balance | Opening balance |
|--------------------------|----------------|-----------------|
| Other account receivable | 37,622,110.45 | 80,991,042.06 |
| Total | 37,622,110.45 | 80,991,042.06 |

(1) Interest receivable

1) Category

In RMB

| Item | Ending balance | Opening balance |
|------|----------------|-----------------|
|------|----------------|-----------------|

2) Major overdue interest

| Borrower | Ending balance | Overdue time | Causes | Whether has impairment occurred and determination basis |
|----------|----------------|--------------|--------|---|
|----------|----------------|--------------|--------|---|

Other explanation:

3) Accrual of bad debt provision

Applicable Not-applicable

(2) Dividend receivable

1) Category

In RMB

| Item (or invested company) | Ending balance | Opening balance |
|----------------------------|----------------|-----------------|
|----------------------------|----------------|-----------------|

2) Major dividend receivable with over one year aged

In RMB

| Item (or invested company) | Ending balance | Account age | Causes of failure for collection | Whether has impairment occurred and determination basis |
|----------------------------|----------------|-------------|----------------------------------|---|
|----------------------------|----------------|-------------|----------------------------------|---|

3) Accrual of bad debt provision

Applicable Not-applicable

Other explanation:

(3) Other account receivable

1) By nature

In RMB

| Nature | Ending book balance | Opening book balance |
|----------------------|---------------------|----------------------|
| Intercourse fund | 42,077,512.56 | 89,225,891.04 |
| Petty cash | 2,601,101.69 | 1,399,398.05 |
| VAT for lands rebate | | 4,942,346.42 |
| Margin | 143,185.28 | |
| Other | 12,647,835.02 | 2,601,289.04 |
| Total | 57,469,634.55 | 98,168,924.55 |

2) Accrual of bad debt provision

In RMB

| Bad debt provision | Phase I | Phase II | Phase III | Total |
|--------------------|-----------------|----------------------------|----------------------------|-------|
| | Expected credit | Expected credit losses for | Expected credit losses for | |

| | losses over next 12 months | the entire duration (without credit impairment occurred) | the entire duration (with credit impairment occurred) | |
|---------------------------------------|----------------------------|--|---|---------------|
| Balance on Jan. 1, 2019 | 282,989.87 | | 16,894,892.62 | 17,177,882.49 |
| Balance of Jan. 1, 2019 in the period | — | — | — | — |
| Accrual in the period | 548,393.83 | | 2,121,247.78 | 2,669,641.61 |
| Balance on Dec. 31, 2019 | 831,383.70 | | 19,016,140.40 | 19,847,524.10 |

Change of book balance of loss provision with amount has major changes in the period

Applicable Not-applicable

By account age

In RMB

| Account age | Ending balance |
|-------------------------------------|----------------|
| Within one year (one year included) | 38,327,433.20 |
| 1-2 years | 2,624,469.08 |
| 2-3 years | 10,783,097.43 |
| Over 3 years | 5,734,634.84 |
| 3-4 years | 5,734,634.84 |
| Total | 57,469,634.55 |

3) Bad debt provision accrual, collected or reversal in the period

Accrual of bad debt provision in the period:

In RMB

| Category | Opening balance | Current changes | | | | Ending balance |
|---|-----------------|-----------------|-----------------------|-------------|-------|----------------|
| | | Accrual | Collected or reversal | Written off | Other | |
| Other receivables withdrawn individually for expected credit losses | 16,894,892.62 | 2,121,247.78 | | | | 19,016,140.40 |
| Other receivables with expected credit losses in combination | 282,989.87 | 548,393.83 | | | | 831,383.70 |
| Total | 17,177,882.49 | 2,669,641.61 | | | | 19,847,524.10 |

Important amount of bad debt provision switch-back or collection in the period:

In RMB

| Enterprise | Amount switch-back or collection | Collection way |
|------------|----------------------------------|----------------|
|------------|----------------------------------|----------------|

4) Other account receivables actually charge-off during the reporting period

In RMB

| Item | Amount charge-off |
|------|-------------------|
|------|-------------------|

Including major other account receivables charge-off:

In RMB

| Enterprise | Other Nature | Amount charge-off | Causes | Procedure for charge-off | Amount cause by related transactions or not (Y/N) |
|------------|--------------|-------------------|--------|--------------------------|---|
|------------|--------------|-------------------|--------|--------------------------|---|

Other explanation on account receivable charge-off

5) Top 5 other account receivable collected by arrears party at ending balance

In RMB

| Enterprise | Nature | Ending balance | Account age | Proportion in total other account receivables at period-end | Ending balance of bad debt provision |
|----------------------------------|--------------|----------------|-----------------|---|--------------------------------------|
| Liu Chengjin | Other | 1,682,924.36 | Within one year | 2.93% | 1,682,924.36 |
| Diao Xiangyu | Housing fund | 700,000.00 | Within one year | 1.22% | 35,000.00 |
| Dou Changping | Housing fund | 640,000.00 | Within one year | 1.11% | 32,000.00 |
| Liu Junqing | Housing fund | 630,000.00 | Within one year | 1.10% | 31,500.00 |
| Sunshine Jinyuan Tax Firm Office | Other | 570,000.00 | Within one year | 0.99% | 28,500.00 |
| Total | -- | 4,222,924.36 | -- | 7.35% | 1,809,924.36 |

6) Account receivables related to government grant

In RMB

| Enterprise | Government grant | Ending balance | Account age at period-end | Time and amount collected and basis |
|------------|------------------|----------------|---------------------------|-------------------------------------|
|------------|------------------|----------------|---------------------------|-------------------------------------|

7) Other receivable for termination of confirmation due to the transfer of financial assets

8) The amount of assets and liabilities that are transferred other receivable and continued to be involved

Other explanation:

3. Long-term equity investments

In RMB

| Item | Ending balance | | | Opening balance | | |
|---|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Investment for subsidiary | 372,803,036.40 | | 372,803,036.40 | 272,803,036.40 | | 272,803,036.40 |
| Investment for joint venture and associated enterprises | 9,170,370.00 | 9,170,370.00 | | 9,170,370.00 | 9,170,370.00 | |
| Total | 381,973,406.40 | 9,170,370.00 | 372,803,036.40 | 281,973,406.40 | 9,170,370.00 | 272,803,036.40 |

(1) Investment for subsidiary

In RMB

| The invested entity | Opening balance (Book value) | Changes in the period (+, -) | | | | Ending balance (Book value) | Ending balance of impairment provision |
|------------------------------|------------------------------|------------------------------|-------------------|------------------------------|-------|-----------------------------|--|
| | | Additional investment | Capital reduction | Accrual Impairment provision | Other | | |
| Nanjian g Investment | 90,000,000.00 | | | | | 90,000,000.00 | |
| Nanjian g Asia | 5,000,166.64 | | | | | 5,000,166.64 | |
| Hangzhou Dongfeng | 30,000,000.00 | | | | | 30,000,000.00 | |
| Kefeng Trading | 45,147,154.77 | | | | | 45,147,154.77 | |
| Kefeng Engineering | 2,655,714.99 | | | | | 2,655,714.99 | |
| Dongguan Dongfeng Technology | 100,000,000.00 | 100,000,000.00 | | | | 200,000,000.00 | |
| Dongfeng Power | | | | | | | |
| Total | 272,803,036.40 | 100,000,000.00 | | | | 372,803,036.40 | |

(2) Investment for joint venture and associated enterprise

In RMB

| Invested company | Opening balance (Book value) | Changes in the period (+, -) | | | | | | | | Ending balance (Book value) | Ending balance of impairment provision |
|---------------------------|------------------------------|------------------------------|-------------------|--|---------------------------------------|---------------------|---|------------------------------|-------|-----------------------------|--|
| | | Additional investment | Capital reduction | Investment gains recognized under equity | Other comprehensive income adjustment | Other equity change | Cash dividend or profit announced to issued | Accrual Impairment provision | Other | | |
| I. Joint venture | | | | | | | | | | | |
| II. Associated enterprise | | | | | | | | | | | |
| Tianjin Runhua RW | | | | | | | | | | | 9,170,370.00 |
| Subtotal | | | | | | | | | | | 9,170,370.00 |
| Total | | | | | | | | | | | 9,170,370.00 |

(3) Other explanation

3. Operation income and operation cost

In RMB

| Item | Current period | | Last period | |
|----------------|----------------|---------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Main business | 39,034,049.06 | 31,288,535.20 | 118,807,719.93 | 103,821,248.79 |
| Other business | | | 2,264,150.96 | |
| Total | 39,034,049.06 | 31,288,535.20 | 121,071,870.89 | 103,821,248.79 |

Whether implemented the new revenue standards

Yes No

Other explanation:

4. Investment income

In RMB

| Item | Current period | Last period |
|--|----------------|---------------|
| Long-term equity investment measured by cost | | 36,240,654.50 |
| Investment income from disposal of long-term equity investment | | 17,328,070.03 |

| | | |
|---|------------|---------------|
| Investment income from holding the financial products | 273,093.26 | 204,560.53 |
| Total | 273,093.26 | 53,773,285.06 |

5. Other

XVII. Supplementary information

1. Details of current non-recurring profits/gains and losses

Applicable Not-applicable

In RMB

| Item | Amount | Note |
|---|---------------|--------------------------------|
| Gains/losses from the disposal of non-current asset | -1,192,749.81 | |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 12,451.79 | |
| Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, derivative financial assets, transaction financial liability and derivative financial liability and investment gains from disposal of transaction financial asset, derivative financial assets, transaction financial liability, derivative financial liability and other debt investment, exclude the effective hedging business relevant with normal operations of the Company | 436,020.07 | Income from financial products |
| Other non-operating income and expenditure except for the aforementioned items | -2,584,398.13 | |
| Total | -3,328,676.08 | -- |

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not-applicable

2. ROE and earnings per share

| Profits during report period | Weighted average ROE | Earnings per share | |
|--|----------------------|------------------------|--------------------------|
| | | Basic EPS (Yuan/share) | Diluted EPS (Yuan/share) |
| Net profits belong to common stock stockholders of the Company | -22.41% | -0.10 | -0.10 |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | -21.38% | -0.10 | -0.10 |

3. Difference of the accounting data under accounting rules in and out of China

(1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not-applicable

(2) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not-applicable

(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

4. Other

Explanation on abnormal condition and reasons for the items of account statement

| Item | Ending balance (or current amount) | Opening balance (or last amount) | Rate of changes(%) | Reasons |
|-------------------------------------|------------------------------------|----------------------------------|--------------------|--|
| Accounts paid in advance | 9,117,061.66 | 61,099,009.67 | -85.08 | Mainly due to the carry-over of the prepaid engineering funds in this period |
| Other account receivable | 17,921,552.05 | 8,588,597.44 | 108.67% | Mainly due to the increase of Intercourse funds in this period |
| Fixed assets | 306,237,939.37 | 17,302,279.65 | 1669.93% | Mainly caused by the conversion of Construction in process project to fixed assets |
| Construction in process | --- | 101,650,833.16 | -100.00% | Mainly caused by the conversion of Construction in process project to fixed assets |
| Expense on Research and Development | --- | 13,346,410.47 | -100.00% | Mainly due to the full expense of development expenditure in this period |

| | | | | |
|------------------------------|----------------|----------------|----------|--|
| Goodwill | --- | 1,543,786.41 | -100.00% | Mainly due to the full impairment of goodwill in the current period |
| Other non-current assets | 496,880.00 | 120,392,369.00 | -99.59% | Mainly due to the carry-over of most of the prepaid engineering funds in this period |
| Accounts received in advance | 159,359,732.60 | 16,269,319.99 | 879.51% | Due to advance receipt of Tianxi house in this period |
| Wage payable | 1,767,654.79 | 981,089.59 | 80.17% | Mainly due to the increase of employees in the current period |
| Taxes payable | 67,933.78 | 921,967.58 | -92.63% | The current value-added tax and land value-added tax prepayment |
| Other account payable | 53,827,990.36 | 118,570,218.85 | -54.60% | Mainly due to the settlement of engineering funds |
| Long-term loans | 175,210,000.00 | 101,710,000.00 | 72.26% | Due to the issuance of long-term loans in this period |
| Treasury stock | 28,826,485.70 | 19,718,613.55 | 46.19% | Due to stock repurchases in the current period |
| Operating revenue | 44,121,179.41 | 123,508,083.90 | -64.28% | Mainly due to the decrease in sales of real estate in the current period |
| Operating cost | 36,607,980.92 | 108,747,731.24 | -66.34% | Mainly due to the decrease in sales of real estate in the current period |
| Tax and extras | 1,987,455.08 | -247,832.89 | -901.93% | Mainly due to the land value-added tax refund in the previous period |
| Sales expense | 10,684,423.09 | 115,346.71 | 9162.88% | Mainly due to the accrual of sales agency fees in the current period |
| R&D expense | 32,520,368.65 | 4,748,852.86 | 584.80% | Mainly due to the full expense of development expenditure in this period |
| Financial expense | -13,903.22 | -385,552.98 | -96.39% | Mainly due to the increase in deposit interest income and the decrease in interest expense |
| Other income | 12,451.79 | 2,896,903.64 | -99.57% | Due to the reduction of government subsidies received in this period |
| Investment income | 438,690.61 | 19,646,046.57 | -97.77% | Mainly due to the disposal of subsidiaries in the previous period |
| Asset impairment losses | -3,449,452.67 | -448,072.80 | 669.84% | Mainly due to the increase in inventory depreciation reserves and goodwill impairment losses in the current period |
| Income from assets disposal | -197,590.25 | 4,526,245.58 | -104.37% | Due to the decrease in the disposal of fixed assets in this period |
| Non-operating expenses | 3,580,423.04 | 473,944.42 | 655.45% | Mainly due to the increase in foreign donations in this period |

Section XIII. Documents available for reference

1. Financial statement carried with the signature and seal of the Person in charge of the Company, person in charge of the accounting works and accountant in charge.
2. Original audit report seal with accounting firms and signature and seal from CPA.
3. Text and original draft of the notice that disclosed in reporting period on newspapers appointed by CSRC.