



京粮控股  
JL Holdings

# **HAINAN JINGLIANG HOLDINGS CO., LTD.**

## **SEMI-ANNUAL REPORT 2020**

**August 2020**

# HAINAN JINGLIANG HOLDINGS CO., LTD.

## SEMI-ANNUAL REPORT 2020

### Part I Important Notes

This Summary is based on the full text of the Semi-annual Report of Hainan Jingliang Holdings Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

All the Company’s Directors have attended the Board meeting for the review of this Report and its summary.

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

Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

Applicable  Not applicable

### Part II Key Corporate Information

#### 1. Stock Profile

Stock name	JLKG, JL-B	Stock code	000505, 200505
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Guan Ying	Gao Deqiu	
Office address	15/F, Jing Liang Building, NO. 16 East Third Ring Middle Road, Chaoyang District, Beijing	15/F, Jing Liang Building, NO. 16 East Third Ring Middle Road, Chaoyang District, Beijing	
Tel.	010-51672130	010-51672029	
E-mail address	1124387865@qq.com	gaodeqiu_jl@163.com	

## 2. Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	H1 2020	H1 2019	Change (%)
Operating revenue (RMB)	3,750,773,067.63	3,283,277,725.39	14.24%
Net profit attributable to the listed company's shareholders (RMB)	73,762,895.19	51,510,904.41	43.20%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	67,995,189.95	41,194,473.59	65.06%
Net cash generated from/used in operating activities (RMB)	187,095,820.76	220,592,294.21	-15.18%
Basic earnings per share (RMB/share)	0.11	0.08	37.50%
Diluted earnings per share (RMB/share)	0.11	0.08	37.50%
Weighted average return on equity (%)	3.02%	2.24%	0.78%
	30 June 2020	31 December 2019	Change (%)
Total assets (RMB)	5,334,498,957.68	5,231,266,600.19	1.97%
Equity attributable to the listed company's shareholders (RMB)	2,605,230,169.38	2,406,039,283.87	8.28%

## 3. Shareholders and Their Shares at Period-End

Unit: share

Number of ordinary shareholders		59,539	Number of preferred shareholders with resumed voting rights (if any)		0	
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Pledged or frozen shares	
					Status	Shares
BEIJING GRAIN GROUP CO., LTD.	State-owned legal person	39.68%	288,439,561	164,877,598		
BEIJING STATE-OWNED CAPITAL OPERATION AND MANAGEMENT CENTER	State-owned legal person	6.67%	48,510,460	48,510,460		
WANG YUECHENG	Domestic natural person	5.66%	41,159,887	41,159,887		
LI SHERYN ZHAN MING	Foreign natural person	1.88%	13,689,800			
CHINA DEVELOPMENT BANK CAPITAL CO., LTD.	State-owned legal person	1.34%	9,707,366			
GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND MANAGEMENT CO., LTD.—GOLD BUFFALO RUNYING (TIANJIN) EQUITY INVESTMENT FUND (L.P.)	Other	0.87%	6,307,736			

MEI JIANYING	Domestic natural person	0.36%	2,604,203			
WANG XIAOXING	Domestic natural person	0.27%	1,984,600			
ZHANG XIAOXIA	Domestic natural person	0.27%	1,949,250			
CHEN OUQIN	Domestic natural person	0.23%	1,652,679			
Connected or acting-in-concert parties among shareholders above		① Beijing State-Owned Capital Operation and Management Center owns 100% of Beijing Grain Group Co., Ltd., and Beijing Grain Group Co., Ltd. is the controlling shareholder of the Company (a 39.68% holding). ② Wang Yuecheng is a Deputy General Manager of the Company. Apart from that, the Company does not know whether there are any other related parties or acting-in-concert parties among the top 10 shareholders.				
Shareholders conducting margin trading (if any)		Shareholder Wang Xiaoxing holds 1,984,600 shares in the Company through his account of collateral securities for margin trading in Soochow Securities Co., Ltd.				

#### 4. Change of Controlling Shareholder or Actual Controller in Reporting Period

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable  Not applicable

The actual controller remained the same in the Reporting Period.

#### 5. Numbers of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

#### 6. Corporate bonds

Does the Company have any corporate bonds publicly offered and listed on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full?

No.

### Part III Operating Performance Discussion and Analysis

#### 1. Business Overview of Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

In face of the constant hits by unfavorable factors such as the COVID-19 pandemic, the China-U.S. trade war and the African swine fever in the first half of 2020, the Company proactively adjusted operating strategies, took the

initiative to seize opportunities, forged ahead against headwinds, and responded to new changes with new thinking. As a result, the Company achieved solid growth in operating results, as well as progress in innovation and development amid stability. For the Reporting Period, the Company recorded operating revenue of RMB3,751 million, up 14.24% year-on-year; and net profits of RMB95 million, representing a 46.08% increase from a year ago. By operating division, the oils and oilseeds division generated operating revenue of RMB3,289 million (a 17.19% year-on-year growth) and net profits of RMB48.38 million (a 95% year-on-year increase); and the food division reported operating revenue of RMB450 million (a year-on-year decline of 0.55%) and net profits of RMB60.97 million (a 0.64% year-on-year expansion).

### **1. Performance of the Oils and Oilseeds Division**

The oils and oilseeds division of the Company is committed to building six major operational platforms—“Risk Control and R&D, Operation of Stocks, Import & Export and Oils & Oilseeds Trading, Procurement of Raw and Auxiliary Materials, Production Management, and Product Marketing”, and building a competitive industrial chain featuring resource integration, information sharing and mutual support based on those platforms. This advantage came into play especially during the COVID-19 pandemic. Given a considerable decrease in demand for oils in small package of certain channels such as restaurants, canteens and food companies in the first half of the year, the Company proactively promoted integrated marketing and online sales, emphasized initiative in various work, and refreshed the operation and management system under the new circumstances. The oils pressing business enhanced market judgment and seized raw material procurement opportunities. Apart from an advance order of soybean placed in late last year, procurement was scheduled reasonably to ensure the supply of raw materials. Jingliang Tianjin achieved, in the first half of the year, an operation rate of as high as 82.35% and a significant year-on-year growth in net profits. The oils and oilseeds trading business adhered to the hedging model and placed importance on development of futures, especially on product varieties that were less impacted in the pandemic such as homegrown soybean, sunflower seed oil and non-GMO rapeseed oil, which has helped cushion the impact of the pandemic. The oil storage business refreshed the service model, actively explored cooperation models, and continued to build the brand in storage and management service.

### **2. Performance of the Food Production Division**

With a decline in business in the first quarter of the year due to the pandemic, the food production division adjusted marketing strategies in a timely manner, and continued to carry out product innovation. The snack food business beefed up production and achieved a monthly output that is higher than the pre-pandemic average while giving full play to e-commerce channels and strengthening marketing through short videos and live streaming to turn the crisis to opportunities, in addition to maintaining and promoting the existing distribution channels. The baking business strengthened development of new products, completed the development and launch of new products in cooperation with other relevant entities, beefed up online sales and improved the sales model.

## 2. Matters Related to Financial Reporting

### (1) Changes in Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period

Applicable  Not applicable

No such cases.

### (2) Retrospective Restatements due to Correction of Material Accounting Errors in Reporting Period

Applicable  Not applicable

No such cases.

### (3) Changes in Scope of Consolidated Financial Statements Compared to Last Accounting Period

Applicable  Not applicable

No such cases.

## Part IV Key Corporate Information

### 1. Audit reports

Whether the semi-annual report was audited or not

Yes  No

The semi-annual financial report was not audited.

### 2. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated Balance Sheet

Unit: Yuan

Program	June 30th, 2020	December 31st, 2019
Current Assets:		
Monetary Capital	570,017,788.15	557,168,512.39
Deposit Reservation for Balance		
Lending Funds		
Transactional Monetary Assets	153,300,000.00	161,300,000.00
Derivative Financial Assets	120,761,236.80	88,792,254.00
Notes Receivable		

Account Receivable	55,374,522.52	80,743,986.81
Receivables Financing		
Advance Payment	603,135,980.58	138,379,800.10
Receivable Premium		
Reinsurance Accounts Receivable		
Provision of Cession Receivable		
Other Receivables	19,032,159.09	19,220,097.34
Including: The Interest Receivable	1,854,761.12	3,927,438.90
Dividend Receivable		
Redemptory Monetary Capital for Sale		
Inventory	908,377,480.84	1,412,755,661.65
Contract Assets		
Holding Assets to be Sold.		
Non-Current Assets Expiring within One Year		
Other Current Assets	699,968,761.99	560,297,233.13
Total Current Assets	3,129,967,929.97	3,018,657,545.42
Non-current Assets:		
offer loans and make advance		
Lending Investments		
Other Investment on Bonds		
Long-term Receivables		
Long-term Equity Investment	205,249,112.47	198,301,333.79
Investment in other equity instruments	20,000,000.00	20,000,000.00
Other non-current financial assets		
Investment Property	23,331,107.05	31,781,350.74
Fixed Assets	1,166,435,679.47	1,210,450,340.22
Construction in progress	13,941,962.47	17,876,177.78
Productive Biological Asset		
Oil and Gas Assets		
Right-of-Use Asset		
Intangible Assets	360,784,402.31	368,170,434.38
Development Expenditure		
Goodwill	191,394,422.51	191,394,422.51
Long-term Unamortized Expenses	20,558,597.19	21,026,628.97
Deferred Tax Asset	12,835,744.24	2,603,066.38
Other Non-current Assets	190,000,000.00	151,005,300.00
Non-current Assets in Total	2,204,531,027.71	2,212,609,054.77
Total Assets	5,334,498,957.68	5,231,266,600.19

Current Liability:		
Short-term Borrowing	1,587,070,726.95	1,329,238,701.60
Borrowing from the Central Bank		
Borrowing Funds		
Transactional Monetary Liabilities		
Derivative Financial Liabilities		
Notes Payable		
Accounts Payable	130,577,918.81	130,568,413.43
Account Collected in Advance		481,119,461.41
Contract Liabilities	304,087,152.59	
Financial Assets Sold for Repurchase		
Deposits from Customers and Interbank		
Receivings from Vicariously Traded Securities		
Receivings from Vicariously Sold Securities		
Employee Pay Payable	13,967,836.74	25,192,583.58
Tax Payable	33,792,837.21	47,842,621.41
Other payables	140,262,576.19	96,171,396.23
Including: The Payable Interest	22,529,982.62	24,604,524.69
Dividends Payable	11,013,302.88	11,013,302.88
Handling Charges and Commissions Payable		
Dividend Payable for Reinsurance		
Holding Liabilities to Be Sold		
Non-Current Liabilities Expiring within One Year		
Other current liabilities	30,459,525.96	
Total Current Liabilities	2,240,218,574.45	2,110,133,177.66
Non-Current Liabilities:		
Provision for Insurance Contracts		
Long-Term Loan		
Bonds payable		
Including: Preference Shares		
Perpetual Capital Securities		
Lease Obligation		
Long-term account payable		
Long-term employee pay payable	5,720,716.87	5,730,662.87
Anticipation liabilities		
Deferred Revenue	70,779,847.50	71,518,169.27
Deferred Income Tax Liabilities	45,652,045.42	52,788,949.62
Other Non-current Liabilities		



Total Non-current Liabilities	122,152,609.79	130,037,781.76
Total Liabilities	2,362,371,184.24	2,240,170,959.42
Owners Equity:		
Capital stock	726,950,251.00	685,790,364.00
Other equity instruments		
Including: Preference Shares		
Perpetual Capital Securities		
Capital reserve	1,679,833,419.67	1,595,672,048.19
Minus: Treasury Stock		
Other Comprehensive Income	374,359.98	267,628.14
Reasonable Reserve		
Surplus reserves	122,122,436.98	122,122,436.98
Generic Risk Reserve		
Undistributed profit	75,949,701.75	2,186,806.56
Total equity attributable to the shareholders of parent company	2,605,230,169.38	2,406,039,283.87
Minority Equity	366,897,604.06	585,056,356.90
Total owners' equity	2,972,127,773.44	2,991,095,640.77
Total liabilities and owner's equity	5,334,498,957.68	5,231,266,600.19

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 2. Balance sheet of parent company

Unit: Yuan

Program	June 30th, 2020	December 31st, 2019
Current Assets:		
Monetary Capital	5,198,155.68	5,606,837.37
Transactional Monetary Assets		
Derivative Financial Assets		
Notes Receivable		
Account Receivable	42,510.00	42,510.00
Receivables Financing		
Advance Payment	518,668.92	532,843.92
Other Receivables	12,307,166.41	12,612,756.48
Including: The Interest Receivable		
Dividend Receivable		
Inventory	4,824,035.45	4,824,035.45
Contract Assets		
Holding Assets to be Sold.		
Non-Current Assets Expiring within		

One Year		
Other Current Assets	2,412,474.92	2,114,765.22
Total Current Assets	25,303,011.38	25,733,748.44
Non-current Assets:		
Lending Investments		
Other Investment on Bonds		
Held-to-Maturity Investment		
Long-term Receivables		
Long-term Equity Investment	2,626,437,846.24	2,377,420,527.10
Investment in other equity instruments	20,000,000.00	20,000,000.00
Other non-current financial assets		
Investment Property	5,325,139.43	5,476,357.73
Fixed Assets	2,993,768.05	3,028,013.69
Construction in progress		
Productive Biological Asset		
Oil and Gas Assets		
Right-of-Use Asset		
Intangible Assets	40,797.91	94,800.66
Development Expenditure		
Goodwill		
Long-term Unamortized Expenses	39,308.08	86,477.92
Deferred Tax Asset		
Other Non-current Assets		
Non-current Assets in Total	2,654,836,859.71	2,406,106,177.10
Total Assets	2,680,139,871.09	2,431,839,925.54
Current Liability:		
Short-term Borrowing		
Transactional Monetary Liabilities		
Derivative Financial Liabilities		
Notes Payable		
Accounts Payable		
Account Collected in Advance		38,896.41
Contract Liabilities	38,896.41	
Employee Pay Payable	281,000.00	480,445.28
Tax Payable	950,951.18	1,709,752.97
Other payables	517,484,318.39	503,550,996.94
Including: The Payable Interest	21,082,795.47	21,082,795.47
Dividends Payable	3,213,302.88	3,213,302.88
Holding Liabilities to Be Sold		
Non-Current Liabilities Expiring within One Year		

Other current liabilities		
Total Current Liabilities	518,755,165.98	505,780,091.60
Non-Current Liabilities:		
Long-Term Loan		
Bonds payable		
Including: Preference Shares		
Perpetual Capital Securities		
Lease Obligation		
Long-term account payable		
Long-term employee pay payable		
Anticipation liabilities		
Deferred Revenue		
Deferred Income Tax Liabilities		
Other Non-current Liabilities		
Total Non-current Liabilities		
Total Liabilities	518,755,165.98	505,780,091.60
Owners Equity:		
Capital stock	726,950,251.00	685,790,364.00
Other equity instruments		
Including: Preference Shares		
Perpetual Capital Securities		
Capital reserve	2,381,244,900.85	2,173,387,468.71
Minus: Treasury Stock		
Other Comprehensive Income		
Reasonable Reserve		
Surplus reserves	109,487,064.39	109,487,064.39
Undistributed profit	-1,056,297,511.13	-1,042,605,063.16
Total owners' equity	2,161,384,705.11	1,926,059,833.94
Total liabilities and owner's equity	2,680,139,871.09	2,431,839,925.54

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

### 3. Consolidated Income Statement

Unit: Yuan

Program	Half year of 2020	Half year of 2019
I. Gross Revenue	3,750,773,067.63	3,283,277,725.39
Including: operating income	3,750,773,067.63	3,283,277,725.39
Interest Income		
Earned Premium		
Handling charges and commissions income		
II. Total Operating Cost	3,575,140,175.66	3,253,814,226.61
Operating costs	3,356,201,258.06	3,040,678,741.14

Interest Expenditure		
Handling Charges and Commissions Expenditure		
Surrender Value		
Net Payments for Insurance Claims		
Net withdrawal of reserve fund for insurance contracts		
Bond Insurance Expense		
Reinsurance Expenses		
Tax and Surcharges	8,651,111.37	11,600,563.64
Selling Expenses	106,641,119.14	101,231,138.27
Administrative Expenses	78,032,286.29	81,298,228.37
Research and Development Expenditure	2,803,717.02	531,066.00
Financial Expenses	22,810,683.78	18,474,489.19
Including: The Interest Expense	16,975,042.06	22,981,293.07
Interest Income	5,373,488.21	4,120,628.58
plus: other income	5,046,948.84	9,871,098.22
Investment income ("-" refers to losses)	16,695,925.99	9,179,302.09
Of which: Income from investment in joint ventures	6,947,778.68	2,824,933.21
The financial assets measured at amortized cost terminates the recognition of income ("-" refers to losses)		
Exchange Earning ("-" refers to losses)		
Net Open Hedging Income ("-" refers to losses)		
Income of Fair Value Changes ("-" refers to losses)	-76,876,667.25	26,158,281.22
Credit Loss ("-" refers to losses)		
Assets Impairment Loss ("-" refers to losses)		-197,695.56
Assets Disposal Income ("-" refers to losses)		11,997,518.40
III. Operating Profit ("-" refers to losses)	120,499,099.55	86,472,003.15
plus: Non-operating income	689,439.82	1,716,443.59
minus: Non-operating expenses	1,418,671.77	822,418.62
IV. Total Profit ("-" refers to total losses)	119,769,867.60	87,366,028.12
minus: income tax expense	24,461,831.86	22,121,776.12
V. Net Profit ("-" refers to net losses)	95,308,035.74	65,244,252.00
i. Classified Based on Business Continuity		

1. Net income from continuing operation ("-" refers to net losses)	95,308,035.74	65,244,252.00
2. Net income from discontinuing operation ("-" refers to net losses)		
ii. Classified Based on the Attribution of the Ownership		
1. Net income attributed to shareholders of parent company	73,762,895.19	51,510,904.41
2. Minority Interest Income	21,545,140.55	13,733,347.59
VI. Net of Tax of Other Comprehensive Income	106,731.84	50,944.52
Net of tax of other comprehensive income attributed to shareholders of parent company	106,731.84	50,944.52
i. Other Comprehensive Income That Can't Reclassify Income and Loss		
1. Re-measure the change value of defined benefit pension plans		
2. Other comprehensive income that can not reverse the income and loss under the equity law.		
3. Investment of other equity instruments in the fair value changes.		
4. The fair value changes of credit risk of the company		
5. Others		
ii. Other Comprehensive Income That Can Be Re-classified into the Income and Loss	106,731.84	50,944.52
1. Other comprehensive income that can reverse the income and loss under the equity law.		
2. Investment of other obligatory rights in the fair value changes.		
3. Financial assets that can be re-classified into other comprehensive income		
4. Credit impairment reserve for other creditor's rights investment		
5. Cash Flow Hedging Reserve		
6. The Balance of Conversion of Foreign Currency Financial Statements	106,731.84	50,944.52
7. Others		
Net of tax of other comprehensive income attributed to minority shareholder		
VII. Total Comprehensive Income	95,414,767.58	65,295,196.52
Total comprehensive income attributed to shareholders of parent company	73,869,627.03	51,561,848.93
Total comprehensive income attributed to minority shareholder	21,545,140.55	13,733,347.59
VIII. Earnings Per Share:		
i. Basic Earnings Per Share	0.11	0.08
ii. Diluted Earnings Per Share	0.11	0.08

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 4. Income Statement of Parent Company

Unit: Yuan

Program	Half year of 2019	Half year of 2018
I. Operating Income	376,609.17	
minus: operating costs		
Tax and Surcharges	2,700.00	69,076.80
Selling Expenses		
Administrative Expenses	13,524,055.12	13,511,405.60
Research and Development Expenditure		
Financial Expenses	-5,045.16	7,564,964.27
Of which: The Interest Expense		7,571,583.49
Interest Income	8,250.44	11,083.83
plus: other income	50,313.02	
Investment income ("-" refers to losses)	398,338.36	
Of which: Income from investment in joint ventures		
The financial assets measured at amortized cost terminates the recognition of income ("-" refers to losses)		
Net open hedging income ("-" refers to losses)		
Income of Fair Value Changes ("-" refers to losses)		
Credit Loss ("-" refers to losses)		
Assets Impairment Loss ("-" refers to losses)		-4,344.16
Assets Disposal Income ("-" refers to losses)		
II. Operating Profit ("-" refers to losses)	-12,696,449.41	-21,149,790.83
plus: Non-operating income	4,001.44	
minus: Non-operating expenses	1,000,000.00	469,440.00
III. Total Profit ("-" refers to total losses)	-13,692,447.97	-21,619,230.83
minus: income tax expense		
IV. Net Profit ("-" refers to net losses)	-13,692,447.97	-21,619,230.83
i. Net income from continuing operation ("-" refers to net losses)	-13,692,447.97	-21,619,230.83
ii. Net income from discontinuing operation ("-" refers to net losses)		
V. Net of Tax of Other Comprehensive Income		
i. Other comprehensive income that can't reclassify income and loss		
1. Re-measure the change value of defined benefit pension plans		

2. Other comprehensive income that can not reverse the income and loss under the equity law.		
3. Investment of other equity instruments in the fair value changes.		
4. The fair value changes of credit risk of the company		
5. Others		
ii. Other comprehensive income that can be re-classified into the income and loss		
1. Other comprehensive income that can reverse the income and loss under the equity law.		
2. Investment of other obligatory rights in the fair value changes.		
3. Financial assets that can be re-classified into other comprehensive income		
4. Credit impairment reserve for other creditor's rights investment		
5. Cash Flow Hedging Reserve		
6. The Balance of Conversion of Foreign Currency Financial Statements		
7. Others		
VI. Total Comprehensive Income	-13,692,447.97	-21,619,230.83

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 5. Consolidated Statement of Cash Flow

Unit: Yuan

Program	Half year of 2020	Half year of 2019
I. Cash flow from operating activities:		
Cash received for selling goods and providing services	3,900,040,688.18	3,560,970,102.54
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from the Central Bank		
Net increase in borrowing from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase of insured deposit and investment		
Cash charged with interest, handling fees and commissions		
Net increase in borrowing funds		
Net increase in repurchase funds		
Net Cash Received of Acting Trading Securities		
Refunds of Taxes Received	6,282,179.39	4,638,160.06
Other Cash Received Related to Business Activities	488,634,210.14	348,104,540.90
Subtotal of Cash flow of Operating Activities	4,394,957,077.71	3,913,712,803.50

Cash for Purchase of Goods and Labor Services	3,523,972,309.51	3,124,587,948.71
Net Increase in Customer Loans and Advances		
Net Increase in Deposits in the Central Bank and Other Banks		
Cash for Payment of Original Insurance Contract Claims		
Net Increase of Lending Funds		
Cash to Pay the Interest, Handling Fees and Commissions		
Cash to Pay the Policy Dividend		
Cash Paid to and for Employees	152,383,335.08	145,181,797.67
Tax Payments	96,716,033.84	83,586,844.52
Cash Payment of Other Related Business Activities	434,789,578.52	339,763,918.39
Subtotal of Cash Outflow of Operating Activities	4,207,861,256.95	3,693,120,509.29
Net Cash Flow from Operating Activities	187,095,820.76	220,592,294.21
<b>II. Cash Flow from Investment</b>		
Cash Received in Disinvestment	1,316,317,255.34	1,302,736,691.57
Cash Received in Return of Investment	5,120,558.91	3,600,120.65
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	6,618.58	66,511.68
Net Cash Received from Disposal of Subsidiaries and Other Operating Units	5,000,000.00	
Cash Received Related to Other Business Activities		
Subtotal of Cash flow of Operating Activities	1,326,444,432.83	1,306,403,323.90
Net Cash Payment for the Purchase of Fixed Assets, Intangible Assets and Other Long-term Assets	11,385,922.53	26,905,240.57
Cash Payment for Investment	1,709,222,428.58	1,870,848,788.60
Net Increase in Hypothecated Loan		
Net Cash Payment of Subsidiaries and Other Business Units		
Cash Payment of Other Activities Related to Investment		
Subtotal of Cash Outflow of Investment Activities	1,720,608,351.11	1,897,754,029.17
Net Cash Flow from Investment Activities	-394,163,918.28	-591,350,705.27
<b>III. Cash Flow from Financial Activities:</b>		
Cash Received by Absorbing Investment		
Of which: Cash Received by Subsidiaries in Absorbing Investment from Minority Shareholders		
Cash Received from Loans	1,643,287,048.37	1,441,114,788.78
Cash Received by Issuing Bonds		
Other Cash Received Related to Financial Activities		
Subtotal of Cash flow of Financial Activities	1,643,287,048.37	1,441,114,788.78
Cash Payment for Debt	1,385,455,023.02	1,268,871,965.95
Cash Paid for Distribution of Dividends, Profits or Interests	26,157,547.48	47,473,893.65



Of which: Dividends and Profits Paid by Subsidiaries to Minority Shareholders		
Cash Payment of Other Activities Related to Financial Activities		
Subtotal of Cash Outflow of Financial Activities	1,411,612,570.50	1,316,345,859.60
Net Cash Flow from Financial Activities	231,674,477.87	124,768,929.18
IV. The Impact of Change in Exchange Rate on Cash and Cash Equivalents	-9,686,369.41	3,248,224.24
V. Net Increase in Cash and Cash Equivalents	14,920,010.94	-242,741,257.64
Plus: Initial Cash and cash Equivalents Balance	555,097,777.21	867,870,016.78
VI. Cash and Cash Equivalents Balance at the End of the Period	570,017,788.15	625,128,759.14

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 6. Statement of Cash Flows of Parent Company

Unit: Yuan

Program	Half year of 2020	Half year of 2019
<b>I. Cash Flow from Operating Activities:</b>		
Cash received for selling goods and providing services		
Refunds of Taxes Received	200.00	1,800.00
Other Cash Received Related to Business Activities	24,529,151.07	29,377,536.58
Subtotal of Cash flow of Operating Activities	24,529,351.07	29,379,336.58
Cash for Purchase of Goods and Labor Services	24,592.17	
Net Increase in Customer Loans and Advances		
Net Increase in Deposits in the Central Bank and Other Banks		
Cash for Payment of Original Insurance Contract Claims		
Net Increase in Financial Assets Held for Trading Purposes		
Net Increase of Lending Funds		
Cash to Pay the Interest, Handling Fees and Commissions		
Cash to Pay the Policy Dividend		
Cash Paid to and for Employees	7,904,980.50	9,271,322.77
Tax Payments	298,780.02	71,408.74
Cash Payment of Other Related Business Activities	18,496,617.45	50,350,341.42
Subtotal of Cash Outflow of Operating Activities	26,724,970.14	59,693,072.93
Net Cash Flow from Operating Activities	-2,195,619.07	-30,313,736.35
<b>II. Cash Flow from Investment</b>		
Cash Received in Disinvestment		
Cash Received in Return of Investment		
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		
Net Cash Received from Disposal of Subsidiaries and Other Operating Units		
Cash Received Related to Other Business Activities		
Subtotal of Cash flow of Operating Activities		

Net Cash Payment for the Purchase of Fixed Assets, Intangible Assets and Other Long-term Assets	142,327.44	109,751.52
Cash Payment for Investment		1,780,563.05
Net Cash Payment of Subsidiaries and Other Business Units		
Cash Payment of Other Activities Related to Investment		
Subtotal of Cash Outflow of Investment Activities	142,327.44	1,890,314.57
Net Cash Flow from Investment Activities	-142,327.44	-1,890,314.57
III. Cash Flow from Financial Activities:		
Cash Received by Absorbing Investment		
Cash Received from Loans	4,000,000.00	27,700,000.00
Other Cash Received Related to Financial Activities		
Subtotal of Cash flow of Financial Activities	4,000,000.00	27,700,000.00
Cash Payment for Debt		
Cash Paid for Distribution of Dividends, Profits or Interests		
Cash Payment of Other Activities Related to Financial Activities		
Subtotal of Cash Outflow of Financial Activities		
Net Cash Flow from Financial Activities	4,000,000.00	27,700,000.00
IV. The Impact of Change in Exchange Rate on Cash and Cash Equivalents		
V. Net Increase in Cash and Cash Equivalents	1,662,053.49	-4,504,050.92
Plus: Initial Cash and cash Equivalents Balance	3,536,102.19	13,597,659.66
VI. Cash and Cash Equivalents Balance at the End of the Period	5,198,155.68	9,093,608.74

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 7. Consolidated Statement of Change in Equity

Unit: Yuan

Program	Half year of 2020														Minority Equity	Total owners' equity
	Ownership interest attributable to the parent company												In total			
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Generic Risk Reserve	Undistributed profit	Others				
	Preference Shares	Perpetual Capital Securities	Others													
I. Ending Balance of Last Year	685,790,364.00				1,595,672,048.19		267,628.14			122,122,436.98		2,186,806.56	2,406,039,283.87	585,056,356.90	2,991,095,640.77	
Plus: Changes in Accounting Policies																
Early Error Correction																
Enterprise Merger under the Same Control																
Others																
II. Beginning Balance of This Year	685,790,364.00				1,595,672,048.19		267,628.14			122,122,436.98		2,186,806.56	2,406,039,283.87	585,056,356.90	2,991,095,640.77	
III. Changes in This Period ("-" refers to losses)	41,159,887.00				84,161,371.48		106,731.84					73,762,895.19	199,190,885.51	-218,158,752.84	-18,967,867.33	
A. Total Comprehensive Income							106,731.84					73,762,895.19	73,869,627.03	21,545,140.55	95,414,767.58	
B. Input and Capital Reduction of Owners	41,159,887.00				84,161,371.48								125,321,258.48	-237,694,893.39	-112,373,634.91	
1. Common Stock Invested by the Owner																
2. Invested Capital of Other Equity Instrument Holders	41,159,887.00				207,857,432.14								249,017,319.14		249,017,319.14	
3. Share Payment Included in Owner's Equity																
4. Others					-123,696,060.66								-123,696,060.66	-237,694,893.39	-361,390,954.05	
C. Profit Distribution														-2,009,000.00	-2,009,000.00	
1. Withdrawal Legal Surplus																
2. Withdrawal Generic Risk Reserve																
3. Distribution of Owners (or Shareholders)														-2,009,000.00	-2,009,000.00	
4. Others																
D. Internal Carry-over of Owner's Rights and Interests																
1. Conversion of Capital Reserve to Additional Capital (Or Equity)																
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)																
3. Surplus Reserve Covers the Deficit																
4. Change of Benefit Plan Transferred to Retained Income																
5. Other Comprehensive Income																

Transferred to Retained Income															
6. Others															
E. Special Reserve															
1. Current Withdrawal															
2. Current Use															
F. Others															
IV. Current Ending Balance	726,950,251.00				1,679,833,419.67		374,359.98		122,122,436.98		75,949,701.75		2,605,230,169.38	366,897,604.06	2,972,127,773.44

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

Unit: Yuan

Program	Half year of 2019														Minority Equity	Total owners' equity
	Ownership interest attributable to the parent company															
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Generic Risk Reserve	Undistributed profit	Others	In total			
	Preference Shares	Perpetual Capital Securities	Others													
I. Ending Balance of Last Year	685,790,364.00				1,595,711,805.31		438.33		122,122,436.98		-131,155,119.19		2,272,469,925.43	566,596,569.02	2,839,066,494.45	
Plus: Changes in Accounting Policies																
Early Error Correction																
Enterprise Merger under the Same Control																
Others																
II. Beginning Balance of This Year	685,790,364.00				1,595,711,805.31		438.33		122,122,436.98		-131,155,119.19		2,272,469,925.43	566,596,569.02	2,839,066,494.45	
III. Changes in This Period ("-" refers to losses)							50,944.52				51,510,904.41		51,561,848.93	1,086,293.89	52,648,142.82	
A. Total Comprehensive Income							31,507.57				51,510,904.41		51,542,411.98	13,733,347.59	65,275,759.57	
B. Input and Capital Reduction of Owners														-1,800,000.00	-1,800,000.00	
1. Common Stock Invested by the Owner														-1,800,000.00	-1,800,000.00	
2. Invested Capital of Other Equity Instrument Holders																
3. Share Payment Included in Owner's Equity																
4. Others																
C. Profit Distribution														-10,847,053.70	-10,847,053.70	
1. Withdrawal Legal Surplus																
2. Withdrawal Generic Risk Reserve																
3. Distribution of Owners (or Shareholders)														-10,847,053.70	-10,847,053.70	
4. Others																

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

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## 8. Statement of Change in Equity of Parent Company

Unit: Yuan

Program	Half year of 2020											
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preference Shares	Perpetual Capital Securities	Others								
I. Ending Balance of Last Year	685,790,364.00				2,173,387,468.71				109,487,064.39	1,042,605,063.16		1,926,059,833.94
Plus: Changes in Accounting Policies												
Early Error Correction												
Others												
II. Beginning Balance of This Year	685,790,364.00				2,173,387,468.71				109,487,064.39	1,042,605,063.16		1,926,059,833.94
III. Changes in This Period ("-" refers to losses)	41,159,887.00				207,857,432.14					-13,692,447.97		235,324,871.17
A. Total Comprehensive Income										-13,692,447.97		-13,692,447.97
B. Input and Capital Reduction of Owners	41,159,887.00				207,857,432.14							249,017,319.14

1. Common Stock Invested by the Owner												
2. Invested Capital of Other Equity Instrument Holders	41,159,887.00				207,857,432.14							249,017,319.14
3. Share Payment Included in Owner's Equity												
4. Others												
C. Profit Distribution												
1. Withdrawal Legal Surplus												
2. Distribution of Owners (or Shareholders)												
3. Others												
D. Internal Carry-over of Owner's Rights and Interests												
1. Conversion of Capital Reserve to Additional Capital (Or Equity)												
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)												
3. Surplus Reserve Covers the Deficit												
4. Change of Benefit Plan Transferred to Retained Income												
5. Other Comprehensive Income Transferred to Retained Income												
6. Others												
E. Special Reserve												
1. Current Withdrawal												
2. Current Use												
F. Others												
IV. Current Ending Balance	726,950,251.00				2,381,244,900.85				109,487,064.39	1,056,297,511.13		2,161,384,705.11

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

Unit: Yuan

Program	Half year of 2019											
	Capital stock	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other Comprehensive Income	Reasonable Reserve	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preference Shares	Perpetual Capital Securities	Others								
I. Ending Balance of Last Year	685,790,364.00				2,173,387,468.71				109,487,064.39	-994,322,827.98		1,974,342,069.12
Plus: Changes in Accounting												

Policies												
Early Error Correction												
Others												
II. Beginning Balance of This Year	685,790,364.00				2,173,387,468.71				109,487,064.39	-994,322,827.98		1,974,342,069.12
III. Changes in This Period ("-" refers to losses)										-21,619,230.83		-21,619,230.83
A. Total Comprehensive Income										-21,619,230.83		-21,619,230.83
B. Input and Capital Reduction of Owners												
1. Common Stock Invested by the Owner												
2. Invested Capital of Other Equity Instrument Holders												
3. Share Payment Included in Owner's Equity												
4. Others												
C. Profit Distribution												
1. Withdrawal Legal Surplus												
2. Distribution of Owners (or Shareholders)												
3. Others												
D. Internal Carry-over of Owner's Rights and Interests												
1. Conversion of Capital Reserve to Additional Capital (Or Equity)												
2. Conversion of Surplus Reserve to Additional Capital (Or Equity)												
3. Surplus Reserve Covers the Deficit												
4. Change of Benefit Plan Transferred to Retained Income												
5. Other Comprehensive Income Transferred to Retained Income												
6. Others												
E. Special Reserve												
1. Current Withdrawal												
2. Current Use												
F. Others												
IV. Current Ending Balance	685,790,364.00				2,173,387,468.71				109,487,064.39	-1,015,942,058.81		1,952,722,838.29

Legal representative: Li Shaoling

Financial Director: Guan Ying

Director of Accounting Institutions: Liu Quanli

## **Hainan Jingliang Holdings Co., Ltd.**

### **Notes to 2020 Semi-annual Financial Statements**

(Unless otherwise stated, the amount unit is RMB Yuan)

#### **I. Basic Information of the Company**

##### **(I) The registration place, form of organization and headquarter address of the company**

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

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

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

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

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

On January 10 of 2000, the company was changed to Hainan Pearl River Holdings Co., Ltd. and the business



license of for legal person was renewed by the Administration for Industry and Commerce of Hainan Province.

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

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

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

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

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

The relevant information after the change is as follows:

Company Name: Hainan Jingliang Holdings Co., Ltd.

Unified Social Credit Code: 914600002012845568

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

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

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

Legal Representative: Li Shaoling

Register Date: March 22, 1988

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

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

On April 3, 2020, the purchase of 25.1149% of Zhejiang Xiaowangzi's equity by the company and its subsidiary Beijing Jingliang Food Co., Ltd. through cash payment and issuance of shares has been approved by the China Securities Regulatory Commission. As of the date of this financial report, the transaction has been completed.

## **(II) The nature of the Company's business and its main business activities**

### **1. Business scope of the Company**

The Company belongs to manufacturing-agricultural and sideline food processing industry, mainly including: food, beverages, oils, oils and by-products, vegetable proteins and their products, organic fertilizers, microbial fertilizers and agricultural fertilizers; land consolidation, soil remediation; agricultural comprehensive planting and development, animal husbandry and aquaculture, production and marketing of agricultural equipment; computer network technology, investment in communication projects, research and development and application of high-tech products; investment and consultation of environmental protection projects; animation, graphic design; import and export trade in goods and technology; rental of own premises. (General business projects shall be operated independently, and the permitted business projects shall be operated on the basis of relevant permits or approval documents) (Projects subject to approval by the relevant departments shall not be allowed to engage in business activities until approved by the relevant departments in accordance with the law.).

### **2. The nature of the Company's business and its main business activities**

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

### **3. Basic framework of the Company**

The basic organizational structure of the Company: the shareholders' general meeting is the highest authority of the Company, the board of directors is the executive body of the shareholders' general meeting, the board of supervisors is the internal supervision body of the Company, and the general manager is responsible for the daily operation and management of the Company. The Company consists of the Office of the Board of Directors, the Office of the Board of Supervisors, the Department of Comprehensive Affairs, the Department of Securities Affairs, the Department of Strategic Investment, the Department of Finance (Settlement Center), the Department of Legal Affairs and Compliance, the Department of Human Resources, the Department of Party and Mass Work, and the Department of Discipline Inspection and Supervision.

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

### **(III) Approval of financial statements**

This financial statement has been approved by the board of directors of the company on August 20, 2020.

### **(IV) Scope of Consolidated Statements**

A total of 17 subsidiaries of the Company were included in the scope of consolidation in June 30<sup>th</sup>, 2020.

## **II. Preparation Basis for Financial Statements**

### **1. Preparation Basis**

Based on the assumption of going concern and according to actual transactions and events, the Company's financial statements are prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard (promulgation of Decree No. 33 of Ministry of Finance and revision of Decree No. 76 of Ministry of Finance), 42 specific accounting standards, guidelines for the application of accounting standards for business enterprises, explanations of accounting standards for business enterprises and other relevant provisions promulgated and revised on February 15, 2006 and thereafter (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the China Securities Regulatory Commission's Rules for Reporting Information Disclosure by Companies Offering Securities to the Public No.15-General Provisions on Financial Reporting (revised in 2014)

According to the relevant provisions of Accounting Standard for Business Enterprises, the Company's accounting is based on the accrual basis. Except for certain financial instruments, the financial statements are measured on the basis of historical costs. Non-current assets held for sale shall be valued at the lower of the fair value less estimated expenses and the original book value when the conditions for holding for sale are met. If the assets are impaired, the corresponding impairment reserves shall be withdrawn in accordance with the relevant provisions.

## **2. Going concern**

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

## **III. Statement of Compliance with Enterprise Accounting Standards**

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's merger and the financial status of the parent company as of June 30, 2020, the merger and parent company's operating results, the merger and parent company's cash flow and other relevant information of January to June, 2020. In addition, the Company's financial statements comply in all material respects with the disclosure requirements of the financial statements and its notes in the Rules for Preparation and Reporting Information Disclosure of Companies Offering Securities to the Public No.15-General Provisions on Financial Reports revised by China Securities Regulatory Commission in 2014.

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

### **1. Accounting Period**

The accounting period of the Company is divided into an annual period and an interim period. The accounting interim period refers to the reporting period shorter than a full accounting year. The fiscal year of the Company adopts the Gregorian calendar year, that is, from January 1 to December 31 of each year.

### **2. Business Cycle**

The normal business cycle is the period from the time the Company purchases assets for processing to the time when cash or cash equivalents are realized. The Company uses 12 months as an business cycle and uses it as a liquidity classification standard for assets and liabilities.

### **3. Bookkeeping Standard Currency**

RMB is the currency in the main economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries use RMB as the bookkeeping standard currency. The offshore subsidiaries of the Company determine USD as their bookkeeping standard currency based on the currencies in the main economic environment in which they operate. The currency used by the Company in preparing these financial statements is RMB.

### **4. The Accounting Treatment of Business Combination under the Same Control and Different Control**

Business Combination refers to the transaction or event in which two or more separate enterprises are merged to form one reporting entity. Business combination can be divided into business combination under the same control and business combination under different control.

#### **(1) Business combination under the same control**

Enterprises participating in the combination are ultimately controlled by the same party or multiple parties before and after the combination, and the control is not temporary, so it is the business combination under the same control. In case of business combination under the same control, the party that obtains control of other enterprises participating in the

combination on the combination date shall be the combination party, and the other enterprises participating in the combination shall be the merged party. The combination date refers to the date on which the combination party actually acquires control over the merged party.

The assets and liabilities acquired by the combination party are measured at the book value of the merged party at the date of consolidation, including goodwill that was formed during acquisition by end controller. If the difference between the book value of the net assets acquired by the merging party and the book value of the merged consideration (or the total par value of the issued shares) paid by the merging party, and the capital reserve (share capital premium) shall be adjusted; If the capital reserve (equity premium) is insufficient to offset, the retained earnings shall be adjusted.

The direct expenses incurred by the merging party for the purpose of business combination shall be included in the profits and losses of the current period when they are incurred.

## **(2) Business combination under different control**

If the enterprises participating in the merger are not ultimately controlled by the same party or multiple parties before and after the merger, the enterprise merger is not under the same control. In case of business combination under different control, the party that obtains control of other enterprises participating in the combination on the date of purchase shall be the Purchaser, and the other enterprises participating in the combination shall be the Purchase. Purchase date means the date on which the Purchaser actually acquires control of the Purchase.

For business combination under different control, the merger cost includes the assets, liabilities and fair value of equity securities issued by the Purchaser in order to obtain the control over the Purchase on the date of purchase, and the intermediary fees such as audit, legal service, appraisal and consultation and other management fees for the enterprise merger are used to record into the profits and losses of the current period when incurred. The transaction costs of equity or debt securities issued by the Purchaser as a merger consideration are included in the initial recognition amount of the equity or debt securities. Contingent consideration involved shall be included in the consolidation cost at its fair value at the purchase date, and the consolidation goodwill shall be adjusted accordingly if new or further evidence of the existence of circumstances at the purchase date appears within 12 months after the purchase date and the adjustment or consideration is required. The consolidation cost incurred by the Purchaser and the identifiable net assets acquired during the consolidation are measured at the fair value at the date of purchase. The difference between the merger costs and the fair value shares of the identifiable net assets of the Purchase at the purchase date obtained in the merger is recognized as goodwill. If the combined cost is less than the fair value of the identifiable net assets of the Purchase in the merger, first, the fair value of the identifiable assets, liabilities and contingent liabilities of the Purchase and the measurement of the consolidation cost shall be re-checked. If the consolidation cost is still smaller than the fair value share of the identifiable net assets of the Purchased obtained in the consolidation after the re-check, the difference shall be recorded into the profits and losses of the current period.

When the Purchaser acquires the deductible temporary difference of the Purchase, if it fails to recognize the deferred income tax assets on the date of purchase because it does not meet the recognition conditions for the deferred income tax,

and within 12 months of the date of purchase, new or further information is obtained indicating that the relevant circumstances at the purchase date already exist and the economic benefits from the temporary difference deductible by the purchaser on the purchase date are expected to be realized, the relevant deferred income tax assets shall be recognized, and the goodwill shall be reduced. If the goodwill is not sufficiently offset, the difference shall be recognized as the current profit or loss; In addition to the above circumstances, the deferred income tax assets related to the enterprise merger are recognized and included in the current profits and losses.

Through multi-transaction and step-by-step business combination under different control, according to the *Circular of the Ministry of Finance on Printing and Issuing the Interpretation of Accounting Standards for Business Enterprises No.5* (CK (2012) No.19) and Article 51 of the *Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements* on the judgment criteria of "package deal" (see 5 (2) of Note 4), it is determined whether the multiple transactions belong to the "package deal". In the case of a "package deal", the accounting treatment shall be performed with reference to the description in the preceding paragraphs of this section and Note 4,

13 "Long-term Equity Investments"; if the transaction is not a "package deal", the accounting treatment shall be distinguished between the individual financial statements and the consolidated financial statements:

In the individual financial statements, the sum of the book value of the equity investment held by the Purchaser prior to the purchase date and the cost of the new investment at the purchase date shall be taken as the initial investment cost of the investment; Where the equity of the Purchased held before the date of purchase involves other comprehensive income, the other consolidated income associated with the investment is accounted for on the same basis as the assets or liabilities directly disposed of by the Purchaser (i.e., except for the corresponding share in the change caused by the acquisition of the net liability or net assets of the defined benefit plan remeasured in accordance with the equity method, the rest is transferred to the current investment income).

In the consolidated financial statements, the equity of the Purchased held prior to the date of purchase is remeasured according to the fair value of the equity at the date of purchase, and the difference between the fair value and the carrying value is included in the investment income of the current period; Where the equity of the Purchasee held before the date of purchase involves other comprehensive income, other consolidated income related thereto shall be accounted for on the same basis as the direct disposal of the relevant assets or liabilities by the Purchaser (i.e., except for the corresponding share in the change caused by the acquisition of the net liability or net asset of the defined benefit plan remeasured in accordance with the equity method, the rest is converted into the investment income of the current period to which the acquisition date belongs).

## **5. Preparation Method of Consolidated Financial Statement**

### **(1) Principles for determining the scope of the consolidated financial statement**

The scope of consolidation of the consolidated financial statements is determined on a control basis. Control means that the Company has the authority over the Investee, enjoys a variable return by participating in the relevant activities of the Investee, and has the ability to use its authority over the Investee to influence the amount of such return. The

scope of the merger includes the Company and all its subsidiaries. Subsidiary refers to the main body controlled by the Company.

The Company will re-evaluate the above control definitions once the relevant facts and circumstances change, which results in the change of the relevant elements.

## **(2) Preparation method of consolidated financial statement**

The Company begins to incorporate the net assets of the subsidiary and the actual control of the production and operation decisions into the scope of the merger from the date when the subsidiary is acquired; Cease to be included in the scope of the merger as of the date of loss of effective control. For the subsidiaries disposed of, the operating results and cash flows prior to the date of disposal have been appropriately included in the consolidated income statement and consolidated cash flow statement; For subsidiaries disposed of in the current period, the opening amount of the consolidated balance sheet is not adjusted. The operating results and cash flows of subsidiaries increased by consolidation after purchase have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening and comparative amounts in the consolidated financial statements have not been adjusted for subsidiaries that are not under the same control. The operating results and cash flows of the subsidiaries increased by consolidation under the same control from the beginning of the consolidation period to the consolidation date have been appropriately included in the consolidated profit statement and consolidated cash flow statement, and the comparative amount of the consolidated financial statements has been adjusted at the same time.

In the preparation of the consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries are inconsistent with those adopted by the Company, necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired through business combination under different control, the financial statements shall be adjusted on the basis of the fair value of identifiable net assets at the date of purchase.

All significant transaction balances, transactions and unrealized profits within the Company are offset at the time of preparation of the consolidated financial statements.

The shareholders' equity and the portion of the net profit or loss of the subsidiary that is not owned by the Company for the current period are separately presented as minority shareholders' equity and minority shareholders' profit or loss in the consolidated financial statements under shareholders' equity and net profit. The shares of minority shareholders' equity in the net profits and losses of subsidiaries for the current period are shown as "minority shareholders' profits and losses" under the net profit item in the consolidated income statement. Losses shared by minority shareholders in a subsidiary exceed the minority shareholders' share in the shareholders' equity of the subsidiary at the beginning of the period, and still decrease by a number of shareholders' equity.

When the control of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the residual equity shall be revalued according to its fair value at the date of loss of control. The sum of consideration obtained from the disposal of equity and the fair value of the remaining equity minus the difference

between the shares of the net assets of the original subsidiary that shall be continuously calculated from the purchase date according to the original shareholding proportion shall be included in the investment income of the current period of loss of control. Other comprehensive income related to the equity investment of the original subsidiary, in the event of loss of control, the accounting treatment is performed on the same basis as the direct disposal of the relevant assets or liabilities by the Purchased (i.e. converted to current investment income, except for changes resulting from the re-measurement of the net liabilities or net assets of the Defined Benefit Plan in the original subsidiary). Thereafter, the residual equity shall be subsequently measured in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No.2-Long-term Equity Investment* or *Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments*, as detailed in Note IV, 13-Long-term Equity Investment or Note IV, 9-Financial Instruments.

If the Company disposes of the equity investment in subsidiaries step by step until it loses control through multiple transactions. It is necessary to distinguish whether the transactions that dispose of the equity investment in subsidiaries until it loses control belong to a package deal or not. The terms, conditions and economic impact of the transactions for the disposal of equity investments in subsidiaries are in accordance with one or more of the following circumstances and generally indicate that multiple transactions should be accounted for as a package deal: ① These transactions were entered into simultaneously or taking into account each other's influence; ② Only when these transactions are taken together can a complete business result be achieved; ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; ④ It is not economical to consider a transaction alone, but it is economical to consider it in conjunction with other transactions. For transactions that are not part of the package deal, each transaction shall be accounted for in accordance with the principles applicable to the "partial disposal of long-term equity investments in subsidiaries without loss of control" and the "loss of control over existing subsidiaries as a result of the disposal of part of the equity investments or other reasons" (as detailed in the preceding paragraph), as appropriate. If the transactions involving the disposal of equity investments in subsidiaries until the loss of control belong to a package deal, the transactions shall be accounted for as a transaction involving the disposal of subsidiaries and the loss of control; However, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment prior to the loss of control is recognized in the consolidated financial statements as other consolidated gains and transferred to the profit or loss for the current period of loss of control in the event of loss of control.

## **6. Classification of Joint Venture Arrangements and Accounting Treatment of Joint Operation**

A joint venture arrangement is an arrangement under the joint control of two or more participants. The Company divides the joint venture arrangement into joint ventures and joint ventures in accordance with the rights and obligations it enjoys in the joint venture arrangement. Joint operation refers to the joint venture arrangement in which the Company enjoys the assets related to the arrangement and assumes the liabilities related to the arrangement. A joint venture refers to a joint venture arrangement in which the Company only has rights over the net assets of the arrangement.



The Company's investment in the joint venture is accounted for using the equity method, and shall be treated in accordance with the accounting policy described in Note IV, 13 "Long-term Equity Investment Accounted by the Equity Method".

The Company, as a joint venture party, recognizes the assets and liabilities held and assumed by the Company separately, and recognizes the assets and liabilities jointly held and assumed by the Company according to the shares of the Company; recognizes the revenue generated from the sale of the share of joint operating output enjoyed by the Company; recognizes revenue generated from the sale of output from joint operations on the basis of the Company's share; confirms the expenses incurred by the Company individually and the expenses incurred by the joint operation according to the shares of the Company.

When the Company invests or sells assets as a joint venture (such assets do not constitute business, the same below), or purchases assets from the joint venture, the Company recognizes only the portion of the profits and losses attributable to the other participants in the joint venture that arises from the transaction prior to the sale of such assets to a third party. Where such assets are impaired in accordance with the provisions of *Accounting Standards for Business Enterprises No.8-Impairment of Assets*, the Company shall fully recognize such losses in the case where the assets are cast or sold by the Company to joint operations; For the assets purchased by the Company from the joint operation, the Company recognizes the losses according to the shares it assumes.

#### **7. Determining Standards for Cash and Cash Equivalent**

Cash and cash equivalents of the Company include cash on hand, deposits that can be used for payment at any time, and investments held by the Company with a short term (usually maturing within three months from the date of purchase), high liquidity, easy conversion into cash of a known amount, and little risk of value change.

#### **8. Foreign Currency Business and Translation of Foreign Currency Statements**

##### **(1) Translation method for foreign currency transaction**

At the time of initial confirmation, the foreign currency transactions occurring in the Company shall be converted into the bookkeeping functional currency amount at the spot exchange rate on the trading day, but the foreign currency exchange business or transactions involving foreign currency exchange occurring in the Company shall be converted into the bookkeeping functional currency amount at the actual exchange rate.

##### **(2) Translation method for foreign currency monetary items and foreign currency non-monetary item**

On the balance sheet date, the foreign currency monetary items are converted at the spot exchange rate on the balance sheet date, and the exchange difference arising therefrom shall be: ① The exchange difference arising from the special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization shall be handled in accordance with the principle of capitalization of borrowing costs; ② The exchange difference of the hedging instruments used for effective hedging of the net investment in overseas operations (the difference is included in other comprehensive income, and is not recognized as current profit or loss until the net investment is disposed of); ③ Except for the amortized cost, the exchange differences arising from the changes in the book balance

of the available-for-sale monetary items in foreign currencies shall be included in the other comprehensive income, and shall be included in the profits and losses of the current period.

Where the preparation of the consolidated financial statements involves overseas operations, if there are foreign currency monetary items constituting net investment in overseas operations, the exchange differences arising from exchange rate changes shall be included in other comprehensive income; When disposing of overseas operations, the profits and losses shall be transferred to the current disposal period.

Non-monetary items in foreign currencies measured at historical cost shall still be measured at the bookkeeping amount in functional currency translated at the spot exchange rate on the transaction date. For non-monetary items in foreign currencies measured at fair value, the spot exchange rate at the date of fair value determination shall be adopted for conversion. The difference between the converted amount in functional currency and the amount in original functional currency shall be treated as the change in fair value (including the change in exchange rate), and shall be recorded into the profits and losses of the current period or recognized as other comprehensive income.

### **(3) Translation method for financial statements in foreign currencies**

Where the preparation of the consolidated financial statements involves overseas operations, if there are foreign currency monetary items constituting net investment in overseas operations, the exchange differences arising from exchange rate changes shall be as "foreign currency report conversion difference" and be confirmed as other comprehensive income; When disposing of overseas operations, the profits and losses shall be transferred to the current disposal period.

The foreign currency financial statements of overseas operations shall be converted into RMB statements in the following ways: the assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; Except for "undistributed profits", other items of shareholders' equity shall be converted at the spot exchange rate at the time of occurrence. The income and expense items in the profit statement shall be converted at the average exchange rate of the current period on the date of transaction. The undistributed profit at the beginning of the period shall be the undistributed profit at the end of the period converted from the previous year; The undistributed profits at the end of the year shall be calculated and listed according to the converted profits distribution items; The difference between the converted asset items and the total amount of the liability items and shareholders' equity items shall be recognized as other comprehensive income as the translation difference in the foreign currency statements. In case of disposal of overseas operations and loss of control, the balance in translation of the foreign currency statements related to the overseas operations as shown below in the shareholders' equity items in the balance sheet shall be transferred to the profits and losses of the disposal period in whole or in proportion to the disposal of the overseas operations.

Cash flows in foreign currencies and cash flows of overseas subsidiaries shall be converted at the average exchange rate of the current period on the date of occurrence of the cash flows. The effect of exchange rate changes on cash shall be presented separately in the statement of cash flows as a reconciling item.

Opening amounts and prior-period actual amounts shall be shown on the basis of amounts translated from the

prior-period financial statements.

When disposing of all the owner's equity of the Company's overseas operations or losing the control over overseas operations due to the disposal of part of the equity investment or for other reasons, if the following items of shareholders' equity in the balance sheet are shown below, the balance in translation of the foreign currency statement attributable to the owner's equity of the parent company related to the overseas operation shall be transferred to the profits and losses of the current disposal period.

In the event that the proportion of overseas business interests is reduced due to the disposal of part of the equity investment or for other reasons, but the control over overseas business operations is not lost, the balance in the translation of the foreign currency statements related to the disposal of part of overseas business operations shall be attributed to minority shareholders' interests and shall not be transferred to the profits and losses of the current period. When disposing of part of the equity of an overseas operation as an associated enterprise or a joint venture, the balance of the translation of the foreign currency statements related to the overseas operation shall be transferred into the profits and losses of the current disposal period in the proportion of the overseas operation disposed of.

## **9. Financial instruments**

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

### **(1) Classification, confirmation and measurement of financial assets**

According to the business mode of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into: Financial assets measured at amortized cost. Financial assets measured at fair value with changes included in other comprehensive income. Financial assets that are measured at fair value and whose movements are included in the current profits and losses.

Financial assets are measured at fair value at initial recognition. For financial assets measured at fair value and whose changes are included in current profits and losses, relevant transaction costs are directly included in current profits and losses. For other types of financial assets, relevant transaction costs are included in the initial recognition amount. Accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or take into account significant financing components shall be initially recognized by the Company in accordance with the amount of consideration that the Company is expected to be entitled to receive.

#### **① Financial assets measured at amortized cost**

The Company's business model of managing financial assets measured in amortized cost is aimed at collecting contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, that is, the cash flow generated on a specific date is only the payment of principal and interest based on the unpaid principal amount. For such financial assets, the Company adopts the effective interest rate method and carries out subsequent measurement according to amortized cost. The profits or losses arising from amortization or impairment are included into the current profits and losses.

② Financial assets measured at fair value with changes included in other comprehensive income

The Company's business model for managing such financial assets is to collect and sell contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The Company measures these financial assets at fair value and their changes are included in other comprehensive income, but impairment loss or gain, exchange gain or loss and interest income calculated according to the effective interest rate method are included into the current profit and loss.

In addition, the Company designates some non-tradable equity instrument investments as financial assets measured at fair value with changes included in other comprehensive income. The Company shall record the relevant dividend income of such financial assets into the current profits and losses, and the change of fair value into other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained income and will not be included in current profits and losses.

③ Fair value through Profit and Loss Financial assets

The Company classifies the above financial assets measured at amortized cost and financial assets measured at fair value with changes included in other comprehensive income into financial assets measured at fair value with changes included in current profits and losses. In addition, during initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designated part of financial assets as financial assets measured at fair value with changes included in current profit and loss. For such financial assets, the Company adopts fair value for subsequent measurement, and the changes in fair value are included into the current profit and loss.

**(2) Classification, recognition and measurement of financial liabilities**

Financial liabilities upon initial recognition are classified as financial liabilities which are measured at fair value and whose changes are included in current profits and losses and other financial liabilities. For the financial liabilities measured at fair value with the changes included into the current profits and losses, the relevant transaction costs are directly included into the current profits and losses, and the relevant transaction costs of other financial liabilities are included in the initial recognition amount.

① Fair value through Profit and Loss Financial liabilities

Financial liabilities measured at fair value with changes included in current profits and losses, which include transactional financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated to be measured at fair value with changes included in current profits and losses at initial recognition.

Trading financial liabilities (including derivatives belonging to financial liabilities) are subsequently measured according to their fair values. Except for those related to hedge accounting, changes in fair values are included in current profits and losses.

Financial liabilities designated to be measured at fair value with changes included in current profits and losses.

Changes in the fair value of this liability caused by changes in the Company's own credit risk are included in other comprehensive income. When the liability is derecognized, the accumulated change in fair value caused by changes in its own credit risk included in other comprehensive income is transferred to retained earnings. Changes in fair value are accounted into current profits and losses. If the above-mentioned treatment of the impact of changes in the credit risk of these financial liabilities will cause or expand accounting mismatch in profits and losses, the Company will include all profits or losses of the financial liabilities (including the impact amount of changes in the credit risk of the enterprise itself) into the current profits and losses.

## ② Other financial liabilities

Except for financial liabilities and financial guarantee contracts formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortized cost and subsequently measured at amortized cost. Gains or losses arising from termination of recognition or amortization are included in current profits and losses.

## **(3) Basis of Confirmation and Calculation of financial instruments**

Financial assets shall be derecognized if they meet one of the following conditions: ①The termination of the contractual right to receive cash flow from the financial asset. ②The financial asset has been transferred, and almost all risks and rewards related to the ownership of the financial asset have been transferred to the transferee. ③The financial asset has been transferred. Although the enterprise has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset.

If the enterprise neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, and does not give up the control over the financial assets, the relevant financial assets shall be recognized according to the extent of continuous involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuous involvement in the transferred financial assets refers to the risk level faced by the enterprise due to the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the book value of the transferred financial assets and the sum of the consideration received due to the transfer and the accumulated amount of changes in fair value originally included in other comprehensive income shall be included into the current profits and losses.

If the partial transfer of financial assets meets the conditions for termination of recognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the derecognized part and the non-derecognized part, and the difference between the sum of the consideration received due to the transfer and the accumulated change in fair value originally included in other comprehensive income that shall be apportioned to the derecognized part and the allocated aforesaid book amount shall be included into the current profits and losses.

For financial assets sold by the Company with recourse, or for endorsement and transfer of held financial assets, it

is necessary to determine whether almost all risks and rewards in the ownership of the financial assets have been transferred. If almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated. If almost all risks and rewards on the ownership of a financial asset are retained, the recognition of the financial asset shall not be terminated. If almost all risks and rewards related to the ownership of financial assets have not been transferred or retained, it shall continue to judge whether the enterprise retains control over the assets and carry out accounting treatment according to the principles mentioned in the preceding paragraphs.

#### **(4) Termination of recognition of financial liabilities**

If the current obligation of the financial liability (or part thereof) has been relieved, the Company terminates the recognition of the financial liability (or part thereof). The Company (the borrower) and the lender sign an agreement to replace the original financial liabilities by assuming new financial liabilities. If the contract terms of the new financial liabilities and the original financial liabilities are substantially different, the original financial liabilities shall be derecognized and a new financial liability shall be recognized at the same time. If the Company makes any substantial modification to the contract terms of the original financial liability (or part thereof), the original financial liability shall be derecognized and a new financial liability shall be recognized in accordance with the modified terms.

If financial liabilities (or part thereof) are derecognized, the Company shall include the difference between its book value and the consideration paid (including transferred non-cash assets or liabilities assumed) into the current profits and losses.

#### **(5) Offset of financial assets and financial liabilities**

When the Company has the legal right to offset the recognized amount of financial assets and financial liabilities, and such legal right is currently enforceable, and the Company plans to settle the financial assets on a net basis or realize the financial assets and settle the financial liabilities at the same time, the financial assets and financial liabilities are listed in the balance sheet at a net amount after mutual offset. In addition, financial assets and financial liabilities shall be listed separately in the balance sheet and shall not be offset against each other.

#### **(6) The fair value determination method of financial assets and financial liabilities**

Fair value refers to the price that market participants can receive from selling an asset or pay to transfer a liability in an orderly transaction on the measurement date. Where there is an active market for financial instruments, the Company adopts quotations in the active market to determine their fair values. Quoted price in active market refers to the price easily obtained from exchanges, brokers, industry associations, pricing service agencies, etc. on a regular basis, and represents the price of market transactions actually occurred in fair trading. If there is no active market for financial instruments, the Company uses evaluation techniques to determine their fair values. Evaluation techniques include reference to prices used in recent market transactions by parties familiar with the situation and willing to trade, reference to current fair values of other financial instruments that are substantially the same, discounting cash flow technique, option pricing model, etc. In valuation, the Company adopts valuation techniques that are applicable under

current circumstances and are supported by sufficient available data and other information, selects input values that are consistent with the characteristics of assets or liabilities considered by market participants in transactions related to assets or liabilities, and gives priority to the use of relevant observable input values as much as possible. If the relevant observable input value cannot be obtained or it is not impracticable to obtain it, the non-input value shall be used.

### **(7) Equity instruments**

Equity instruments refer to contracts that can prove ownership of the Company's residual equity in assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the Company are treated as changes in equity, and transaction costs related to equity transactions are deducted from equity. The Company does not recognize changes in the fair value of equity instruments.

Dividends (including "interest" generated by instruments classified as equity instruments) distributed by the Company's equity instruments during their existence shall be treated as profit distribution.

### **10. Impairment of financial assets**

The financial assets of the Company that need to confirm the impairment loss are financial assets measured at amortized cost and debt instrument investment measured at fair value with changes included in other comprehensive income, mainly including notes receivable, accounts receivable, other receivables, debt investment, other debt investment, long-term receivables, etc. In addition, for some financial guarantee contracts, impairment reserves and credit impairment losses are also accrued in accordance with the accounting policies described in this part.

#### **(1) Recognition method of impairment provision**

On the basis of expected credit losses, the Company sets aside impairment reserves and recognizes credit impairment losses for the above items according to the applicable expected credit loss measurement method (general method or simplified method).

Credit loss refers to the difference between all contractual cash flows receivable according to the contract and all cash flows expected to be collected by the Company discounted according to the original actual interest rate, i.e. the present value of all cash shortages. Among them, for the financial assets that have been purchased or incurred credit impairment, the Company discounts them according to the actual interest rate adjusted by credit.

The general method of measuring expected credit loss refers to the Company's assessment of whether the credit risk of financial assets has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Company will measure the loss reserve by an amount equivalent to the expected credit loss during the entire period. If the credit risk has not increased significantly since the initial recognition, the Company will measure the loss reserve according to the amount equivalent to the expected credit loss in the next 12 months. In assessing the expected credit loss, the Company takes into account all reasonable and evidence-based information, including forward-looking information.

For financial instruments with low credit risk on the balance sheet date, the Company measures the loss reserve

based on the expected credit loss amount within the next 12 months or the entire duration according to whether the credit risk has increased significantly since the initial recognition.

### **(2) Criteria for judging whether credit risk has increased significantly since initial recognition**

If the default probability of a certain financial asset in the expected duration determined at the balance sheet date is significantly higher than the default probability in the expected duration determined at the time of initial recognition, it indicates that the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company uses the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the entire duration to determine whether the credit risk has increased significantly since the initial recognition.

Generally, if the overdue period is more than 90 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

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

- 1) Whether there is any significant change in the actual or expected operating results of the debtor;
- 2) Whether there is any significant adverse change in the regulatory, economic or technological environment of the debtor;
- 3) Whether there is any significant change in the value of the collateral or the quality of the guarantee or credit enhancement provided by the third party, which are expected to reduce the economic motivation of the debtor's repayment according to the time limit stipulated in the contract or affect the probability of default;
- 4) Whether there is any significant change in the expected performance and repayment behavior of the debtor;
- 5) Whether there is any significant change in the Company's credit management methods for financial instruments, etc.

On the balance sheet date, if the Company judges that the financial instrument has only low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. If the default risk of a financial instrument is low, the borrower's ability to perform its contractual cash flow obligations in a short period of time is strong, and even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to perform its contractual cash obligations, then the financial instrument is considered to have low credit risk.

### **(3) Judgment criteria for financial assets with credit impairment:**

When one or more events have an adverse impact on the expected future cash flow of a financial asset, the financial asset becomes a financial asset with credit impairment. The evidence of credit impairment of financial assets includes the following observable information:

- 1) The issuer or debtor has major financial difficulties;
- 2) The debtor violates the contract, such as default or overdue payment of interest or principal, etc.;
- 3) The creditor gives concessions that the debtor will not make under any other circumstances due to economic or contractual considerations related to the debtor's financial difficulties;
- 4) The debtor is likely to go bankrupt or undergo other financial restructuring;



- 5) The active market of the financial assets disappears due to the financial difficulties of the issuer or the debtor;
- 6) Purchase or generate a financial asset at a substantial discount, which reflects the fact that credit losses have occurred.

Credit impairment of financial assets may be caused by the combined action of multiple events, but may not be caused by separately identifiable events.

#### **(4) Portfolio approach to evaluate expected credit risk based on portfolio**

The Company evaluates credit risks for financial assets with significantly different credit risks, such as: Accounts receivable with related parties. Receivables in dispute with the other party or involving litigation or arbitration. Receivables with obvious signs that the debtor is likely to be unable to perform the repayment obligation.

In addition to the financial assets with individual credit risk assessment, the Company divides the financial assets into different groups based on the common risk characteristics. The common credit risk characteristics adopted by the Company include: Credit risk shall be assessed on the basis of the aging portfolio, the receivables portfolio between the final controlling party and its subordinate units, the public maintenance fund and house selling fund portfolio deposited in the housing provident fund management center, the deposit/margin portfolio, and the petty cash ledger portfolio formed by the employee loan of the unit.

#### **(5) Accounting treatment method for impairment of financial assets**

At the end of the period, the Company calculates the estimated credit losses of various financial assets. If the estimated credit losses are greater than the book amount of its current impairment reserve, the difference is recognized as impairment loss. If it is less than the carrying amount of the current impairment reserve, the difference is recognized as impairment gain.

#### **(6) Methods for determining the credit loss of various financial assets**

##### **① Notes receivable**

The Company measures the loss reserve for bills receivable according to the expected credit loss amount equivalent to the entire duration. Based on the credit risk characteristics of bills receivable, they are divided into different portfolios:

Item	Basis for determining portfolio
Bank acceptance bills	The acceptor is a bank with less credit risk
Commercial acceptance bill	According to the acceptor's credit risk classification, it should be the same as the "receivable" portfolio classification.

##### **③ Accounts receivable and other receivables**

For receivables that do not contain significant financing components, the Company measures the loss reserve according to the expected credit loss amount equivalent to the entire duration.

For receivables that contain significant financing components, the Company measures the loss reserve based on whether the credit risk has increased significantly since the initial recognition, using the amount of expected credit loss within the next 12 months or the entire duration.

According to whether the credit risk of other receivables has increased significantly since the initial recognition, the Company measures impairment loss with an amount equivalent to the expected credit loss within the next 12 months or the entire duration.

In addition to the accounts receivable and other receivables that individually assess credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining portfolio
Portfolio 1	Aging portfolio.
Portfolio 2	A portfolio of receivables between the ultimate controller and its subordinate units.
Portfolio 3	The portfolio of public maintenance funds and house sales funds deposited in the housing provident fund management center.
Portfolio 4	Deposit/margin portfolio.
Portfolio 5	The portfolio of reserve fund ledger formed by the Company's staff loan.

The accrual method of bad debt reserves for different portfolios:

Item	Accrual method
Aging portfolio	According to the accrual proportion corresponding to the aging period
Portfolio of receivables between the ultimate controlling party and its subordinate units	No provision for bad debts
The portfolio of public maintenance funds and house sales funds deposited into the MPF Management Center	No provision for bad debts
Deposit/margin portfolio	No provision for bad debts
The portfolio of reserve fund ledger formed by the Company's staff loan.	No provision for bad debts

a. In portfolio, the portfolio method of withdrawing bad debt reserves by aging analysis

Aging	Expected loss rate of notes receivable (%)	Expected loss rate of accounts receivable (%)	Expected loss rate of other receivables (%)
Within 1 year (including 1 year, the same below)			
Among them: Within the credit period (within 3 months)	0	0	0
Credit period~1 year	2	2	2
1-2 years	5	5	5
2-3years	20	20	20
3-4years	50	50	50
4-5years	80	80	80
More than 5 years	100	100	100

b. In the portfolio, the description of the accrual method for accrual of bad debt reserves by other methods is given.

Portfolio name	Expected loss rate of notes receivable (%)	Expected loss rate of accounts receivable (%)	Expected loss rate of other receivables (%)
Accounts receivable between the final controlling party and its subordinate u	-	-	-
Public maintenance fund and house sale fund deposited into MPF Management Center	-	-	-

Portfolio name	Expected loss rate of notes receivable (%)	Expected loss rate of accounts receivable (%)	Expected loss rate of other receivables (%)
Deposit/margin	-	-	-
The reserve fund ledger formed by the Company's staff loan.	-	-	-

## 11. Inventory

### (1) Classification of inventory

Inventories mainly include raw materials, turnover materials, developed products, in transit materials inventory goods, reserve tanker storage commissioned processing, and manufacturing consignment, etc..

### (2) Valuation method for obtaining and issuing inventory

Inventories are valued at actual cost when they are acquired. Inventory costs include purchase costs, processing costs and other costs. They are valued with weighted average method when they are used and issued.

### (3) Confirmation of net realizable value of inventories and method of accrual of falling price reserve

Net Realizable Value refers to the amount of estimated selling price of inventories minus the estimated cost till completion, estimated expenses for selling activity and related taxes and fees in daily activities. When determining the net realizable value of inventories, solid evidence obtained shall be the basis, and the purpose of holding the inventories and the impact of events after the balance sheet date shall be considered.

On the balance sheet date, inventories shall be measured at lower of cost and net realizable value. When the net realizable value is lower than the cost, the provision for inventory devaluation shall be accrued. The provision for inventory devaluation shall be accrued based on the difference between the cost of a single inventory item and its net realizable value. The provision for inventory devaluation of a large number of inventories with low unit prices shall be based on the type of inventory; for inventories related to the product range produced and sold in same region, having the same or similar end use or purpose, and difficult to be separated from other items for measurement, their provision for inventory devaluation can be combined and accrued.

After the provision for inventory devaluation is accrued, if the factors cause the previous written-down inventory value have disappeared, and the situation results in the fact that the net realizable value of the inventories higher than the book value, the amount of the provision for inventory devaluation that has been accrued shall be reversed and included in the current period profit or loss.

### (4) The Company adopts perpetual inventory system as its inventory system.

### (5) Amortization method of low-value consumables and packaging materials

Low-value consumables are amortized on a one-off basis/ partial amortization method when they are used; packaging materials are amortized on a one-off basis/ partial amortization method when they are used

## 12. Held-for-sale assets

If the book value of a non-current asset or to-be-disposed portfolio is recovered by the Company mainly through sale activities (including the exchange of non-monetary assets with commercial nature, the same below), the

non-current asset or to-be-disposed portfolio falls into held-for-sale category. The specific criteria: both of the following conditions shall be satisfied: a non-current asset or to-be-disposed portfolio can be sold immediately under the current conditions based on the practice of selling such asset or to-be-disposed portfolio in similar transactions; the Company has already decided on the sale plan and obtained confirmed purchase commitment; the sale is scheduled to be completed within one year. Among them, a Disposal Portfolio refers to a group of assets that will be disposed of as a whole through sale or other approaches in a transaction, and the liabilities directly associated with these assets transferred along with the assets in transaction. If the portfolio of assets or group of portfolios of assets is allocated goodwill acquired in business merger in accordance with *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, the Disposal Portfolio shall include the goodwill allocated to it.

In the event that the book value of a non-current asset or to-be-disposed portfolio that has been designated as held-for-sale category is higher than the net amount of fair value less sales expenses when the non-current asset or to-be-disposed portfolio is initially measured or measured on the balance sheet date, the book value shall be to the net amount of fair value minus sales expenses, and the written-down amount shall be recognized as asset impairment loss and included in current period profit or loss. The provision for impairment loss of the held-for-sale asset shall be accrued. For a Disposal Portfolio, the confirmed impairment loss shall deduct the book value of the goodwill in the Disposal Portfolio, then deduct the book value of the non-current assets determined by the measurement on a pro-rata basis in accordance with the applicable *Accounting Standards for Business Enterprises No. 42 held-for-sale non-current assets, Disposal Portfolio and Termination of Operations* (hereinafter referred to as the “Guide for Held-For-Sale”). In the event of an increase of the book value of the held-for-sale Disposal Portfolio minus sales expenses on the subsequent the balance sheet date, the amount previously written down shall be recovered and be reversed within the mount of the asset impairment loss recognized in the non-current assets measured by the measurement “Guide for Held-For-Sale” after being classified as held for sale asset, the reversal amount shall be included in the current period profit or loss, and the book value of all non-current assets (except for goodwill) determined by the measurement on a pro-rata basis in accordance with the applicable “Guide for Held-For-Sale” shall be increased on a pro-rata basis. The book value of the goodwill that has been deducted and the impairment loss of the assets recognized before the classification of the held-for-sale non-current assets in accordance with the applicable “Guide for Held-For-Sale” shall not be reversed.

In terms of the held-for-sale non-current assets or non-current assets in Disposal Portfolio, there is no accrual or amortization for depreciation, and the interest from and other expenses from the liabilities in held-for-sale Disposal Portfolio shall still be recognized.

When a non-current asset or Disposal Portfolio no longer meets the conditions for Held-For-Sale category, non-current asset or Disposal Portfolio will no longer be classified as Held-For-Sale category by the Company or the non-current asset will be removed from the Held-For-Sale Disposal Portfolio, and be measured based on one of the following two values, whichever is lower: (1) The book value before being classified as held-for-sale category adjusted

based on the depreciation, amortization or impairment that should have been confirmed if it is not classified as held-for-sale category; (2) recoverable amount.

### **13. Long-term equity investment**

The long-term equity investment refers to in this part refers to the long-term equity investment that the Company has control, joint control or significant influence on the invested entity. The long-term equity investment of the Company that does not have control, joint control or significant impact on the investee shall be accounted as a financial asset measured at fair value with its changes included into the current profits and losses. Among them, if it is non-transactional, the Company may choose to designate it as a financial asset measured at fair value and its changes are included in the accounting of other comprehensive income at the time of initial recognition. For details of its accounting policies, please refer to Note IV, 9 "Financial Instruments".

Joint control refers to the control that the Company shares with other party/parties for an arrangement in accordance with relevant agreements, and relevant activities of the arrangement can only be decided based on the consensus of all parties sharing the control rights before making a decision. Significant Influence refers to power of the Company to participate in the decision-making of the financial and operating policies of the investee, but the Company cannot control or jointly control the development of these policies with other parties.

#### **(1) Determination of investment cost**

For a long-term equity investment obtained from a combination of businesses under the same control, the apportioned share of the book value in the final controller's consolidated financial statements on the combination date in accordance with the shareholders' equity shall be the initial investment cost of the long-term equity investment. The capital reserve shall be adjusted subject to the difference between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred, and the book value of the debts assumed; if the capital reserve is insufficient for offsetting, the retained earnings shall be adjusted. Where the equity securities are issued as merger consideration, the apportioned share of the book value in the final controller's consolidated financial statements on the combination date in accordance with the shareholders' equity shall be the initial investment cost of the long-term equity investment, and the total par value of the issued shares is taken as the share capital. The capital reserve shall be adjusted subject to the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued; if the capital reserve is insufficient for offsetting, the retained earnings shall be adjusted. Where the equity of combined parties under the same control is obtained through multiple transactions and a business combination under the same control is formed finally, it shall be treated differentially based on whether it is a "package deal": if it belongs to a "package deal", all transactions will be treated as a transaction that obtains control. If it is not a "package deal", the apportioned share of the book value in the final controller's consolidated financial statements on the combination date in accordance with the shareholders' equity shall be the initial investment cost of the long-term equity investment. The capital reserve shall be adjusted subject to the difference between the initial investment cost of the long-term equity investment and the sum of the book value of long-term equity investment before combination date and

the book value of the new consideration for the new share on the combination date. If the capital reserve is insufficient for offsetting, the retained earnings shall be adjusted. The equity investments that are held prior to the combination date and are recognized with equity recognized or as available-for-sale financial asset as other comprehensive income will not be given accounting treatment for the moment.

For a long-term equity investment obtained from a combination of businesses not under the same control, the initial investment cost of the long-term equity investment shall be based on the combination cost on the purchase date. The combination cost includes the assets paid by purchaser, the liabilities incurred or assumed, and the sum of the fair value of issued equity securities. Where the equity of combined parties not under the same control is obtained through multiple transactions and a business combination under the same control is formed finally, it shall be treated differentially based on whether it is a “package deal”: if it belongs to a “package deal”, all transactions will be treated as a transaction that obtains control. If it is not a “package deal”, the initial investment cost of the long-term equity investment calculated by the cost method shall be calculated based on the sum of the book value of the equity investment in the original holder and the new investment cost. The original share holding that measured using equity method, the relevant other comprehensive income does temporarily not conduct accounting treatment.

Intermediary expenses such as for auditing, legal services, assessment and other related expenses incurred by a combining party or a purchaser for business combination shall be recognized in current period profit or loss when incurred.

The equity investments other than formed by business combination shall be initially measured at cost. The cost will be determined based on the following amount according to different methods of the acquisition of long-term equity investment: the purchase price in cash actually paid by the Company; the fair value of the equity securities issued by the Company, the value agreed in relevant investment contract or agreement; the fair value or original book value of the assets exchanged in non-monetary asset exchange transaction; the fair value of the long-term equity investment itself. Any expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments shall also be included in the cost of investment. The cost of long-term equity investment for the additional investment that can exert significant influence on investee or implement joint control but does not constitute control shall be the sum of the fair value of the originally held equity investment recognized in accordance with the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* and the cost for new investment.

## **(2) Follow-up measurement and confirmation methods for profit and loss**

The Equity Method shall be used to account for long-term equity investments that have joint control over the invested entity (except for those constituting joint operators) or have significant impact on the invested entity. In addition, the company's financial statements use the Cost Method to account for long-term equity investments, which can control the long-term equity investment of the investee.

### **a. Long-term equity investment based on Cost Method**

When accounting with Cost Method, long-term equity investment is priced at the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment. Except for the actual payment at the time of obtaining investment or the cash dividends or profits included in the consideration but not yet issued, the current investment income shall be recognized according to the cash dividends or profits declared by the investee.

b. Long-term equity investment accounted for by Equity Method

When accounting with Equity Method, if the initial investment cost of a long-term equity investment is greater than the fair value share of the identifiable net assets of the investee when investing, and the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the fair value share of the identifiable net assets of the investee when investing, the difference shall be included in the current profit and loss, and the cost of the long-term equity investment shall be adjusted

When accounting with Equity Method, the investment income and other comprehensive income are recognized separately according to the shares of the net profit or loss and other comprehensive income that should be enjoyed or shared, and the book value of the long-term equity investment should be adjusted at the same time. The book value of long-term equity investment is reduced accordingly by calculating the share that should be enjoyed according to the profit or cash dividend declared by the investee. The book value of long-term equity investment shall be adjusted and included in the capital reserve for other changes in the owner's rights and interests of the invested entity other than the net profit and loss, other comprehensive income and profit distribution. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be adjusted and confirmed on the basis of the fair value of the identifiable assets of the investee at the time of investment. If the accounting policies and periods adopted by the invested entity are inconsistent with the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and periods of the Company, and the investment income and other comprehensive income shall be confirmed accordingly. For the transactions between the Company and the associates and joint ventures, the assets invested or sold do not constitute a business, and the unrealized gains and losses from internal transactions are offset against the portion of the Company that is attributable to the proportion of the shares, on this basis. investment profit and loss should be confirmed. However, the unrealized internal transaction losses incurred by the Company and the investee are not included in the impairment losses of the transferred assets. Where the assets invested by the Company into a joint venture or an associates constitute a business, if the investor obtains long-term equity investment but does not control, the fair value of the invested business shall be deemed as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business is fully recognized in the current profits and losses. If the assets sold by the Company to a joint venture or an associate that constitute a business, the difference between the consideration value obtained and the book value of the business shall be fully recognized in the profits and losses of the current period.

When confirming the net loss that incurred by the investee should be shared, the book value of the long-term

equity investment and other long-term equity that substantially constitutes the net investment of the investee are reduced to zero. In addition, if the Company has an obligation to bear additional losses to the investee, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment losses. If the investee achieves net profit in the following period, the Company shall resume recognizing the share of income after making up for the unrecognized share of loss.

For the long-term equity investment in the joint ventures and associates held by the Company for the first time before the implementation of the new accounting standards, if there is a debit balance of equity investments related to the investment, the current profits and losses shall be accounted for by the straight-line amortization of the original remaining period.

#### c. Acquisition of Minority Equity

In the preparation of the consolidated financial statements, if the difference between the long-term equity investment added by purchasing minority shares and the net assets share that should be continuously calculated by the subsidiary company from the purchase date (or the consolidation date) is calculated according to the proportion of newly added shares, the retained earnings shall be adjusted; and if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

#### d. Disposal of long-term equity investment

In the consolidated financial statements, the parent company partially of disposes of the long-term equity investment of the subsidiary without losing control, the difference of the corresponding net assets in the subsidiary between the disposal price and the disposal of the long-term equity investment is included in the shareholders' equity. It shall be treated in accordance with the relevant accounting policies described in "Notes on the preparation of consolidated financial statements" in Note IV.5 (2).

For the disposal of long-term equity investment in other cases, the difference between the book value of the disposed equity and the actual acquisition price shall be included in the current profits and losses.

If the long-term equity investment is accounted for by equity method, the remaining equity after disposal is still accounted for by equity method, when disposing, the other comprehensive income which were originally included in shareholder's rights and interests shall be accounted for on the same basis as the assets or liabilities directly disposed of by the investee. The owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution, it should be carried forward to the current profit and loss

For the long-term equity investment accounted by Cost Method, the remaining equity is still accounted by Cost Method after disposal, other comprehensive income that recognized by equity method accounting or financial instrument recognition and measurement criteria accounting before obtaining control over the investee shall be accounted for on the same basis as the assets or liabilities directly disposed of by the investee, and shall be settled to the current profit and loss in proportion. Changes of the net assets of investee in the owner's equity other than net profit or



loss, other comprehensive income and profit distribution 's that recognized by equity method shall be settled to the current profit and loss in proportion.

Where the Company loses control over the investee due to disposal of part of its equity investment, when preparing individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for by equity method instead, and the remaining equity shall be adjusted by accounting by equity method when it is deemed to be acquired. If the remaining equity after disposal cannot be jointly controlled or exerts significant influence on the investee, it shall be accounted for according to the relevant provisions of the financial instrument recognition and measurement criteria, and the difference between the fair value and the book value on the date of loss of control. It is included in the current profit and loss. Before the Company obtains control over the investee, other comprehensive income recognized by equity method accounting or financial instrument recognition and measurement criteria is used to directly dispose of the relevant assets with the investee, accounting treatment based on the same basis as the investee directly disposes of related assets or liabilities when the control of the investee is lost, Accounting is treated on the same basis as the liabilities. Changes in the owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee's net assets recognized by the equity method are carried forward to the current profit or loss when the control of the investee is lost. Among them, the remaining equity after disposal is accounted for using the equity method. Where the remaining equity after disposal is accounted for by equity method, other comprehensive income and other owner's equity should be settled by proportion. If the remaining equity is accounted for using financial instrument recognition and measurement standard, all of other comprehensive income and other shareholder's equity should be settled.

If the Company loses its joint control or significant influence on the investee due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for according to the financial instrument recognition and measurement criteria, and the difference between the fair value and the book value on the date of loss of joint control or significant influence is recognized in the current profit or loss. The other comprehensive income recognized in the original equity investment by the equity method is accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated, Owner's equity recognized as a result of changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution of the investee should be transferred to current investment income when terminating the equity method

The Company disposes of the equity investment in the subsidiaries step by step through multiple transactions until the loss of control. If the above-mentioned transactions are part of a package transaction, the transactions are treated as a transaction dealing with the equity investment of the subsidiary and losing control. The difference between the book value of each long-term equity investment corresponding to the disposal price and the disposal of the equity before loss of control is first recognized as other comprehensive income, and when the control is lost, it is transferred to the current profit and loss of loss of control.

#### **14. Investment Property**

Investment Property refers to property held for the purpose of earning rent or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and prepared for transfer after appreciation, and buildings that have been rented. Investment property is initially measured at cost. The expenses related to investment property, if the economic benefits related to this asset are highly probable to flow into the company and the cost can be measured reliably, then the expense will account for as the cost of investment property. Other expenses are accounted for in profit and loss when incurred.

The Company adopts the cost model to conduct subsequent measurement of investment property and depreciation or amortization according to the policy consistent with the building or land use rights.

For details of the impairment test method and impairment provision method of property, please refer to Note IV. 20 “Long-Term Asset Impairment”.

When the self-use property or inventory is converted into investment property or investment property is converted into self-use property, the book value before conversion is used as the recorded value after conversion.

When the use of investment property is changed to self-use, the investment property is converted into fixed assets or intangible assets from the date of change. When the use of self-use property changes to earn rent or capital appreciation, the fixed assets or intangible assets are converted into investment property from the date of change. In the case of investment property measured by the cost model when the conversion occurs, the book value before conversion is used as the entry value after conversion; if it is converted into investment property measured by the fair value model, the fair value of the conversion date is used as the entry value after conversion.

When an investment real estate is disposed of, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the confirmation of the investment real estate shall be terminated. Disposal income from the sale, transfer, retirement or damage of investment properties is charged to the current profit and loss after deducting its book value and related taxes and fees.

## 15. Fixed Assets

### (1) Confirmation conditions for fixed assets

Fixed Assets refer to tangible assets held for the purpose of producing goods, providing labor services, renting or operating management, and having a service life of more than one fiscal year. Fixed assets are recognized only when the economic benefits associated with them are likely to flow into the Company and their costs can be reliably measured. Fixed assets are initially measured at cost and taking into account the impact of projected abandonment costs.

### (2) Depreciation methods for various types of fixed assets

Fixed assets are depreciated over their useful lives using the straight-line method from the month following the scheduled availability. The service life, estimated net residual value and annual depreciation rate of various fixed assets are as follows:

Category	Depreciation Method	Depreciation period (Year)	Residual rate(%)	Annual depreciation rate (%)
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Category	Depreciation Method	Depreciation period (Year)	Residual rate(%)	Annual depreciation rate (%)
Buildings	straight-line depreciation	8-50	5	1.90—12.00
Electronic equipment	straight-line depreciation	3-10	4、5	9.50—32.00
Machinery equipment	straight-line depreciation	5-28	4、5	3.39—19.20
Transport equipment	straight-line depreciation	5-10	4、5	9.50—19.20
Office equipment	straight-line depreciation	3-10	4、5	9.50—32.00
Other equipment	straight-line depreciation	5-28	4、5	3.39—19.20

The estimated net residual value refers to the expected state after the estimated useful life of the fixed assets has expired and is at the end of its useful life. The amount currently obtained by the Company from the disposal of the assets after deducting the estimated disposal expenses.

### (3) Impairment test method and Impairment provision method for fixed assets

For details of Impairment test method and impairment provision method for fixed assets, please refer to Note IV.20 “Long-Term Asset Impairment”.

### (4) Recognition basis and valuation method of fixed assets acquired by finance lease

A finance lease is a lease that transfers substantially all the risks and rewards associated with ownership of an asset, and its ownership may or may not be transferred. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the depreciation shall be calculated within the useful life of the leased asset; If it is not reasonable to determine the ownership of the leased asset at the expiration of the lease term, depreciation shall be calculated within a relatively short period of the lease term and the service life of the leased assets.

### (5) Others

The subsequent expenses related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs can be reliably measured, are included in the cost of fixed assets and the book value of the replaced part should be terminated. The subsequent expenditures other than mentioned as above are recognized in profit or loss in the period in which they are incurred.

The fixed asset is derecognized when the fixed asset is in disposal or is not expected to generate economic benefits by using or disposal. The difference between the disposal income from the sale, transfer, retirement or damage of the fixed assets less the carrying amount and related taxes is recognized in profit or loss for the current period.

The Company reviews the useful life, estimated net residual value and depreciation method of fixed assets at least at the end of the year, and changes as an accounting estimate if changes occur.

## 16. Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including various project

expenditures incurred during the construction period, capitalized borrowing costs before the project reaches the expected usable status, and other related expenses. Construction in progress is carried forward to fixed assets when it is ready for its intended use.

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

### **17. Borrowing Costs**

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings. Borrowing costs directly attributable to the acquisition, construction or production of assets eligible for capitalization, capitalization is began when asset expenditures have occurred, borrowing costs have occurred, and the acquisition, construction or production activities necessary to bring the assets to the intended usable or saleable state have begun. And capitalization is stopped when the assets under construction or production that meet the capitalization conditions are ready for their intended use or saleable status. The remaining borrowing costs are recognized as an expense in the period in which they are incurred.

The interest expenses actually incurred in the current period of special borrowings shall be capitalized after subtracting the interest income from the unused borrowing funds deposited into the bank or the investment income obtained from the temporary investment. For the general borrowings, according to the accumulated asset expenditures exceed the special borrowings. The capitalization amount is determined by multiplying the weighted average of which accumulated asset expenditure exceeds the asset expenditure of the special borrowing portion by the capitalization rate of the general borrowings used. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

During the capitalization period, the exchange differences of foreign currency special borrowings are all capitalized; the exchange differences of foreign currency general borrowings are included in the current profit and loss.

Assets eligible for capitalization refer to assets such as fixed assets, investment property and inventories that require a substantial period of acquisition, construction or production activities to achieve the intended use or sale status.

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

### **18. Intangible assets**

#### **(1) Intangible assets**

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

Intangible assets are initially measured at cost. Expenditure related to intangible assets is included in the cost of

intangible assets if the relevant economic benefits are likely to flow to the Company and its costs can be measured reliably. Expenditure on other items other than this is recognized in profit and loss when incurred.

The acquired land use rights are usually accounted for as intangible assets. The related land use rights and building construction costs of self-developed and constructed buildings are accounted for as intangible assets and fixed assets, respectively. In the case of purchased houses and buildings, the relevant price is distributed between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them are treated as fixed assets.

Since the intangible assets with limited useful life are available for use, the original value minus the estimated net residual value and the accumulated amount of impairment reserve shall be amortized by the straight-line method during their expected service life. Intangible assets with uncertain service life shall not be amortized.

Among them, the useful life and amortization method of intellectual property are as follows:

Item	Useful life (year)	Amortization method
Trademark	20	Straight-line method

At the end of the period, the useful life and amortization methods of intangible assets with limited useful life are reviewed, and if any change occurs, it is treated as a change of accounting estimate. In addition, the useful life of intangible assets with uncertain service life is also reviewed. If there is evidence that the period for which the intangible assets bring economic benefits to the enterprise is foreseeable, the useful life of intangible assets is estimated and amortized according to the amortization policy of intangible assets with limited useful life

#### (2) Research and development expenditure

The company's expenditure for internal research and development project is divided into research phase expenditure and development phase expenditure.

Expenditures for the research phase shall be recognized in profit or loss when incurred.

Expenditures for the development phase that meet the following conditions shall be recognized as intangible assets, and expenditures in the development stage that fail to meet the following conditions are included in current profit and loss:

- a. It is technically feasible to complete the intangible asset to enable it to be used or sold.
- b. The intent to complete the intangible asset and use or sell it;
- c. The way in which intangible assets generate economic benefits, including the ability to prove that the products produced from the intangible assets having a market or the intangible assets having a market, and the intangible assets will be used internally, which can prove its usefulness;
- d. sufficient technical, financial resources and other resources for supporting the development of the intangible assets and the ability to use or sell the intangible assets.
- e. Expenditure attributable to the development phase of the intangible asset can be reliably measured.

If it is impossible to distinguish the expenditures between research phase and development phase, all research and development expenditures incurred will be included in the current profit and loss.

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

For details of the impairment test method and impairment provision method, please refer to Note IV. 20 “Long-Term Asset Impairment”.

### **19. Long-term Deferred Expenses**

The long-term deferred expenses are all expenses that have occurred but shall be borne by the reporting period and subsequent periods with amortization period of more than one year. The company's long-term deferred expenses mainly include lease of land use right and renovation costs of factory building. Long-term deferred expenses are amortized on a straight-line basis over the estimated benefit period.

### **20. Long-term assets impairment**

For fixed assets, construction in progress, intangible assets with limited useful life, investment property measured by cost model, and non-current non-financial assets such as long-term equity investments in subsidiaries, joint ventures and associates, the Company determines whether there is any indication of impairment on the balance sheet date. If there is any indication of impairment, the recoverable amount is estimated and the impairment test is carried out. Goodwill, intangible assets with uncertain service life and intangible assets that not yet ready for use are tested for impairment annually, regardless of whether there is any indication of impairment.

If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision is made based on the difference and is included in the impairment loss. The recoverable amount is the higher of the fair value of the asset less the disposal expense and the present value of the estimated future cash flow of the asset. The fair value of assets is determined according to the sale agreement price in a fair transaction. If there is no sales agreement but there is an active market for the asset, the fair value is determined according to the buyer's bid for the asset; if there is neither sales agreement nor active market for assets, the fair value of assets shall be estimated based on the best information available. Asset disposal expenses include legal fee, taxes, transportation expenses and direct expenses incurred to make assets saleable. The present value of the estimated future cash flow of an asset is determined by the appropriate discount rate discounting and the estimated future cash flow generated by the asset during its continuous use and final disposal. The asset impairment provision is calculated and confirmed based on individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset is determined by the asset group which the asset belongs to. An asset group is the smallest portfolio of assets that can generate cash inflows independently.

The book value of the goodwill listed separately in the financial statements is amortized into asset groups or portfolios that are expected to benefit from the synergies of business combinations when impairment tests are conducted. The test results show that the recoverable amount of the asset group or portfolio containing the assessed goodwill is lower than its book value, the corresponding impairment losses should be confirmed. The amount of

impairment loss is first deducted from the book value of the goodwill amortized to the asset group or portfolio, and then deducted proportionally from the book value of other assets according to the proportion of the book value of assets other than goodwill in the asset group or portfolio.

Once the above asset impairment loss is confirmed, it will not be reversed to the part where the value is restored in the future period.

## **21. Employee Compensation**

The Company's employee compensation mainly includes short-term employee remuneration, Post-employment Benefits, Termination Benefits and benefits for other long-term employee. Among them:

Short-term employees remuneration mainly includes wages, bonuses, allowances and subsidies, employee welfare fees, medical insurance premiums, maternity insurance premiums, work injury insurance premiums, housing fund, labor union funds, employee education funds, and non-monetary benefits. The Company recognizes the actual short-term employee's remuneration as a liability in the accounting period in which employees provide services to the Company and recognizes them in profit or loss or related asset costs. Non-monetary benefits are measured at fair value.

Post-employment Benefits mainly include basic retirement security, unemployment insurance, and annuities. The Post-employment Benefit Scheme includes a Defined Contribution Plan and a Defined Benefit Plan. If a Defined Contribution Plan is adopted, the corresponding amount of the deposit shall be included in the relevant asset cost or current profit and loss as incurred. (1) The Defined Contribution Plan is recognized as a liability based on a fixed fee paid to an independent fund and is included in the current profit and loss or related asset costs; (2) The Defined Benefit Plan is accounted for using the expected cumulative benefits unit method. Specifically, the Company will convert the welfare obligation arising from the Defined Benefit Plan into the final value of the departure time according to the formula determined by the expected cumulative benefits unit method; then it is attributed to the employee's in-service period and is included in the current profit and loss or related asset cost.

If the labor relationship with the employee is terminated before the employee's labor contract expires, or if the employee is encouraged to accept the reduction voluntarily, when cannot withdrawing unilaterally the dismissal benefits provided by the termination of the labor relationship plan or the reduction proposal, and when confirming the costs associated with the restructuring involving the payment of the dismissal benefits, whichever is earlier, the Company will recognize the employee compensation liabilities arising from the dismissal benefits, and included in the current profit and loss. However, if the dismissal benefits are not expected to be fully paid within 12 months after the end of annual reporting period, they shall be treated in accordance with other long-term employee compensations.

The internal retirement plan for employees shall be treated in the same way as the above-mentioned dismissal benefits. The company will pay the internal retired staff the salary and the social insurance premiums from the employee's lay-off to normal retirement, and will include in the current profit and loss (dismissal benefits) when the conditions of the estimated liabilities are met.

If the other long-term employee benefits provided by the Company to the employees are in line with the Defined

Contribution Plan, they shall be accounted for Defined Contribution Plan, and otherwise accounted for the Defined Benefit Plan.

## **22. Estimated liabilities**

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

On the balance sheet date, taking into account factors such as risks, uncertainties and time value of money related to contingencies, the estimated liabilities are measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations.

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

### **(1) Loss Contract**

A loss contract is a contract in which the cost of fulfilling a contractual obligation will inevitably occur more than the expected economic benefit. If the contract to be executed becomes a loss contract, and the obligation arising from the loss contract satisfies the conditions for the recognition of the above-mentioned estimated liabilities, the portion of the contract's estimated loss that exceeds the recognized impairment loss (if any) of the contracted asset is recognized as the estimated liability.

### **(2) Restructuring Obligations**

For restructuring plans that are detailed, formal, and have been announced to the public, the amount of the estimated liabilities are determined based on the direct expenses related to the reorganization, subject to the recognition conditions of the aforementioned estimated liabilities. For the restructuring obligation to the part of business sold, the obligation related to the reorganization is confirmed only when the company promises to sell part of the business (that is, when the binding sale agreement is signed).

## **23. Share-based Payments**

### **(1) Accounting Treatment of Share-based Payments**

A share-based payment is a transaction that grants an equity instrument or assumes a liability determined based on an equity instrument in order to obtain services from employees or other parties. Share-based Payments include equity-settled share payment and cash-settled share payment.

#### **a) Equity-settled Share Payment**

The equity-settled share payment in exchange for the services from employee is measured at the fair value of the granting of employees' equity instruments at the grant date. If the fair value is vested in the completion of the waiting period of service or the fulfillment of the required performance conditions, during the waiting period, the amount of the



fair value is calculated by the straight-line method into the relevant costs or expenses based on the best estimate of the number of vesting equity instruments; Or If the vesting right is granted immediately after the grant, the calculation of the amount of the fair value is included in the relevant cost or expense on the grant date, and the capital reserve is increased accordingly.

On each balance sheet date during the waiting period, the Company makes the best estimate based on the latest information on the changes in the number of employees with vesting rights and corrects the number of equity instruments that are expected to be vested. The impact of the above estimates shall be included in the current related costs or expenses, and the capital reserve is adjusted accordingly.

In the case of equity-settled share-based payments in exchange for other parties' services, if the fair value of other parties' services can be reliably measured, the fair value of other services shall be measured at the fair value on the date of acquisition; If the fair value of the other party's services cannot be measured reliably, the fair value shall be measured at the fair value of the equity instrument at the date the service is acquired, and is included in the relevant cost or expense, which increases the shareholders' equity accordingly.

#### b) Cash-settled Share Payment

The cash-settled share payment is measured at the fair value of the liabilities determined by the Company based on shares or other equity instruments. If the vesting right is available immediately after the grant, the relevant costs or expenses shall be included on the date of grant, and the liabilities shall be increased accordingly; if vesting right is available after the service is completed within the waiting period or met the required performance conditions, based on the best estimate of the vesting rights on each balance sheet date of the waiting period, according to the fair value of the liabilities assumed by the company, the services obtained in the current period are included in the cost or expense, and the liabilities are increased accordingly.

The fair value of the liabilities shall be re-measured on each balance sheet date and settlement date before the settlement of the relevant liabilities, and the changes shall be recorded in the profit and loss of the current period.

#### **(2) Relevant Accounting Treatment of share-based payment plan's modification and termination**

When the Company modifies the share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in the fair value of the equity instruments is recognized accordingly. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not conducive to the employee, the service obtained shall continue to be accounted for, as if the change has never occurred, unless the Company cancels some or all of equity instruments.

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included in the current profit and loss, and the capital reserve will be recognized. If the employee or other party can choose to meet the non-vesting conditions but fails to meet the waiting period, the Company will treat it as a

cancellation of the equity instrument.

### **(3) Accounting Treatment of Share Payment Transactions between the Company and its Shareholders or Actual Controllers**

In respect of the share-based payment transaction between the company and the shareholders or actual controllers of the company, If one of the settlement enterprise and the service receiving enterprise is in the company and the other is outside the company, it shall be accounted for in the consolidated financial statements of the company according to the following provisions:

a.) If the settlement enterprise settles with its own equity instrument, the share-based payment transaction shall be treated as equity-settled share-based payment; otherwise, it shall be treated as a cash-settled share-based payment.

If the settlement enterprise is an investor of a serviced enterprise, it shall be recognized as the long-term equity investment of the serviced enterprise according to the fair value of the equity instrument at the grant date or the fair value of the liability to be assumed, and the capital reserve (other capital reserve) or liabilities shall be recognized.

b.) If the serviced enterprise has no settlement obligation or grants its own employees the equity instruments, the share payment transaction shall be treated as equity-settled share payment; if the serviced enterprise has settlement obligation and grants its employees other than its own equity instruments, the share payment transaction shall be treated as a cash-settled share payment.

For the share based payment incurred between companies within the group, if the serviced enterprise and settlement enterprise are not the same, then the payment should be recognized and measured in their individual financial statements, they should be accounted for using the above principles

## **24. Preferred Stock, Perpetual Capital Securities and Other Financial Instruments**

### **(1) Distinction between perpetual capital securities and Preferred Stock**

Financial instruments such as perpetual bonds and preferred stocks issued by the Company, as well as meeting the following conditions, shall be used as equity instruments:

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

b.) In the case of the financial instrument is to be settled or available with the company's own equity instruments in the future, if the financial instrument is a non-derivative, it does not include the contractual obligation to deliver a variable amount of its own equity instruments; if it is a derivative, the Company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

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

If the financial instruments issued by the Company are compound financial instruments, they are recognized as a

liability based on the fair value of the liability component, and are recognized as “other equity instruments” based on the amount actually received after deducting the fair value of the liability component. The transaction costs incurred in issuing a compound financial instrument are apportioned in proportion to their respective total issue price between the liability component and the equity component.

## **(2) Accounting treatment methods such as perpetual capital securities and preferred stocks**

Related interest, dividends, gains or losses of financial instruments such as perpetual capital securities and preferred stocks classified as financial liabilities, and gains or losses arising from redemption or refinancing, are included in the current profits and losses except for borrowing costs that meet the capitalization conditions (see Note 4, 17 “Borrowing Fees”).

When financial instruments such as perpetual capital securities and preferred stocks classified as equity instruments are issued (including refinancing), repurchased, sold or cancelled, the Company shall treat it as a change in equity, and related transaction costs are also deducted from equity. The Company's allocation of equity instrument holders is treated as profit distribution.

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

## **25. Revenue**

The company's operating income of mainly includes income from sales of goods, providing services, royalties, and interest. When the company signs a contract, it evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time. The company recognizes revenue separately when it has fulfilled each individual performance obligation in the contract.

### **(1) Revenue recognition for completion of performance obligations at a certain point in time**

The company's sales usually take into account the following factors to confirm revenue at the point when the customer obtains control of the relevant merchandise: ①The company has the current right to receive payment for the goods or services. ②The company has transferred control of the product to the customer. ③The company has transferred the goods in kind to the customer or the customer has obtained the qualification for the goods in kind. ④The consideration obtained by the company for the transfer of the commodity is likely to be recovered.

The specific principles of the company's sales revenue recognition are as follows: the sales revenue is recognized when the goods have been delivered to the customer and the customer has signed for confirmation, or the product ownership certificate has been delivered to the customer, the company has received the payment or has obtained the proof of claiming payment.

### **(2) Revenue recognition of performance obligations performed within a certain period of time**

For performance obligations performed within a certain period, such as services provided, the company recognizes revenue in accordance with the performance progress during that period. On the balance sheet date, the company shall

multiply the total transaction price of the contract by the performance progress after deducting the accumulated revenue and recognize it as current revenue.

The company has transferred goods or services to customers and has the right to receive consideration (and the right depends on other factors other than the passage of time) as contract assets, and contract assets are devalued on the basis of expected credit losses. The company's unconditional (only depending on the passage of time) right to collect consideration from customers are listed as receivables. The company's obligation to transfer goods or services to customers for consideration received or receivable from customers is listed as contract liabilities.

## **26. Government grants**

Government grant refers to the company's acquisition of monetary and non-monetary assets from the government free of charge, excluding the capital invested by the government as an investor and enjoying the corresponding owner's rights and interests. Government grants include assets-related grants and revenue-related grants. The company defines the government grant obtained for the purchase and construction of long-term assets or for the formation of long-term assets in other ways as the government grant related to assets; the remaining government grant is defined as the government grant related to income. If the object of grants is not specified in government documents, the grants shall be divided into income-related government grants and assets-related government grants in the following ways: (1) If the government document clarifies the specific project for which the grant is targeted, the proportion of the expenditure amount of the assets to be formed and the amount of the expenditures included in the expenses in the budget of the specific project are divided, and the proportion of grant division needs to be reviewed on each balance sheet day and changed if necessary. (2) In government documents, if the purpose is expressed only in general terms and no specific project is specified, the grant shall be regarded as a government grant related to the income. Where a government grant is a monetary asset, it shall be measured according to the amount received or receivable. If the government grants are non-monetary assets, they shall be measured at the fair value; if the fair value cannot be obtained reliably, they shall be measured at the nominal amount. Government grants measured in nominal amounts shall be recognized directly in current profits and losses.

The Company usually confirms and measures the government grant according to the amount when it is actually received. However, if there is conclusive evidence at the end of the period that the relevant conditions stipulated in the financial support policy can be met and the financial support funds are expected to be received, it shall be measured according to the amount receivable. Government grants measured in accordance with the amount receivable shall meet the following conditions at the same time: (1) The amount of the subvention receivable has been confirmed by the authorized government departments, or can be reasonably calculated according to the relevant provisions of the formally issued financial fund management measures, and there is no significant uncertainty in the amount expected; (2) According to the "Regulations on the Openness of Government Information" that the local financial department officially released and in accordance with the provisions of the "Regulations on the Openness of Government Information," the financial support project and its financial fund management measures should be inclusive (any

eligible enterprise can apply for them), rather than being specifically tailored to specific companies; (3) The relevant grant approval has clearly promised the payment period, and the allocation of the payment is guaranteed by the corresponding budget, so it can be reasonably ensure that it can be received within the prescribed time limit; (4) Other relevant conditions (if any) to be met in accordance with the specific circumstances of the Company and the grants.

Government grants related to assets are recognized as deferred earnings and are divided into current profits and losses in a reasonable and systematic way during the service life of the assets concerned. The government grants related to revenue, which are used to compensate for the related cost or loss in the subsequent period, shall be recognized as deferred income, and shall be recognized in profit or loss in the period in which the related costs or losses are recognized; if it is used to compensate the related costs or losses that has occurred, it shall be directly recognized in the current profit and loss.

It includes government grants related to both assets and income, and different parts are separately classified for accounting treatment; if it is difficult to distinguish, the whole is classified as government grants related to income.

Government grants related to the daily activities of the Company shall be included in other income or cost deductions according to the nature of the economic business; government subsidies unrelated to daily activities shall be included in the non-operating revenues and expenses.

When the recognized government grants need to be returned, if there are relevant deferred earnings balances, the book balance of related deferred earnings shall be deducted, and the excess part shall be included in the current profits and losses or the book value of assets shall be adjusted, otherwise, the book value of assets shall be directly included in the current profits and losses.

## **27. Deferred Income Tax Assets / Deferred Income Tax Liabilities**

### **(1) Current Income Tax**

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

### **(2) Deferred Income Tax Assets and Deferred Income Tax Liabilities**

The difference between the book value of certain assets and liabilities and their tax basis, and the temporary difference between the book value of items that are not recognized as assets and liabilities but which can be determined as their tax basis according to the tax law, are confirmed by the balance sheet liability method.

Taxable temporary differences which related to the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit or taxable income (or deductible loss), relevant deferred income tax liabilities shall not be recognized. In addition, for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, if the Company is able to

control the turnaround time of temporary differences, and the temporary difference is unlikely to be reversed in the foreseeable future, the related deferred income tax liabilities shall not be recognized. Except for the above exceptions, the Company recognizes all other deferred income tax liabilities arising from taxable temporary differences.

Taxable temporary differences which related to the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit or taxable income (or deductible loss), relevant deferred income tax liabilities shall not be recognized. In addition, for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future, or the amount of taxable income used to offset the temporary difference is unlikely to be obtained in the future, the deferred income tax assets concerned shall not be recognized. Except for the above exceptions, the Company recognizes other deferred income tax assets that can offset temporary differences, subject to the amount of taxable income that is likely to be obtained to offset temporary differences.

For deductible losses and tax credits that can be carried forward in subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that the future taxable income shall be used to offset the deductible losses and tax credits.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

On the balance sheet date, the book value of deferred income tax assets is reviewed, and the book value of deferred income tax assets is written down if it is likely that sufficient taxable income will not be available to offset the benefits of deferred income tax assets in the future. When it is possible to obtain sufficient taxable income, the amount written down shall be reversed.

### **(3) Income tax expenses**

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

In addition to recognizing that the current income tax and deferred income tax related to other transactions and matters directly included in shareholder's rights and interests shall be recognized in other comprehensive income or shareholder's rights and interests, and the book value of adjusted goodwill from deferred income tax resulting from the merger of enterprises, the other current income tax and deferred income tax expenses or gains shall be recognized in profit or loss for the current period.

### **(4) Offset of Income Tax**

When the company has legal rights to settle on a net basis, and intends to settle on a net basis or acquire assets and pay off liabilities at the same time, the company's current income tax assets and current income tax liabilities shall be presented on a net basis after the offset.

When it has the legal right to settle current income tax assets and current income tax liabilities on a net basis, and

deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same tax payer or to different tax payers, but in the future, during each important period of deferred income tax assets and liabilities being reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis, or acquire assets and pay off liabilities simultaneously, the deferred the income tax assets and deferred income tax liabilities of the Company shall be presented on a net basis after offset.

## **28. Lease**

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

### **(1) The Company records operating lease business as a lessee.**

Rental expenses for operating leases shall be included in the related asset costs or current profits and losses in the straight-line method during each period of the lease period. The initial direct costs shall be included in the current profits and losses. Contingent rentals shall be recognized in profits and losses when incurred.

### **(2) The company records operating lease business as a lessor**

The rental income of operating lease shall be recognized as current profit and loss according to the straight-line method during each period of the lease period. The larger initial direct expenses are capitalized when occurring, and the profits and losses of the current period shall be recorded in stages on the same basis as the recognized rental income during the whole lease period; the smaller initial direct expenses shall be recorded in the profits and losses of the current period when occurring. Contingent rentals shall be included in current profits and losses when actually occurring.

### **(3) The company records finance lease business as a lessee**

At the beginning of the lease period, the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease start date is regarded as the entry value of the leased assets, and the lowest lease payment shall be regarded as the entry value of the long-term payables, and the difference shall be regarded as the unrecognized financing cost. In addition, the initial direct costs attributable to the lease project shall also be included in the value of the leased assets when they occur during the lease negotiation and the signing of the lease contract. The balance of the minimum lease payment after deducting the unrecognized financing costs shall be presented as long-term liabilities and long-term liabilities due within one year, respectively.

The unrecognized financing cost shall be calculated by the real interest rate method during the lease period. Contingent rentals shall be included in current profits and losses when actually occurring.

### **(4) The company records finance lease business as a lessor**

At the beginning of the lease period, the sum of the minimum lease receipt and the initial direct cost on the lease start date is regarded as the entry value of the financial lease receivable, and the unsecured balance shall be recorded. The difference between the sum of the minimum lease receivable, the initial direct cost and the unsecured balance and the sum of its present value is recognized as the unrealized financing income. The balance of the receivable financial

lease after deducting the unrealized financial income shall be presented as long-term claims and long-term claims maturing within one year, respectively.

The unrealized financing income shall be calculated and confirmed by the real interest rate method during the lease period. Contingent rentals shall be recognized in current profits and losses when actually occurring.

## **29. Other important accounting policies and accounting estimates**

### **(1) Termination of business**

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

For the accounting treatment methods for termination of operations, please refer to the relevant descriptions in Note 4, 12 “Assets held for sale and disposal group”.

### **(2) Hedge accounting**

In order to avoid some risks, the Company hedges some financial instruments as hedging instruments. For the hedges meeting the specified conditions, the Company adopts the hedge accounting method for treatment. The hedging of the Company is fair value hedging.

At the beginning of hedging, the Company formally designates hedging instruments and hedged items, and prepares written documents on hedging relationship and risk management strategy and risk management objectives of the Company engaged in hedging. In addition, the Company will continuously evaluate the effectiveness of hedging at the beginning and after the hedging.

### **(3) Fair value hedging**

If a hedging instrument is designated as a fair value hedge and meets the conditions, the profits or losses arising therefrom shall be included into the current profits and losses. If the hedging instrument hedges the non-trading equity instrument investment (or its components) that is measured at fair value and whose changes are included in other comprehensive income, the gains and losses generated by the hedging instrument are included in other comprehensive income. The profit or loss of the hedged item due to the hedged risk exposure shall be included into the current profits and losses, and the book value of the hedged item shall be adjusted at the same time. If the hedged item is measured at fair value, the gain or loss of the hedged item due to the hedged risk does not need to adjust the book value of the hedged item, and the relevant gains and losses are included into the current profits and losses or other comprehensive income.

When the Company cancels the designation of the hedging relationship, the hedging instrument has expired or been sold, the contract has been terminated or exercised, or no longer meets the conditions for the application of hedge



accounting, the application of hedge accounting shall be terminated.

### **30. Changes in significant accounting policies and estimates**

#### **(1) Changes of accounting policies**

On July 5, 2017, the Ministry of Finance issued Accounting Standards for Business Enterprises No.14-Revenue (Revised in 2017) (CK [2017] No. 22), requiring domestic and board listed enterprises or board listed enterprise that adopt international financial reporting standards or accounting standards for business enterprise to implement the new financial instrument criteria from January 1, 2018, others did in January 1, 2020. According to new financial standards and notices above issued by the Ministry of Finance, the Company implemented the new financial revenue standard, which did not adjust for the comparative financial statements.

#### **(2) Changes in Accounting Estimates**

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

### **31. Significant accounting judgments and estimates**

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

The Company reviews the aforesaid judgments, estimates and assumptions on a regular basis on the basis of going concern. If the change of accounting estimates only affects the current period of change, the number of impacts shall be recognized in the current period of change. If the change affects both the current and future periods, the number of impacts will be confirmed in the current and future periods of the change.

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

#### **(1) Impairment of financial assets**

The Company uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, and all reasonable and basis information, including forward-looking information, shall be considered. In making these judgments and estimates, the Company deduces the expected changes in the debtor's credit risk based on historical data and combined with economic policies, macroeconomic indicators, industry risks, external market environment, technological environment, changes in customer conditions and other factors.

#### **(2) Inventory falling price reserves**

According to the inventory accounting policy, the Company measures according to the lower of cost and net realizable value. For the inventory whose cost is higher than net realizable value and which is obsolete and unsalable, the Company makes provision for inventory falling price. Impairment of inventories to net realizable value is based on the evaluation of the marketability of inventories and their net realizable value. The appraisal of impairment of inventories requires the management to make judgment and estimation on the basis of obtaining conclusive evidence and considering factors such as the purpose of holding inventories and the influence of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventory and the accrual or reversal of inventory depreciation reserve during the period when the estimate is changed.

### **(3) Provision for impairment of long-term assets**

On the balance sheet date, the Company judges whether there are signs of possible impairment for non-current assets other than financial assets. For intangible assets with uncertain service life, in addition to the annual impairment test, the impairment test is also carried out when there are signs of impairment. Other non-current assets other than financial assets shall be tested for impairment when there are indications that their book amounts are not recoverable.

When the book value of an asset or asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value minus the disposal expenses and the present value of the estimated future cash flow, it indicates that an impairment has occurred

The net amount of the fair value less the disposal expenses shall be determined by referring to the sales agreement price or observable market price of similar assets in fair transactions, and deducting the incremental cost directly attributable to the disposal of such assets.

When estimating the present value of future cash flow, it is necessary to make a significant judgment on the output, sales price, related operating costs and the discount rate used in the calculation of the present value of the asset (or asset group). In estimating the recoverable amount, the Company will use all relevant information available, including forecasts of production, selling price and related operating costs based on reasonable and supportable assumptions.

The Company shall test whether goodwill is impaired at least every year. This requires an estimate of the present value of the future cash flows of the asset group or portfolio of asset groups to which goodwill has been allocated. When predicting the present value of future cash flow, the Company needs to predict the cash flow generated by the future asset group or asset group portfolio, and at the same time, select the appropriate discount rate to determine the present value of future cash flow.

### **(4) Depreciation and amortization**

After considering the residual value of investment real estate, fixed assets and intangible assets, the Company will accrue depreciation and amortization on a straight-line basis during their service lives. The Company reviews the service life regularly to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Company based on the past experience of similar assets and in portfolio with the expected technological updates. If there is a significant change in previous estimates, the depreciation

and amortization charges will be adjusted in the future.

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

To the extent that there is likely to be sufficient taxable profits to offset the losses, the Company recognizes deferred income tax assets for all unused tax losses. This requires the Company's management to use a large number of judgments to estimate the time and amount of future taxable profits, combined with tax planning strategies, to determine the amount of deferred income tax assets to be recognized.

#### **(6) Income tax**

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be paid before tax requires the approval of the tax authorities. If there is a difference between the final determination result of these tax matters and the amount initially estimated, the difference will have an impact on the current income tax and deferred income tax during the final determination period.

#### **(7) Accrued liabilities**

According to the terms of the contract, existing knowledge and historical experience, the Company estimates and makes corresponding provision for product quality assurance, estimated contract losses, liquidated damages for delayed delivery, etc. In the event that such contingencies have formed a current obligation and the performance of the current obligations is likely to result in outflow of economic benefits from the Company, the Company recognizes the contingencies as estimated liabilities based on the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of the estimated liabilities depend to a large extent on the judgment of the management. In the process of judgment, the Company needs to evaluate the risks, uncertainties, time value of money and other factors related to these contingencies.

Among them, the Company will make an estimated liability for the after-sales quality maintenance commitments provided to customers for the sale, maintenance and renovation of the goods sold. The Company's recent maintenance experience data have been taken into account when estimating liabilities, but the recent maintenance experience may not reflect the future maintenance situation. Any increase or decrease in this provision may affect the profit and loss in the future years.

#### **(8) Fair value measurement**

Certain assets and liabilities of the Company are measured at fair value in the financial statements. When estimating the fair value of an asset or liability, the Company adopts the available observable market data available. If the first level input value cannot be obtained, the Company will employ a qualified third-party appraiser to perform the appraisal. The Valuation Committee works closely with qualified external valuers to determine the appropriate valuation techniques and inputs to the relevant models. The CFO shall report the findings of the Valuation Committee to the Board of Directors of the Company on a quarterly basis to explain the reasons for the fluctuation of the fair value of the relevant assets and liabilities. Relevant information on valuation techniques and input values used in determining the

fair values of various assets and liabilities is disclosed in Note 10, Disclosure.

## V. Taxes

### 1. Main Taxes and Tax Rates

Types	Tax Basis	Tax Rate
Value Added Tax	After deducting the allowable amount of input tax deducted in the current period, the difference between the sales of goods, taxable services and taxable services income calculated in accordance with the provisions of the Tax Law is the taxable value-added tax.	3%、5%、6%、9%、10%、13%、16%
Urban Maintenance & Construction Tax	According to the actual value-added tax	5%、7%
extra charges of education funds	According to value added tax and consumption tax on the basis of actual payment	3%
Local Extra Charges of Education Funds	According to value added tax and consumption tax on the basis of actual payment	1.5%、2%
Corporate Taxes	According to taxable income	15%、17%、25%
Property Tax	According to 70% of original value of the real estate (or rental income) as the tax base; according to the original value of the real estate deducted 30% at a time.	1.2%、8%、12%
Land Value Increment Tax	According to Real Estates Income; According to the transfer of real estate amount of simple levy	1.5%、5%

The applicable VAT rates for taxable sales or import goods are 16%/10%, According to the announcement issued by Ministry of Finance, State Administration of Taxation and China Custom about the policy relating to deepening VAT reform (Announcement by Ministry of Finance, State Administration of Taxation and China Custom (2018) No.39), from 1st April 2019 onwards, the applicable rates are adjusted to 13%/9%. Meanwhile, the company can deduct VAT by additional deductible rate of 10% from 1st April 2019 to 31st December 2021 because of its business nature as service provider.

Notes on tax payers of different enterprise income tax rates:

Tax Payers	Income Tax Rate
Jingliang (Singapore) International Trade Co., Ltd.	17%
Beijing Guchuan Bread Food Co., Ltd.	15%

### 2. Tax Preferences and Approval Documents

Hangzhou Linan Little Angel Food Co., Ltd., a 4th tier subsidiary company of the Company, is a welfare enterprise. It enjoys the preferential VAT policy of immediate refund upon payment of 35,000 yuan per person per year for Promoting the Employment of Disabled Persons in 2015 and April 2016. Since May 2016, it has enjoyed the preferential VAT policy of immediate refund upon payment in Preferential Value-Added Tax Policies for Promoting the Employment of Disabled Persons (CaiShui [2016] No.52).

In accordance with the relevant provisions of Ministry of Finance and State Administration of Taxation “Notice on Preferential Enterprise Income Tax Policies for Employment of Persons with Disabilities”(Cai Shui[2009] No.70),

Hangzhou Linan Little Angel Food Co., Ltd. , a 4th tier subsidiary company of the Company: Where an enterprise employs persons with disabilities, on the basis of deduction according to the wages paid to the disabled workers, it may deduct the amount of taxable income according to 100% of the wages paid to the disabled workers.

According to the announcement of Zhejiang Provincial Tax Bureau (No. 8, 2014), Hangzhou Linan Little Angel Food Co., Ltd. , a 4th subsidiary company of the Company, can enjoy the preferential policy of reducing the urban land use tax by an annual quota of 2,000 yuan per person for the average number of actual resettlement, and the maximum amount of reduction is the urban land use tax payable by the unit in the current year.

According to the announcement No.10, 2018 issued by Shandong Provincial Tax Bureau, tax base of the stamp duties tax for industrial enterprise's contract is based on procurement and sales, tax rate is 50% of revenue. Linqing Xlaowangzi Food Limited paid stamp duties tax from January to September,2018 based on 130% of revenue, from October, 2018, compute this tax based on 50% of the revenue

Company's level 4 subsidiary-Liaoning Xiaowangzi Food Limited, according to the Supplementary Announcement on Land Use Tax issued by Ministry of Finance and State Administration of Taxation (89) GSDZ No.140 Clause 13 states that public land such as municipal street, square, public green etc. can be exempted from land use tax, when computing land use tax, the area used in the computation is total area less the area for afforest and street

Jingliang (Singapore) International Trade Co., Ltd., a 3rd tier subsidiary of the Company, levies taxes on the principle of territoriality. For the subsidiary newly established in Singaporean, during the first consecutive three audit year, can enjoy the first three-year government tax exemption plan. Singapore's tax exemption plan is as follows: the first SGD 100,000 of annual income and the first SGD100,000: tax rate of 0. Parts of SGD100,001 to 300,000: tax rate 8.5%. Over \$300,000 at tax rate 17%.

Beijing Guchuan Bread&Food Co., Ltd., a 3rd tier subsidiary of the Company, is a high-tech enterprise. On November 30, 2018, it obtained the certificate of high-tech enterprise and the certificate number GR201811007245. It is valid for three years. It enjoys the preferential tax policy of paying enterprise income tax at the 15% tax rate according to the relevant provisions of both "Law of the People's Republic of China on Tax Collection and Administration" and "Rules for the Implementation of the Tax Collection and Administration Law of the People's Republic of China".

The company level 4 subsidiary Jingliang (Hebei) Oil Industry Co., Ltd., according to the financial department documents, local taxation bureau in Hebei province, Hebei province document ji caishui [2019] no. 56 "about parts reserve commodity announcement concerning the tax policy, accounting books shall be exempt from stamp duty for funds, to undertake business book stand in the process of buying and selling contract commodity reserves shall be exempt from stamp duty, other parties in the contract should pay the stamp duty shall also be subject to duty-payment according to the parties. Property tax and land use tax of cities and towns shall be exempted from the property tax and land use tax of cities and towns that undertake the business of commodity reserve for their own use. The notice will be executed on January 1, 2019 and will terminate on 31<sup>st</sup> December., 2021.

Jingliang (Hebei) Oil Industry Co., Ltd., a 4th subsidiary company of the Company, exempts the sale of edible

vegetable oil stored by the government from VAT according to “Notice of the Ministry of Finance and the State Administration of Taxation on the Levy and Exemption of Value Added Tax for Food Enterprises” (Cai Shui [1999] No.198)

The company level 3 subsidiary Beijing Tianweikang Grease Diaoxiao Center Co., LTD., according to the national tax administration of the ministry of finance, the notice about food enterprises exempted from VAT tax word (1999), article 5, 198, responsible for collection and storage of grain purchase and sale of state-owned grain enterprises and business duty-free items listed in the notice of other food business, and government reserves edible vegetable oil sales enterprises, which should be examined by the competent tax authorities deemed tax-exempt status, not reported to the competent tax authorities where the audit determined that no exemption, From June 1, 2017 to December 31, 1999, the company will exempt edible vegetable oil stored by the government from VAT.

The level 2 subsidiary of the company-Jingliang Caofeidian Agricultural Development Limited, according to the document JTCFDST(2018) No. 1539765025415 issued by tax authority of Caofeidian District, Tangshan, affiliated to State Administration of Taxation, and also followed the rules in Law of the People's Republic of China on the Administration of Tax Collection, The Implementation Guideline of Law of the People's Republic of China on the Administration of Tax Collection, the rice under the brand of Tixiang produced by Caofeidian company if exempted from VAT.

The level 2 subsidiary of the company-Jingliang Caofeidian Agricultural Development Limited, according to the rules under Clause 27 of Corporate Law and its Implementation Guideline Clause 86, the rice under the brand of Tixiang produced by Caofeidian company if exempted from Corporation tax.

## VI. Notes on Items in Consolidated Financial Statements

The following annotated items (including annotations of major items in the company's financial statements) refer to January 1, 2020 at the beginning of the year, June 30<sup>th</sup>, 2020 at the end of the period, December 31, 2019 at the beginning of previous period, January to June in 2020 at the current period and January to June in 2019 at the last period, unless otherwise specified.

### 1. Monetary Capital

Items	Ending Balance	Beginning Balance
Cash in Treasury	39,372.21	27,780.31
Bank Deposits	499,567,205.01	555,138,729.05
Other Currency Funds	70,411,210.93	2,002,003.03
Total	570,017,788.15	557,168,512.39
Among them: the total amount of money deposited abroad	13,012,241.56	76,673.88

### 2. Transactional financial assets

Items	Ending Balance	Beginning Balance
Designated as fair value through profit and loss	153,300,000.00	161,300,000.00

Items	Ending Balance	Beginning Balance
financial asset		
Among them: equity instrument investment		
Other	153,300,000.00	161,300,000.00
Total	153,300,000.00	161,300,000.00

### 3. Derivative Financial Assets

Items	Ending Balance	Beginning Balance
Futures Contracts	120,761,236.80	88,792,254.00
Total	120,761,236.80	88,792,254.00

Note: The company's derivative financial assets are soybean oil, palm oil, vegetable oil and soybean meal futures contracts purchased.

### 4. Accounts Receivable

(1) Disclosed according to aging

Aging	Ending Balance
Within 1 Year	55,429,580.58
Among them: Within 3 months	41,723,732.91
4-12 months	13,705,847.67
1 to 2 years	996,633.00
2 to 3 years	7,621.50
3 to 4 years	33,000.00
4 to 5 years	242,264.00
More than 5 years	177,291.40
Sub total	56,886,390.48
minus: provision for bad debts	1,511,867.96
Total	55,374,522.52

(2) present according to the method of provision for bad debt

Type(s)	Ending Balance				Book Value
	Book Balance		Bad Debt Provision		
	Amount	Ratio(%)	Amount	Provision Ratio(%)	
Receivables with separate provision for bad debts	1,325,135.40	2.33	1,325,135.40	100.00	-
Accounts Receivable for Bad Debt Provision Based on Portfolio	—	—	—	—	—
Portfolio 1 - Age-based accounts receivable	44,235,597.13		186,732.56		44,048,864.57
Portfolio 2 - Related Party Accounts Receivable	11,325,657.95				11,325,657.95
Portfolio Total	55,561,255.08	97.67	186,732.56	0.34	55,374,522.52
Total	56,886,390.48	100.00	1,511,867.96	---	55,374,522.52

(Continued)

Type(s)	Beginning Balance				
	Book Balance		Bad Debt Provision		Book Value
	Amount	Ratio(%)	Amount	Provision Ratio(%)	
Receivables with significant individual amounts and separate provision for bad debts	1,325,135.40	1.61	1,325,135.40	100.00	
Accounts Receivable for Bad Debt Provision Based on Credit Risk Characteristic Portfolio					
Portfolio 1 - Age-based accounts receivable	71,459,010.77		186,732.56		71,272,278.21
Portfolio 2 -Related Party Accounts Receivable	9,471,708.60				9,471,708.60
Portfolio Total	80,930,719.37	98.39	186,732.56	0.23	80,743,986.81
Total	82,255,854.77	100.00	1,511,867.96	---	80,743,986.81

① In portfolio, Accounts Receivable with provision for bad debts is calculated by age analysis method

Aging	Ending Balance		
	Accounts Receivable	Bad Debt Provision	Provision Ratio(%)
Within 1 Year	44,103,922.63	102,559.83	
Among them: Within 3 months	40,310,878.91		0
4-12 months	3,793,043.72	102,559.83	2
1 to 2 years	633.00	262.73	5
2 to 3 years	7,621.50	600.00	20
3 to 4 years	51,420.00	25,710.00	50
4 to 5 years	72,000.00	57,600.00	80
More than 5 years			100
Total	44,235,597.13	186,732.56	—

(Continued)

Aging	Beginning Balance		
	Accounts Receivable	Bad Debt Provision	Provision Ratio(%)
Within 1 Year	71,034,407.08	53,078.50	
Among them: Within 3 months	68,380,481.82		0
4-12 months	2,653,925.26	53,078.50	2
1 to 2 years	65,951.22	3,297.57	5
2 to 3 years	235,232.47	47,046.49	20
3 to 4 years	51,420.00	25,710.00	50
4 to 5 years	72,000.00	57,600.00	80
More than 5 years			100
Total	71,459,010.77	186,732.56	—

(3) details of bad debt provision



Items	Beginning Balance	The amount changed for the period			Ending Balance
		addition	Write-off	Other deduct	
Provision for bad debt	1,511,867.96				1,511,867.96
Total	1,511,867.96				1,511,867.96

## (4) Accounts Receivable of the Top 5 Balances Collected by Debtors at the End of the Period

Debtors	total ending balance of accounts receivable	Ratio of the total ending balance of accounts receivable (%)	Ending Balance of Bad Debt Provision
Customer #1	5,363,751.27	9.43	
Customer #2	4,165,071.89	7.32	
Customer #3	3,422,950.00	6.02	
Customer #4	2,562,840.26	4.51	46,302.29
Customer #5	1,648,646.50	2.90	
Total	17,163,259.92	30.18	46,302.29

## 5. Advanced Payment

## (1) Advances are presented by age

Aging	Ending Balance		Beginning Balance	
	Amount	Ratio(%)	Amount	Ratio(%)
Within 1 Years	602,889,731.58	99.96	138,172,859.10	99.85
1 to 2 years	105,769.00	0.02	183,841.00	0.13
2 to 3 years	140,480.00	0.02	23,100.00	0.02
More than 3 years				
Total	603,135,980.58	100.00	138,379,800.10	100.00

Note: The Company has no significant advance payments for more than one year in this year.

## (2) Advance payment of the top five Ending Balances by prepaid objects

Company Name	Ending Balance	Ratio of the total ending balance of prepayments (%)
Supplier #1	360,326,725.61	59.74
Supplier #2	56,480,594.65	9.36
Supplier #3	36,750,000.00	6.09
Supplier #4	32,016,000.00	5.31
Supplier #5	22,366,005.08	3.71
Total	507,939,325.34	84.22

## 6. Other Receivables

Item(s)	Ending Balance	Beginning Balance
Interest Receivable	1,854,761.12	3,927,438.90
Dividend Receivable		

Item(s)	Ending Balance	Beginning Balance
Other Receivables	17,177,397.97	15,292,658.44
Total	19,032,159.09	19,220,097.34

## (1) Interest Receivable

## A. Interest receivable classification

Item(s)	Ending Balance	Beginning Balance
Time deposit interest	1,854,761.12	3,927,438.90
Sub total	1,854,761.12	3,927,438.90
Minus: provision for bad debts		
Total	1,854,761.12	3,927,438.90

## (2) Other Receivables

## A. Disclosed according to aging

Aging	Ending Balance
Within 1 Year	14,178,535.30
Among them: Within 3 months	11,805,146.16
4-12 months	2,373,389.14
1 to 2 years	2,141,517.73
2 to 3 years	369,447.51
3 to 4 years	473,875.27
4 to 5 years	175,922.00
More than 5 years	75,999.99
Sub total	17,415,297.80
minus: provision for bad debts	237,899.83
Total	17,177,397.97

## B. Classification of other receivables by nature of funds

Nature of Funds	Book Balance at End of Period	Book Balance at Beginning of Year
Petty Cash (Employee and Department)	223,794.25	114,271.85
Guaranteed Deposit and Deposit	6,052,842.88	5,772,303.92
Intercourse Funds of Units	6,832,548.81	5,736,772.70
Employee Receivables	473,907.36	600,224.88
Tax Refund Receivables	175,922.00	2,366,765.34
Other Receivables	3,607,144.50	913,581.58
Substitute Advance	49,138.00	26,638.00
Sub total	17,415,297.80	15,530,558.27
minus: provision for bad debts	237,899.83	237,899.83
Total	17,177,397.97	15,292,658.44

## C. Details about bad debt provision

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the whole period (no credit impairment)	Expected credit loss for the whole period (with credit impairment)	
Amount on 1 <sup>st</sup> January 2020	187,899.83		50,000.00	237,899.83
Carrying amount of other receivable on 1 <sup>st</sup> January 2020 that in this period:				
——Get into Stage 2				
——Get into Stage 3				
——Get back to Stage 2				
——Get back to Stage 1				
Provision for the period				
Reverse for the period				
Transfer for the period				
Write off for the period				
Other deduct				
Carrying amount at the end of the period	187,899.83		50,000.00	237,899.83

## D. Details of bad debt provision

Type	Carrying amount at the beginning	Amount changes for the period			Carrying amount at the end
		addition	Write off	Other deduct	
Bad debt provision	237,899.83				237,899.83
Total	237,899.83				237,899.83

## E. Other receivables according to top five of balance at end of period collected by debtors

Name of Organization	Nature of Funds	Balance at End of Period	Aging	Proportion in overall ending balance of other receivables (%)	Ending balance of bad debt reserves
Organization #1	Intercourse Funds of Units	2,779,847.98	Within 3 months	15.96	
Organization #2	Guaranteed Deposit	1,189,500.00	Within 1 year	6.83	
Organization #3	Intercourse Funds of Units	3,051,279.99	Within 3 months	17.52	
Organization #4	Guaranteed Deposit	1,853,125.71	Within 1 year	10.64	
Organization #5	Guaranteed Deposit	600,000.00	1-2 years	3.45	
Total	—	9,473,753.68	—	54.4	

## 7. Inventory

## (1) Inventory Category

Items	Balance at End of Period
-------	--------------------------

	Book Balance	Falling Price Reserves	Book Value
Raw Materials	172,445,026.46		172,445,026.46
Revolving Materials	5,953,198.76		5,953,198.76
Stock goods	709,250,189.37	170,341.46	709,079,847.91
Developing Costs	16,075,372.26		16,075,372.26
Develop Products	16,497,730.12	11,673,694.67	4,824,035.45
In total	920,221,516.97	11,844,036.13	908,377,480.84

(Continue)

Items	Balance at Beginning of Year		
	Book Balance	Falling Price Reserves	Book Value
Raw Materials	186,791,440.87		186,791,440.87
Revolving Materials	6,155,422.13		6,155,422.13
Stock goods	1,191,645,994.73	170,341.46	1,191,475,653.27
Developing Costs	18,909,838.76		18,909,838.76
Develop Products	16,497,730.12	11,673,694.67	4,824,035.45
Processing Commission	4,599,271.17		4,599,271.17
In total	1,424,599,697.78	11,844,036.13	1,412,755,661.65

## (2) Inventory Falling Price Reserves

Items	Balance at Beginning of Year	Increased Amounts in the Current Period		Decreased Amounts in the Current Period		Balance at End of Period
		Accrual	Others	Recover or Charge Off	Others	
Raw Materials						
Stock Goods	170,341.46					170,341.46
Develop Products	11,673,694.67					11,673,694.67
In total	11,844,036.13					11,844,036.13

## (3) Additional Notes of Inventory

Book value of inventory used for mortgage at end of period is 4,824,035.45 Yuan, seeing Six、52.

## 8. Other Current Assets

Items	Balance at End of Period	Balance at Beginning of Year
Financial Products	655,000,000.00	393,198,608.68
Pre-paid Taxes and Fees	11,298,127.81	1,369,643.50
Pending Deduct VAT Input Tax	22,878,087.98	69,764,662.41
Fair Value Changes of Items Trapped at Hedging	10,792,546.20	95,964,318.54
In total	699,968,761.99	560,297,233.13

## 9. Long-term Equity Investment

## (1) Long-term Equity Investment Classification

Item	Carrying amount at the end of the period			Carrying amount at the beginning of the period		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value

Item	Carrying amount at the end of the period			Carrying amount at the beginning of the period		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
Investment in Joint Venture	79,353,334.69		79,353,334.69	72,816,569.30		72,816,569.30
Investment in associates	125,895,777.78		125,895,777.78	125,484,764.49		125,484,764.49
Total	205,249,112.47		205,249,112.47	198,301,333.79		198,301,333.79

## (2) Investment in Joint venture and associates

Invested Unit	Balance at Beginning of Year	Increase or Decrease in the Current Period				
		Additional Investment	Negative Investment	Confirmed Profit and Loss on Investment under Equity Law	Adjustment on Other Comprehensive Income	Other Changes in Equity
One Cooperative Enterprise						
CP Group	72,816,569.30			6,536,765.39		
Sub-total	72,816,569.30			6,536,765.39		
Two Joint Venture						
China Grain Reserves (Tianjin) Warehouse Logistics Co., Ltd.	117,636,450.78			411,013.29		
Jingliang Miss Me Food Management (Tianjin) Limited	7,848,313.71					
Sub-total	125,484,764.49			411,013.29		
In total	198,301,333.79			6,947,778.68		

(Continue)

Invested Unit	Increase or Decrease in the Current Period			Balance at End of Period	Ending Balance of Impairment Reserves
	Announce to Distribute Case Dividends or Profits	Accrual of Impairment Reserves	Others		
One Cooperative Enterprise					
CP Group				79,353,334.69	
Sub-total				79,353,334.69	
Two Joint Venture					
China Grain Reserves (Tianjin) Warehouse Logistics Co., Ltd.				118,047,464.07	
Jingliang Miss Me Food Management (Tianjin) Limited				7,848,313.71	
Sub-total				125,895,777.78	
In total				205,249,112.47	

## 10. Other equity instruments investment

## (1) Other equity instruments investment

The invested organization	Ending Balance	Balance at the beginning of Year
Chongqing long jinbao network technology co. LTD	20,000,000.00	20,000,000.00
Total	20,000,000.00	20,000,000.00

**11. Investment Real Estate**

## (1) Investment Real Estate Adopting Cost Measurement Model

Items	Buildings	Land Use Right	Projects under Construction	In total
<b>One Original Book Value</b>				
1. Balance at Beginning of Year	42,634,619.63			42,634,619.63
2. Increased Amounts in the Current Period				
3. Decreased Amounts in the Current Period	7,643,368.25			7,643,368.25
a. Disposal	7,643,368.25			7,643,368.25
4. Balance at End of Period	34,991,251.38			34,991,251.38
<b>Two Accumulated Impairment and Accumulated Amortization</b>				
1. Balance at Beginning of Year	10,399,425.17			10,399,425.17
2. Increased Amounts in the Current Period	806,875.44			806,875.44
(1) Accrual or Amortization	806,875.44			806,875.44
3. Decreased Amounts in the Current Period				
4. Balance at End of Period	11,206,300.61			11,206,300.61
<b>Three Impairment Reserves</b>				
1. Balance at Beginning of Year	453,843.72			453,843.72
2. Increased Amounts in the Current Period				
3. Decreased Amounts in the Current Period				
4. Balance at End of Period	453,843.72			453,843.72
<b>Four Book Value</b>				
1. Book Value at End of Period	23,331,107.05			23,331,107.05
2. Book Value at Beginning of Year	31,781,350.74			31,781,350.74

## (2) Instructions of Investment Real Estate

Book value of investment real estate used for mortgage at end of period is 5,429,187.89 Yuan, seeing Six 52.

**12. Fixed Assets**

Items	Balance at End of Period	Balance at Beginning of Year
Fixed Assets	1,166,435,679.47	1,210,450,340.22
Disposal of Fixed Assets		
In total	1,166,435,679.47	1,210,450,340.22

## (1) Fixed Assets

## ① Fixed Assets Situation

Items	Buildings	Machinery Equipment	Transportation Equipment	Electronic Equipment	Office Equipment	Others	In total
One Original Book Value							
1. Balance at Beginning of Year	1,072,321,981.43	378,411,230.58	19,545,084.11	14,918,304.67	2,158,897.13	371,548,039.27	1,858,903,537.19
2. Increased Amounts in the Current Period	-	2,496,790.32	285,065.67	753,467.62	86,637.17	2,691,935.31	6,313,896.09
(1) Purchase		1,491,346.45	285,065.67	649,447.54	86,637.17	2,645,272.48	5,157,769.31
(2) Roll-in of Project under Construction		444,909.60		104,020.08			548,929.68
(3) Other Roll-ins		560,534.27				46,662.83	607,197.10
3. Decreased Amounts in the Current Period	-	1,908,113.23	399,657.00	63,706.41	-	53,262.27	2,424,738.91
(1) Disposal or Scrap		948,113.23	399,657.00	63,706.41		53,262.27	1,464,738.91
(2) Other Roll-outs		960,000.00					960,000.00
4. Balance at End of Period	1,072,321,981.43	378,999,907.67	19,430,492.78	15,608,065.88	2,245,534.30	374,186,712.31	1,862,792,694.37
Three Accumulated Impairment							
1. Balance at Beginning of Year	299,179,918.09	153,988,342.69	13,256,657.54	11,374,349.35	1,442,278.04	161,541,068.22	640,782,613.93
2. Increased Amounts in the Current Period	19,911,695.06	15,479,762.99	573,648.16	727,258.73	65,181.90	11,970,616.15	48,728,162.99
(1) Accrual	19,911,695.06	15,479,762.99	573,648.16	727,258.73	65,181.90	11,970,616.15	48,728,162.99
3. Decreased Amounts in the Current Period	-	336,894.41	379,674.15	56,858.00		50,918.49	824,345.05
(1) Disposal or Scrap		336,894.41	379,674.15	45,861.63		50,918.49	813,348.68
(2) Other Roll-outs				10,996.37			10,996.37
4. Balance at End of Period	319,091,613.15	169,131,211.27	13,450,631.55	12,044,750.08	1,507,459.94	173,460,765.88	688,686,431.87
Three Impairment Reserves							
1. Balance at Beginning of Year	7,499,295.92	171,287.12					7,670,583.04
2. Increased Amounts in the Current Period							-
3. Decreased Amounts in the Current Period							-
4. Balance at End of Period	7,499,295.92	171,287.12	-	-	-	-	7,670,583.04
Four Book Value							
1. Book Value at	745,731,072.36	209,697,409.29	5,979,861.23	3,563,315.80	738,074.36	200,725,946.43	1,166,435,679.47

Items	Buildings	Machinery Equipment	Transportation Equipment	Electronic Equipment	Office Equipment	Others	In total
End of Period							
2. Book Value at Beginning of Year	765,642,767.42	224,251,600.77	6,288,426.57	3,543,955.32	716,619.09	210,006,971.05	1,210,450,340.22

## ②Temporarily Idle Fixed Assets Situation

Items	Original Book Value	Accumulated Impairment	Impairment Reserves	Book Value	Notes
Buildings	47,708.00	36,401.08	8,921.52	2,385.44	
Machinery Equipment	433,476.03	261,171.55	150,630.69	21,673.79	
In total	481,184.03	297,572.63	159,552.21	24,059.19	

## ③Other Instructions of Fixed Assets

(1) Book value of fixed assets used for mortgage at end of period is 2,193,847.70 Yuan, seeing Six 52.

(2) Original value of fixed assets that are fully depreciated but continue to use is 36,095,983.06Yuan.

**13. Project under Construction**

Items	Balance at End of Period	Balance at Beginning of Year
Project under Construction	13,941,962.47	17,876,177.78
In total	13,941,962.47	17,876,177.78

## (1) Situation of Project under Construction

Items	Balance at End of Period			Balance at Beginning of Year		
	Book Balance	Impairment Reserves	Book Value	Book Balance	Impairment Reserves	Book Value
Equipment Installation Engineering Type	5,031,740.53		5,031,740.53	10,314,744.11		10,314,744.11
Technical Transformation Type	4,068,509.67		4,068,509.67	3,822,472.00		3,822,472.00
Building Construction Type	4,841,712.27		4,841,712.27	3,738,961.67		3,738,961.67
In total	13,941,962.47		13,941,962.47	17,876,177.78		17,876,177.78

## (2) Change Condition of Important Engineering Projects under Construction in the Current Period

Project Name	Balance at Beginning of Year	Increased Amounts in the Current Period	Roll-in Fixed Assets Amount in the Current Period	Other Decreased Amounts in the Current Period	Balance at End of Period
Plant No.2 Walnut Cake Production Line	4,457,068.09		548,929.68	3,551,070.32	357,068.09
Plant No.2 Chips Production Line	848,372.58	204,243.00		695,500.00	357,115.58
4D Overlaid Corn Flakes Production Line	68,000.00	34,781.00		68,000.00	34,781.00
Squeezed and Baked Corn Flakes Production Line	50,000.00			50,000.00	
Small Fried Potato Chips					
Leisure Plant No.2 Non-fried Potato Chips Production Line(7 lines)	3,800,000.00			3,800,000.00	
Plant No.3 side and slope control	1,887,688.90	1,611,650.51			3,499,339.41



Project Name	Balance at Beginning of Year	Increased Amounts in the Current Period	Roll-in Fixed Assets Amount in the Current Period	Other Decreased Amounts in the Current Period	Balance at End of Period
program					
New stick product equipment input program	1,717,083.99	49,322.51			1,766,406.50
Wheat packaging automation and stater improvement renovation program	217,699.11				217,699.11
Daily Walnuts		731,292.09			731,292.09
Bread workshop fire facilities	974,577.28	1,102,750.60			2,077,327.88
Bread workshop fire blocking steel plates	2,764,384.39				2,764,384.39
Total	16,784,874.34	3,734,039.71	548,929.68	8,164,570.32	11,805,414.05

#### 14. Intangible Assets

##### (1) Intangible Assets Situation

Items	Software	Land Use Right	Trademark Right	Others	In total
One Original Book Value					
1. Balance at Beginning of Year	3,614,817.40	316,407,869.54	154,841,200.00	689,220.00	475,553,106.94
2. Increased Amounts in the Current Period	10,619.47				10,619.47
(1) Purchase	10,619.47				10,619.47
(3) Others					
3. Decreased Amounts in the Current Period					
(1) Disposal					
(2) Others					
4. Balance at End of Period	3,625,436.87	316,407,869.54	154,841,200.00	689,220.00	475,563,726.41
Two Accumulated Amortization					
1. Balance at Beginning of Year	3,376,870.13	55,021,509.60	48,321,445.83	447.00	106,720,272.56
2. Increased Amounts in the Current Period	109,720.42	3,427,286.20	3,856,962.93	2,682.00	7,396,651.55
(1) Accrual	109,720.42	3,427,286.20	3,856,962.93	2,682.00	7,396,651.55
(2) Others					
3. Decreased Amounts in the Current Period					
(1) Disposal					
(2) Others					
4. Balance at End of Period	3,486,590.55	58,448,795.80	52,178,408.76	3,129.00	114,116,924.11
Three Impairment Reserves					
1. Balance at Beginning of Year				662,400.00	662,400.00
2. Increased Amounts in the Current Period					
3. Decreased Amounts in the Current Period					

Items	Software	Land Use Right	Trademark Right	Others	In total
4. Balance at End of Period				662,400.00	662,400.00
Four Book Value					
1. Book Value at End of Period	138,846.32	257,959,073.75	102,662,791.24	23,691.00	360,784,402.31
2. Book Value at Beginning of Year	237,947.27	261,386,359.94	106,519,754.17	26,373.00	368,170,434.38

## 15. Goodwill

### (1) Original Book Value of Goodwill

Name of Invested Unit or Items Forming Goodwill	Balance at Beginning of Year	Increase in the Current Period		Decrease in the Current Period		Balance at End of Period
		Formed by Enterprise Merger	Others	Disposal	Others	
Acquire stock shares of Zhejiang Xiaowangzi Food Co., Ltd.	191,394,422.51					191,394,422.51
In total	191,394,422.51					191,394,422.51

Note:

(1)The formation of goodwill of company is mainly due to the acquisition the Equity of Zhejiang Xiaowangzi Food Co. Ltd.

(2)The method of impairment loss process, key assumptions and parameters of goodwill impairment test

The company identified all the assets of Zhejiang Little Prince Food Co., Ltd. as an asset group. The recoverable amount of the asset group was calculated based on the cash flow forecast for the next five years and the present value of the expected future cash flow of the asset group. In the impairment test, the key data such as the estimated selling price of the product used in the cash flow forecast, sales cost and other related expenses are determined based on the company's historical experience and the forecast of market development. The discount rate used in cash flow forecasting is determined with reference to the time value of currency in the current market and the specific risks of the relevant asset group. The company's test on the recoverable amount of the above-mentioned goodwill shows that there is no impairment loss on the goodwill.

## 16. Long-term Unamortized Expenses

Items	Balance at Beginning of Year	Increased Amounts in the Current Period	Amortized Amounts in the Current Period	Other Decreased Amounts	Balance at End of Period
Plant Renovation Expense	15,738,757.99		266,031.92		15,472,726.07
Woodland Rental Expense	5,083,560.00		56,484.00		5,027,076.00
Information Disclosure Expense	86,477.92		86,477.92		
Car Rental Fees	117,833.06		59,037.94		58,795.12
In total	21,026,628.97		468,031.78		20,558,597.19

## 17. Deferred Income Tax Assets/Deferred Income Tax Liabilities

### (1) Details of Deferred Income Tax Assets Not Being Offset

Items	Balance at End of Period			Balance at Beginning of Year		
	Deductible Difference	Temporary	Deferred Income Tax Assets	Deductible Difference	Temporary	Deferred Income Tax Assets
Asset Impairment Reserves		190,997.87	47,749.46		190,997.87	47,749.46
Deductible Loss		24,524,288.08	6,131,072.02		31,275,069.47	7,818,767.37
Valuation of Financial Instruments and Derivative		18,439,257.15	4,609,814.29		8,344,697.92	2,086,174.48

Financial Instruments				
Deferred Income	900,000.00	225,000.00	1,901,363.76	475,340.94
Employee Pay Payable	5,687,080.00	1,421,770.00	5,687,080.00	1,421,770.00
Credit impairment Loss	1,613,752.34	400,338.47	1,613,752.34	400,338.47
In total	51,355,375.44	12,835,744.24	49,012,961.36	12,250,140.72

## (2) Details of Deferred Income Tax Liabilities Not Being Offset

Items	Balance at End of Period		Balance at Beginning of Year	
	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities
Valuation of Financial Instruments and Derivative Financial Instruments	8,347.32	2,086.83	61,988,283.56	15,497,070.89
Difference between fair value of identifiable net asset by acquiree confirmed by enterprise merger and its book value of net asset	182,599,834.36	45,649,958.59	187,755,812.28	46,938,953.07
In total	182,608,181.68	45,652,045.42	249,744,095.84	62,436,023.96

## (3) Details of Deferred Income Tax Liabilities after Offset

Item	Offsetting amount of deferred tax assets and liabilities	Carrying amount after offsetting between deferred tax assets and liabilities	offsetting amount of deferred tax assets and liabilities at the end of last period	Carrying amount after offsetting between deferred tax assets and liabilities at the end of last period
Deferred tax asset		12,835,744.24	9,647,074.34	2,603,066.38
Deferred tax liabilities		45,652,045.42	9,647,074.34	52,788,949.62

## (4) Details of Deferred Income Tax Assets Not Being Confirmed

Items	Balance at End of Period	Balance at Beginning of Year
Deductible Loss		29,906.20
Deductible temporary differences	91,714,506.30	80,581,354.00
In total	91,714,506.30	80,611,260.20

## (5) Deductible loss on deferred income tax assets not being confirmed will be due at the following years

Year	Balance at End of Period	Balance at Beginning of Year	Notes
2020		5,769,102.97	
2021	4,504,020.42	4,504,020.42	
2022	4,021,787.39	4,021,787.39	
2023	19,123,515.53	19,123,515.53	
2024	47,162,927.69	47,162,927.69	
2025	16,902,255.27		
In Total	91,714,506.30	80,581,354.00	

## 18. Other Non-current Assets

Items	Balance at End of Period	Balance at Beginning of Year
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Items	Balance at End of Period	Balance at Beginning of Year
Equipment and Project Funds		1,005,300.00
Certificates of Deposit	190,000,000.00	150,000,000.00
Less: part due within one year		
In total	190,000,000.00	151,005,300.00

## 19. Short-term Borrowings

### (1) Classification of Short-term Borrowings

Items	Balance at End of Period	Balance at Beginning of Year
Guaranteed Loan	81,936,744.95	310,000,000.00
Fiduciary Loan	1,505,133,982.00	1,019,238,701.60
In total	1,587,070,726.95	1,329,238,701.60

## 20. Notes and Accounts Payable

### (1) Accounts Payable Listed by Nature of Funds

Items	Balance at End of Period	Balance at Beginning of Year
Material Funds Payable	128,413,739.58	117,367,304.89
Project Funds Payable	298,083.85	5,013,460.24
Equipment Funds Payable	336,522.00	5,511,888.97
Others	1,529,573.38	2,675,759.33
In total	130,577,918.81	130,568,413.43

## 21. Accounts Collected in Advance

### List of Accounts Collected in Advance

Items	Balance at End of Period	Balance at Beginning of Year
Sales Revenue Collected in Advance		466,156,950.04
Collect rent in advance		983,521.42
Land restoration bonus		13,825,688.07
Others		153,301.88
In total		481,119,461.41

Note: There are no important accounts collected in advance with over one year of aging in the Company this current year.

## 22. Contract Liability

### List of Contract Liability

Items	Balance at End of Period	Balance at Beginning of Year
Sales Revenue Collected in Advance	289,719,359.19	
Collect rent in advance		
Land restoration bonus	13,825,688.07	
Others	542,105.33	
In total	304,087,152.59	

Note: Based on Accounting Standards for Enterprises No.14-Revenues (revised in 2017), accounts collected in advance adjust into contract liability so no balance is listed in the beginning of the year.

**23. Wages Payable**

## (1) List of Wages Payable

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
One Short-term Compensation	23,995,435.46	128,622,018.93	140,758,771.52	11,858,682.87
Two After-service Welfare-Related Drawings Plan	1,164,705.96	4,379,478.70	3,435,030.79	2,109,153.87
Three Dismissal Welfare	32,442.16	67,891.00	100,333.16	
In total	25,192,583.58	133,069,388.63	144,294,135.47	13,967,836.74

## (2) List of Short-term Compensation

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
1. Wage, Bonus, Allowance and Subsidy	20,180,061.36	110,670,841.55	124,132,690.15	6,718,212.76
2. Welfare Expense of Employee	60.00	1,730,319.06	1,698,394.56	31,984.50
3. Social Insurance Expense	846,432.39	7,171,701.09	6,370,425.01	1,647,708.47
Among them: Medical Insurance Premiums	562,434.69	5,343,904.74	4,672,034.12	1,234,305.31
Industrial Injury Insurance Premiums	139,694.48	539,311.56	351,237.12	327,768.92
Birth Insurance Premiums	50,771.05	309,213.21	308,050.29	51,933.97
Others	93,532.17	979,271.58	1,039,103.48	33,700.27
4. Housing Provident Funds	305,120.07	6,977,671.38	7,057,162.00	225,629.45
5. Labor Union Expense and Personnel Education Fund	2,663,761.64	2,071,485.85	1,500,099.80	3,235,147.69
In total	23,995,435.46	128,622,018.93	140,758,771.52	11,858,682.87

## (3) List of Stated Drawings Plan

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
1. Basic Pension Insurance	1,084,152.50	3,459,083.33	2,547,121.12	1,996,114.71
2. Unemployment Insurance Expense	46,187.77	135,573.96	103,440.52	78,321.21
3. Enterprise Annuity Charges	34,365.69	784,821.41	784,469.15	34,717.95
In Total	1,164,705.96	4,379,478.70	3,435,030.79	2,109,153.87

Notes: The Company joins pension insurance and unemployment insurance programs set by government agencies in accordance with regulations. According to these programs, the Company deposits expenses of pension insurance program per month based on 14% and 16% of basic employee wage while depositing expenses of pension insurance program per month based on 0.5%, 0.7% and 0.8% of basic employee wage. Except from above expenses deposited monthly, the Company won't undertake further payment obligation. Corresponding expenses are charged to costs of profit and loss in the current period or related assets when occurring.

**24. Taxes and Fees Payable**

Items	Balance at End of Period	Balance at Beginning of Year
VAT	6,398,018.10	9,856,580.09
Urban Maintenance and Construction Tax	535,793.26	780,497.63
Corporate Income Tax	24,910,296.25	25,362,765.03

Items	Balance at End of Period	Balance at Beginning of Year
House Property Tax	917,019.76	2,679,468.56
Land Use Tax	278,609.25	466,291.09
Individual Income Tax	137,132.68	7,588,240.51
Educational Surtax	187,525.34	297,757.24
Local Educational Surtax	177,159.95	250,647.90
Stamp Tax	227,747.98	552,502.89
Resources Tax		4,240.00
Others	23,534.64	3,630.47
In total	33,792,837.21	47,842,621.41

**25. Other Accounts Payable**

Items	Balance at End of Period	Balance at Beginning of Year
Interest Payable	22,529,982.62	24,604,524.69
Dividends Payable	11,013,302.88	11,013,302.88
Other Accounts Payable	106,719,290.69	60,553,568.66
In total	140,262,576.19	96,171,396.23

## (1) Interest Payable

Items	Balance at End of Period	Balance at Beginning of Year
Loan Interest between Enterprises	21,082,795.47	21,082,795.47
Bank Loan Interest	1,447,187.15	3,521,729.22
In total	22,529,982.62	24,604,524.69

## (2) Dividends Payable

Items	Balance at End of Period	Balance at Beginning of Year
Dividend Payable for Corporate Shares	3,213,302.88	3,213,302.88
Dividends Payable for Minority Shareholders	7,800,000.00	7,800,000.00
In total	11,013,302.88	11,013,302.88

## (3) Other Accounts Payable

## List of Other Accounts Payable by Nature of Funds

Items	Balance at End of Period	Balance at Beginning of Year
Loan and Interest	11,258,346.00	11,258,346.00
Intercourse Funds of Related Parties	2,992,100.26	7,852,823.90
Intercourse Funds between Units	37,574,608.36	12,791,535.12
Personal Intercourse Funds	4,336,771.43	2,930,547.58
Various Insurances of Employee	2,127,463.59	1,605,759.25
Employee Loan Payable	18,687.02	
Guaranteed Deposit and Deposit	40,105,380.44	21,235,322.03
Warehouse and Storage Charges	2,068,351.19	701,645.19
Others	6,237,582.40	2,177,589.59
In total	106,719,290.69	60,553,568.66

**26. Other Current Liabilities**

Items	Balance at End of Period	Balance at Beginning of Year
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Items	Balance at End of Period	Balance at Beginning of Year
Fair Value Changes of Items Trapped at Hedging	30,459,525.96	
In total	30,459,525.96	

## 27. Deferred Income

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period	Cause of Formation
Government Subsidy	71,518,169.27		845,880.18	70,672,289.09	
Others		107,558.41		107,558.41	
In total	71,518,169.27	107,558.41	845,880.18	70,779,847.50	—

Among them, items involving government subsidy

Items Receiving Subsidy	Balance at Beginning of Year	Increase in the Current Period	Charge to Non-operating Income	Charge to other Profits	Other Decreases	Balance at End of Period
Relocation Compensation	4,617,165.78					4,617,165.78
Special Subsidy for Production line's tech improvements	900,000.00					900,000.00
Special Subsidy for Infrastructure Input	11,205,178.95					11,205,178.95
Enterprise Supporting Infrastructure at Construction Stage of "Tianjin Harbor Industrial Park Administrative Committee"	51,206,627.77			638,752.08		50,567,875.69
Tianjin Binhai New District's Industrially Technical Renovation and Park Construction Funds as well as Expenditures for Science and Technology	2,314,814.69			207,048.10		2,107,766.59
Fixed Assets Specially Formed by Science and Technology Commission of Guchuan Edible Oil	856,227.08					856,227.08
Appropriation for Oil Tank's Electric Heating System	118,585.04					118,585.04
Cooking Oil Green and Cleaning Production Equipment, Technical Study as well as Science and Technology Demonstration	299,569.96					299,569.96
In total	71,518,169.27			845,880.18		70,672,289.09

## 28. Long-term Wage Payable

(1) List of Long-term Wage Payable

Items	Balance at End of Period	Balance at Beginning of Year
One Dismission Welfare		43,582.87
Two Other Long-term Welfare	5,720,716.87	5,687,080.00
In total	5,720,716.87	5,730,662.87

**29. Share Capital**

Items	Balance at Beginning of Year	Changes in the Current Period					Balance at End of Period
		New Share Issue	Share Donation	Share Transfer of Provident Fund	Others	Sub-total	
1. Shares with Restricted Conditions							
(1) State Shareholding							
(2) State-owned Legal-person Shareholding	213,388,058.00						213,388,058.00
(3) Other Domestic Capital Shareholding	1,299,500.00	41,159,887.00				41,159,887.00	42,459,387.00
Including:							
Domestic Legal-person Shareholding	1,299,500.00						1,299,500.00
Domestic Natural Person Shareholding		41,159,887.00				41,159,887.00	41,159,887.00
(4) Foreign Shareholding							
Including:							
Foreign Legal-person Shareholding							
Foreign Natural Person Shareholding							
Total Shares with Restricted Conditions	214,687,558.00	41,159,887.00				41,159,887.00	255,847,445.00
2. Tradable Shares without Restricted Conditions							
(1) RMB Ordinary Shares	406,127,806.00						406,127,806.00
(2) Domestically Listed Foreign Shares	64,975,000.00						64,975,000.00
(3) Listed Foreign Shares Overseas							-
(4) Others							-
Total Tradable Shares without Restricted Conditions	471,102,806.00						471,102,806.00
In total	685,790,364.00	41,159,887.00				41,159,887.00	726,950,251.00

**30. Capital Reserves**

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
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Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
Capital Premium (Stock Premium)	1,243,731,683.62	84,161,371.48		1,327,893,055.10
Capital Reserves Roll-in Under Original System	112,316,357.36			112,316,357.36
Other Capital Reserves	239,624,007.21			239,624,007.21
In total	1,595,672,048.19	84,161,371.48		1,679,833,419.67

Note: Changes of capital reserve is due to acquisition of level 3 company: Zhejiang Xiaowangzi Food Co. Ltd (Xiaowangzi Company for short) 25.1149% minority shareholding.

### 31. Other Comprehensive Incomes

Items	Balance at Beginning of Year	Amounts Occurred in the Current Period					Balance at End of Period
		Amounts Occurred before Income Tax in the Current Period	Less: Other Comprehensive Incomes Charged at Earlier Stage and Current Roll-in Profit and Loss	Less: Income Tax Expense	Attributable to Parent Company After Tax	Attributable to Minority Shareholders After Tax	
One Other comprehensive incomes that won't be classified into profit and loss							
Two Other comprehensive incomes that will be classified into profit and loss	267,628.14	106,731.84			106,731.84		374,359.98
Changes in fair value through profit and loss for available-for-sale financial assets	-273,702.00						-273,702.00
Converted difference between foreign currency financial statements	541,330.14	106,731.84			106,731.84		648,061.98
In total	267,628.14	106,731.84			106,731.84		374,359.98

### 32. Surplus Reserves

Items	Balance at Beginning of Year	Increase in the Current Period	Decrease in the Current Period	Balance at End of Period
Statutory Surplus Reserves	84,487,609.05			84,487,609.05
Free Surplus Reserves	37,634,827.93			37,634,827.93
In total	122,122,436.98			122,122,436.98

Note: according to the rules in corporation law and articles of association, legal surplus reserve should be collected by 10% of net profit. It should be stopped collecting when the accumulated amount of surplus reserve reaches 50%.

After collecting legal surplus reserve, the company can collect random surplus reserve. Random surplus reserve can be used to compensate the losses of the previous years or increase capital after approval.

### 33. Undistributed Profit

Items	Amounts in the Current Period	Amounts in the Prior Period
Adjustment on undistributed profit at end of last year	2,186,806.56	-131,155,119.19
Adjustment on total number of undistributed profit at beginning of period (increase+ and decrease-)		
Adjusted undistributed profit at beginning of period	2,186,806.56	-131,155,119.19
Add: net profit attributable to parent company in the current period	73,762,895.19	51,510,904.41
Less: withdrawal legal surplus reserves		
Withdrawal free surplus reserves		
Withdrawal general risk reserves		
Ordinary stock dividends payable		
Ordinary stock dividends transferred to capital		
Undistributed profit at end of period	75,949,701.75	-79,644,214.78

#### 34. Minority Interest

Items	Balance at End of Period	Balance at Beginning of Period
Sinograin Oils Corporation	256,302,159.58	247,200,159.58
Wang Yuecheng and other minority shareholders of Zhejiang Xiaowangzi Food Co., Ltd.	36,847,296.93	262,136,908.18
Hebei Provincial Oil Pool Co., Ltd.	35,628,350.84	37,432,892.43
Tangshan Caofeidian Agricultural Development Group Co., Ltd.	23,931,556.33	24,033,762.48
Xinyi Yaowan Tourism Industrial Park Development Co., Ltd.	8,686,677.78	8,726,102.59
Beijing Grain Xinniu Runying Equity Investment Fund (Limited Partnership)	1,447,779.63	1,454,350.43
Shanghai Heheng Management Consulting Co., Ltd.	4,053,782.97	4,072,181.21
In total	366,897,604.06	585,056,356.90

#### 35. Operation Revenue and Operation Cost

Items	Amounts in the Current Period		Amounts in the Prior Period	
	Revenue	Cost	Revenue	Cost
Prime Business	3,737,897,021.63	3,352,581,703.86	3,257,865,991.64	3,035,952,555.86
Other Business	12,876,046.00	3,619,554.20	25,411,733.75	4,726,185.28
In total	3,750,773,067.63	3,356,201,258.06	3,283,277,725.39	3,040,678,741.14

##### (1) Prime Business (Industry and Business-classified)

Name of Industry (or Business)	Amounts in the Current Period		Amounts in the Prior Period	
	Revenue	Cost	Revenue	Cost
Oil	3,288,905,719.04	3,046,368,506.47	2,806,393,935.07	2,729,552,663.26
Food Processing	448,991,302.59	306,213,197.39	451,472,056.57	306,399,892.60
In total	3,737,897,021.63	3,352,581,703.86	3,257,865,991.64	3,035,952,555.86

##### (2) Prime Business (Region-classified)

Name of Region	Amounts in the Current Period		Amounts in the Prior Period	
	Revenue	Cost	Revenue	Cost
North China	3,324,692,828.54	3,069,424,264.71	2,877,861,106.26	2,780,606,295.60
East China	345,482,036.95	233,630,691.51	317,198,978.31	208,643,288.47
Northeast China	67,722,156.14	49,526,747.64	62,805,907.07	46,702,971.79
In total	3,737,897,021.63	3,352,581,703.86	3,257,865,991.64	3,035,952,555.86

### 36. Tariff And Annex

Items	Amounts in the Current Period	Amounts in the Prior Period
Urban Maintenance and Construction Tax	2,548,143.53	2,461,913.37
Educational Surtax	1,122,628.97	1,087,154.91
Local Educational Surtax	748,419.33	724,769.95
House Property tax	2,283,241.92	4,677,651.66
Land Use Tax	697,236.79	1,313,154.94
Vehicle and Vessel Use Tax	18,449.10	20,390.50
Stamp Tax	1,184,227.85	1,223,926.02
Resources Tax	4,790.20	24,644.00
Other Taxes and Fees	43,973.68	66,958.29
In total	8,651,111.37	11,600,563.64

Note: calculation and payment standard of various taxes and surcharges sees details of Appendix Five Tax.

### 37. Sales Expenses

Items	Amounts in the Current Period	Amounts in the Prior Period
Employee Compensation	30,679,537.79	26,278,771.73
Advertising Expenses	50,943.40	11,032,656.69
Repair Costs	196,031.21	268,787.39
Packing Expenses	377,669.68	521,273.55
Transportation Fees	15,690,237.64	9,731,907.07
Terminal Charges	733,797.56	814,392.75
Water and Electricity Fees	537,197.29	617,732.44
Vehicle Fees	288,457.98	510,991.71
Warehousing Fees	15,404,986.89	10,118,318.32
Test and Detection Fees	92,866.07	133,936.52
Commercial Insurance Expenses	9,305.33	10,435.78
Sales Promotion Expenses	15,146,952.23	12,619,447.62
Business Entertainment Expenses	12,124.00	90,324.45
Labor Protection Fees	2,041,919.09	2,501,255.24
Commodity Wastage	2,607,074.83	3,324,432.17
Sample and Product Losses	10,799,781.87	6,424,598.55

Items	Amounts in the Current Period	Amounts in the Prior Period
Sales and Service Fees		1,189,380.88
Impairment Costs	8,297,585.79	8,329,518.71
Travel Expenses	32,550.49	3,584,743.56
Operation Expenses	19,872.00	51,371.72
Other Expenses	3,622,228.00	3,076,861.42
In total	106,641,119.14	101,231,138.27

**38. Administration Expenses**

Items	Amounts in the Current Period	Amounts in the Prior Period
Employee Compensation	39,515,162.11	43,327,621.22
Workers Insurance Expenses	191,201.44	401,623.47
Company Expenses	4,048,286.09	4,790,871.80
Commercial Insurance Expenses	249,530.18	335,106.88
Vehicle Fees	1,171,579.21	1,842,062.94
Impairment Costs	8,780,269.70	7,123,583.86
Repair Costs	315,031.15	922,490.45
Taxes in Expenses		124,708.21
Amortization of Assets	7,640,013.04	10,030,497.46
Material Consumption	178,299.87	345,488.89
Fees of Employing Agent	6,913,392.38	3,525,514.48
Information Network Fees	546,524.14	504,859.82
Labor Protection Fees	250,202.03	91,851.64
Environmental Protection Fees	202,183.63	275,063.52
Security Protection Fees	362,895.58	397,403.41
Conference Expenses	1,150,999.94	2,089,180.89
Business Entertainment Expenses	530,321.82	831,498.05
Travel Expenses	168,024.21	717,873.17
Office Expenses	379,182.90	448,964.24
Lease Fees	2,300,085.56	1,544,749.18
Water and Electricity Fees	74,558.04	97,764.85
Other Expenses	3,064,543.27	1,529,449.94
In total	78,032,286.29	81,298,228.37

**39. Research and Development Expenses**

Items	Amounts in the Current Period	Amounts in the Prior Period
R&D Expenses	2,803,717.02	531,066.00
In total	2,803,717.02	531,066.00

**40. Financial Expenses**

Items	Amounts in the Current Period	Amounts in the Prior Period
Interest Expenses	16,975,042.06	22,981,293.07
Less: Interest Income	5,373,488.21	4,120,628.58
Exchange Profit and Loss	10,647,837.51	-707,452.18
Service Charges	561,292.42	321,276.88
In total	22,810,683.78	18,474,489.19

**41. Other Profits**

Items	Amounts in the Current Period	Amounts in the Prior Period	Amounts Charged to Non-recurring Profit and Loss in the Current Period
Government Subsidy Related to Daily Corporate Activities	4,891,100.00	9,871,098.22	452,231.23
Return of Service Charges of Withholding Individual Income Tax	155,848.84		155,568.84
In total	5,046,948.84	9,871,098.22	607,800.07

**42. Investment Income**

Items	Amounts in the Current Period	Amounts in the Prior Period
Long-term equity investment income accounted with equity method	6,947,778.68	2,824,933.21
Investment income generated from disposing long-term equity investment		
Investment income from wealth management products	7,828,824.60	6,512,884.43
Investment income of financial assets that are measured as per fair value and for which the changes are included in the current profit and loss during the holding period	—	-158,515.55
Investment income of disposing financial assets that are measured as per fair value and for which the changes are included in the current profit and loss	—	—
Investment income obtained during the holding of transactional financial assets	1,919,322.71	
Investment income of disposing financial products		
In total	16,695,925.99	9,179,302.09

**43. Profits on Changes in Fair Value**

Source of generating income with changes in fair value	Amounts in the Current Period	Amounts in the Prior Period
Financial assets that are measured as per fair value and for which the changes are included in the current profit and loss	-76,876,667.25	26,158,281.22
Including: income with changes in fair value generated by derivative financial instruments	-76,876,667.25	26,158,281.22
In total	-76,876,667.25	26,158,281.22

**44. Loss from Asset Devaluation**

Items	Amounts in the Current Period	Amounts in the Prior Period
Loss on Bad Debts		-197,695.56
Loss on Inventory Price Drop		
In total		-197,695.56

**45. Assets Disposal Income**

Items	Amounts in the Current Period	Amounts in the Prior Period	Amounts Charged to Non-recurring Profit and Loss
Gains or losses on disposal of fixed assets		11,997,518.40	
Gains or losses on disposal of intangible assets			
In total		11,997,518.40	

**46. Non-operating Income**

Items	Amounts in the Current Period	Amounts in the Prior Period	Amounts Charged to Non-recurring Profit and Loss
Claim Compensation Income	45,892.72	12,256.67	45,892.72
Relocation Compensation	127,712.82	88,793.40	127,712.82
Other Gains	417,842.66	1,576,474.10	417,842.66
Donation Gains	10,000.00		10,000.00
Government Subsidy Irrelevant to Daily Operation Activities	87,991.62	38,919.42	87,991.62
In total	689,439.82	1,716,443.59	689,439.82

**47. Non-operating Expenses**

Items	Amounts in the Current Period	Amounts in the Prior Period	Amounts Charged to Non-recurring Profit and Loss
Assets Damage and Abandonment Loss	125,166.92	9,041.80	125,166.92
Including: Fix Assests	125,166.92	9,041.80	125,166.92
External Donation Expenses	43,940.54	4,000.00	43,940.54
Amercement Outlay	500.00		500.00
Compensation and Default Money	1,015,309.53		1,015,309.53
Relocation Loss	117,085.86	85,950.31	117,085.86
Others	116,668.92	723,426.51	116,668.92
In total	1,418,671.77	822,418.62	1,418,671.77

**48. Income Tax Expenses**

## (1) List of Income Tax Expenses

Amounts in the Current Period	Amounts in the Prior Period	Amounts in the Current Period
Income Tax Expenses of the Current Period	40,543,901.19	9,220,010.91
Deferred Income Tax Expenses	-16,082,069.33	12,901,765.21
Others	24,461,831.86	22,121,776.12

## (2) Accounting Profit and Income Tax Expense Adjustment Process

Items	Amounts in the Prior Period
Total Profits	119,769,867.60
Income tax expenses calculated by statutory/applicable tax rate	21,377,859.59
Effect of subsidiary corporations being applicable to different tax rates	-163,343.19

Items	Amounts in the Prior Period
Adjustment on effect of income tax in the prior period	
Effect of Non-taxable Incomes	-818,108.22
Effect of Non-deductible cost, expense and loss	
Effect of deductible loss on usage of unconfirmed deferred income tax assets in the prior period	
Effect of deductible temporary difference or deductible loss on unconfirmed deferred income tax in the current period	4,068,635.64
Effect of income tax deductions	
Effect of R & D deduction	
Effect of disability wage deductions	
Effect of business combinations not under common control	
Tax rate adjustments cause changes in deferred income tax assets / liabilities at the beginning of the year	
Others	-3,211.96
Income Tax Expenses	24,461,831.86

#### 49. Other Comprehensive Incomes

See details of Appendix Six, 31.

#### 50. Item related to cash flows statement

(1) Receiving other cash related to operation activities

Items	Amounts in the Current Period	Amounts in the Prior Period
Intercourse Funds of Related Parties	21,078,496.81	569,937.02
Intercourse Funds of Other Units	463,379,309.67	342,920,924.84
Non-operating Income	818,480.79	1,475,758.10
Others	3,357,922.87	3,137,920.94
In total	488,634,210.14	348,104,540.90

(2) Other Cash Payment Related to Operation Activities

Items	Amounts in the Current Period	Amounts in the Prior Period
Intercourse Funds of Related Parties	1,285,132.00	1,045,623.70
Intercourse Funds of Other Units	385,951,971.50	297,279,937.27
Payment for Administration Expenses	11,735,512.89	13,042,670.47
Payment for Operating Expenses	28,815,251.90	22,095,807.54
Non-operating Expenses	1,089,682.49	558,429.32
Petty Cash Paid	302,932.58	499,480.07
Bank Charges	563,721.88	321,755.60
Others	5,045,373.28	4,920,214.42

Items	Amounts in the Current Period	Amounts in the Prior Period
In total	434,789,578.52	339,763,918.39

### 51. Supplementary Materials of Cash Flows Statement

#### (1) Supplementary Materials of Cash Flows Statement

Supplementary Materials	Amounts in the Current Period	Amounts in the Prior Period
<b>1. Adjusting net accounting profit to operating cash flow</b>		
Net Profit	95,308,035.74	65,244,252.00
Add: Assets Impairment Reserves		197,695.56
Credit impairment loss		
Fixed Assets Depreciation, Oil-and-gas Assets Depreciation and Productive Biological Assets Depreciation	48,728,162.99	46,664,713.52
Amortization of Intangible Assets	7,396,651.55	4,679,361.81
Amortization of Long-term Deferred Expenses	468,031.78	11,510,733.39
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Fill in profit with symbol “—”)		-11,997,518.40
Losses on Retirement of Fixed Assets (Fill in profit with symbol “—”)	125,166.92	9,041.80
Losses on Changes in Fair Value (Fill in profit with symbol “—”)	76,876,667.25	-26,158,281.22
Financial Expenses (Fill in profit with symbol “—”)	27,622,879.57	22,273,840.89
Investment Losses (Fill in profit with symbol “—”)	-16,695,925.99	-9,179,302.09
Decrease in Deferred Income Tax Assets (Fill in increase with symbol “—”)	-10,232,677.86	-15,242,389.19
Increase in Deferred Income Tax Reliabilities (Fill in decrease with symbol “—”)	-7,136,904.20	11,314,155.51
Decrease in Inventory (Fill in increase with symbol “—”)	504,378,180.81	127,246,418.19
Decrease in Items of Operating Receivables (Fill in increase with symbol “—”)	-408,709,949.07	-39,843,479.45
Increase in Items of Operating Receivables (Fill in decrease with symbol “—”)	-131,032,498.73	49,764,970.19
Others		-15,891,918.30
Net Cash Flows from Operating Activities	187,095,820.76	220,592,294.21
<b>2. Major investment and financing activities that do not involve cash payments</b>		
Conversion of Debt into Capital		
Convertible Bonds Due Within One Year		
Fixed Assets under Financing Lease		
<b>3. Net change conditions in cash and cash equivalents</b>		
Cash balance at end of period	570,017,788.15	625,128,759.14
Less: cash balance at beginning of period	555,097,777.21	867,870,016.78
Add: balance of the cash equivalents at end of period		
Less: balance of the cash equivalents at beginning of period		
Cash and cash equivalent net increase quota	14,920,010.94	-242,741,257.64

#### (2) Composition of cash and cash equivalents

Items	Balance at End of Period	Balance at Beginning of Period
One Cash	570,017,788.15	555,097,777.21



Items	Balance at End of Period	Balance at Beginning of Period
Including: cash in stock	39,372.21	27,780.31
Bank deposit available for payment at any time	499,567,205.01	553,067,993.87
Other currency funds available for payment at any time	70,411,210.93	2,002,003.03
Two Cash Equivalents		
Including: bond investment maturing within three months		
Three Balance of Cash and Cash Equivalents at End of Period	570,017,788.15	555,097,777.21
Including: restricted cash and cash equivalents used by parent company or intra-group affiliates		

## 52. Assets with restricted ownership or right to use

Items	Book Value at End of Period	Reasons being Restricted
Inventory	4,824,035.45	Loan Mortgage
Investment Real Estate	5,429,187.89	Loan Mortgage
Fixed Assets	2,193,847.70	Loan Mortgage
In total	12,447,071.04	—

## 53. Monetary Items of Foreign Currency

### (1) Monetary Items of Foreign Currency

Items	Balance of Foreign Currency at End of Period	Exchange Rate Convert	Balance of Converting to RMB at End of Period
Currency Funds	1,944,653.62	7.08	13,768,147.63
Including: US Dollars	1,944,653.62	7.08	13,768,147.63
Accounts in advance	37,424.00	7.08	264,943.21
Including: US Dollars	37,424.00	7.08	264,943.21
Short-term Borrowings	1,686,100.00	7.08	11,936,744.95
Including: US Dollars	1,686,100.00	7.08	11,936,744.95
Other payable	41,964.06	7.08	297,084.56
Including: US Dollars	41,964.06	7.08	297,084.56

### (2) Instruction of Operational Entity Overseas

The registrant and operating unit of the Company is Beijing Grain (Singapore) International Trade Co., Ltd. with main business place of Singapore and recording currency of US Dollars.

## 54. Hedging

Please refer to 3 Derivative Financial Assets under Section VI of the Notes.

## 55. Government Subsidies

### (1) Basic conditions of government grants

Type	Amount	Presentation item	Amount recorded in profit and loss
Enterprise infrastructure from committee of Lingang industrial district in Tianjin during construction stage	638,752.08	Other income	638,752.08
Technology improvement, park contracture fund and scientific expense from Binhai district of	207,048.10	Other income	207,048.10

Type	Amount	Presentation item	Amount recorded in profit and loss
Tianjin Steady post refund income			
Subsidy from Linan bureau of commerce	131,200.00	Other income	131,200.00
Grants for patents	2,000.00	Other income	2,000.00
VAT refund income	3,345,073.38	Other income	3,345,073.38
Tech service fee of taxation controlling system	280.00	Other income	280.00
Subsidy for boiler modification	200,000.00	Other income	200,000.00
Grants for commercial harbor construction fee from Tianjin bureau of commerce	114,147.00	Other income	114,147.00
Specific grant for smart manufacture from committee of free trade zone in Tianjin harbor	130,000.00	Other income	130,000.00
Grants for job stabilization from Tianjin bureau of social security	121,209.44	Other income	121,209.44
Information supervising fee of food & oil market in Binhai district in Tianjin	1,390.00	Other income	1,390.00
Total	4,891,100.00		4,891,100.00

#### VII. Change in Consolidation Scope

None.

#### VIII. Equities in Other Entities

##### 1. Equities in Subsidiaries

(1) Composition of the Group

Name of Subsidiary	Principle Place of Business	Registered Place	Nature of Business	Shareholding Ratio (%)		Mode of Acquisition
				Direct	Indirect	
Beijing Jingliang Food Co., Ltd.	Beijing	Beijing	Investment Company	100		Merger under the same control
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	Tianjin	Tianjin	Agricultural Product and By Product Processing		70	Merger under the same control
Beijing Jingliang Oil and Fat Co., Ltd.	Beijing	Beijing	Grain and oil trade		100	Merger under the same control
Jingliang (Hebei) Oil Industry Co., Ltd.	Hebei	Hebei	Farm and Sideline Food Processing		51	Merger under the same control
Beijing Guchuan Edible Oil Co., Ltd.	Beijing	Beijing	Grain and oil trade		100	Merger under the same control
Beijing Eisen-Lubao Oil Co., Ltd.	Beijing	Beijing	Farm and Sideline Food Processing		100	Merger under the same control
Beijing Tianweikang Oil Distribution Center Co., Ltd.	Beijing	Beijing	Warehousing		100	Merger under the same control
Beijing Guchuan Bread Food Co., Ltd.	Beijing	Beijing	Food Processing		100	Merger under the same control
Zhejiang Xiao Wang Zi Food Co., Ltd.	Hangzhou	Hangzhou	Food Processing		94.8865	Combination not under same control
Hangzhou Lin'an Xiaotianshi Food Co., Ltd.	Hangzhou	Hangzhou	Food Processing		94.8865	Combination not under same control
Liaoning Xiao Wang Zi Food Co., Ltd.	Liaoning	Liaoning	Food Processing		94.8865	Combination not under same control
Linqing Xiao Wang Zi Food Co., Ltd.	Linqing	Linqing	Food Processing		94.8865	Combination not under same control
Lin'an Chunmanyuan Agricultural	Hangzhou	Hangzhou	Food Processing		94.8865	Combination not

Name of Subsidiary	Principle Place of Business	Registered Place	Nature of Business	Shareholding Ratio (%)		Mode of Acquisition
				Direct	Indirect	
Development Co., Ltd.						under same control
Jingliang (Singapore) International Trade Co., Ltd.	Singapore	Singapore	Grain trade		100	Establishment by investment
Jingliang Rural Complex Construction and Operations (Xinyi) Co., Ltd.	Xinyi	Xinyi	Land remediation	51		Establishment by investment
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	Tangshan	Tangshan	Plantation	51		Establishment by investment
Beijing jingliang guyuan oil and grease co. LTD	Beijing	Beijing	Business services		100	Establishment by investment

## (2) Major non-wholly-owned subsidiaries

Name of Subsidiary	Shareholding Ratio of Minority Shareholders (%)	Profit And Loss Attributable to Minority Shareholders for the Current Period	Dividends Distributed to Minority Shareholders for the Current Period	Balance of Minority Shareholder's Equity at the End of the Period
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	30	9,102,000.00		256,302,159.58
Zhejiang Xiao Wang Zi Food Co., Ltd.	5.1135	12,405,282.14		36,847,296.93

## (3) Important financial information on major non-wholly-owned subsidiaries

Name of Subsidiary	Ending Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	868,916,266.47	802,914,922.70	1,671,831,189.17	764,721,524.34	52,771,579.26	817,493,103.60
Zhejiang Xiao Wang Zi Food Co., Ltd.	393,685,059.04	525,358,320.39	919,043,379.43	111,560,247.80	22,399,478.73	133,959,726.53

(Continued)

Name of Subsidiary	Beginning balance					
	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	649,743,907.75	818,631,677.47	1,468,375,585.22	587,965,574.01	56,409,479.27	644,375,053.28
Zhejiang Xiao Wang Zi Food Co., Ltd.	361,264,401.11	509,389,952.91	870,654,354.02	122,737,979.36	22,409,424.73	145,147,404.09

(Continued)

Name of Subsidiary	Amount This Year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	1,588,794,595.18	30,337,553.63	30,337,553.63	-226,038,764.17
Zhejiang Xiao Wang Zi Food Co., Ltd.	414,085,161.70	59,576,702.97	59,576,702.97	68,355,787.51

(Continued)

Name of Subsidiary	Last Term Amount
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	Operating Income	Net Profit	Total Comprehensive Income	Cash Flow from Operating Activities
Jingliang (Tianjin) Grain and Oil Industry Co., Ltd.	1,463,348,174.86	-17,419,056.07	-17,419,056.07	47,286,961.09
Zhejiang Xiao Wang Zi Food Co., Ltd.	404,961,227.15	65,702,534.89	65,702,534.89	61,504,068.82

**2. The share of owner's equity in the subsidiary has changed and it still controls the transactions of the subsidiary.**

None.

**3. Equity in Joint Ventures or Affiliates**

(1) Important Joint Ventures or Affiliates

Name of Joint Venture or Affiliate	Principle Place of Business	Registered Place	Nature of Business	Shareholding Ratio (%)		Accounting Treatment Methods for Investment in Joint Ventures or Affiliates
				Direct	Indirect	
Beijing Zhengda Feed Co., Ltd.	Beijing	Niulan Mountain, Shunyi District, Beijing	Manufacturer		50.00	Equity method
SINOGRAIN (Tianjin) Warehousing Logistics Co., Ltd.	Tianjin	No. 1, Lingang Economic Zone, Binhai New Area of Tianjin	Transportation and warehousing		30.00	Equity method

(2) Important financial information on major joint ventures

Item	Beijing Zhengda Feed Co., Ltd.	Beijing Zhengda Feed Co., Ltd.
	Ending Balance/Current Amount	Beginning Balance/Last Term Amount
Current assets	39,259,263.44	38,402,384.29
Including: cash and cash equivalents	2,649,918.78	2,851,108.24
Non-current assets	179,516,327.41	166,838,127.64
Total assets	218,775,590.85	205,240,511.93
Current liabilities	65,905,097.73	65,443,549.59
Non-current liabilities		
Total liabilities	65,905,097.73	65,443,549.59
Minority shareholder's equity		
Shareholders' equity attributable to the parent company	152,870,493.12	139,796,962.34
Share of net assets based on shareholding ratio	76,435,246.56	69,898,481.17
Adjustments	2,918,088.13	2,918,088.13
-- Goodwill		
-- Unrealized profits from internal transactions		
-- Other	2,918,088.13	2,918,088.13
Book value of equity investment in joint ventures	79,353,334.69	72,816,569.30
Fair value of equity investment in joint ventures with open offers		
Operating income	153,872,389.59	128,269,508.30
Financial costs	-1,308,088.38	-1,228,641.61
Income tax expense	4,456,502.35	1,752,379.24

Item	Beijing Zhengda Feed Co., Ltd.	Beijing Zhengda Feed Co., Ltd.
	Ending Balance/Current Amount	Beginning Balance/Last Term Amount
Net profit	13,073,530.78	5,292,107.72
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	13,073,530.78	5,292,107.72
Dividends received from joint ventures in the current period		

## (3) Important financial information on major affiliates

Item	Ending Balance/Current Amount	Beginning Balance/Last Term Amount
	SINOGRAIN (Tianjin) Warehousing Logistics Co., Ltd.	SINOGRAIN (Tianjin) Warehousing Logistics Co., Ltd.
Current assets	81,393,707.22	97,971,129.85
Non-current assets	387,789,026.67	384,616,624.25
Total assets	469,182,733.89	482,587,754.10
Current liabilities	2,920,457.21	10,362,807.69
Non-current liabilities	72,770,729.78	80,103,443.80
Total liabilities	75,691,186.99	90,466,251.49
Minority shareholder's equity		
Shareholders' equity attributable to the parent company	393,491,546.90	392,121,502.61
Share of net assets based on shareholding ratio	118,047,464.07	117,636,450.78
Adjustments		
-- Goodwill		
-- Unrealized profits from internal transactions		
-- Other		
Book value of equity investment in affiliates	118,047,464.07	117,636,450.78
Fair value of equity investment in affiliates with open offers		
Operating income	6,383,017.42	2,896,792.95
Net profit	1,370,044.29	654,547.84
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	1,370,044.29	654,547.84
Dividends received from affiliates in the current period		

**IX. Risks Related to Financial Instruments**

The Company's principal financial instruments include equity investment, creditors' investment, borrowing, accounts receivable, accounts payable, etc. See relevant items under Section VI of the Notes for details about financial instruments. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce such risks are described below. The Company's management manages and monitors these risk exposures to ensure that such risks are controlled within the restricted range.

The Company adopts the sensitivity analysis technology to analyze the possible influences of reasonable and possible changes

of risk variables on current profits and losses or shareholders' equity. Since a risk variable seldom changes by itself and the correlation between variables will have a significant impact on the final amount of change caused by a risk variable, the following content is based on the assumption that each variable changes independently.

### (1) Risk Management Objectives and Policies

The Company's engagement in risk management is aimed at striking a proper balance between risk and profit, minimizing the negative impact of risk on the Company's operating performance and maximizing the interests of shareholders and other equity investors. In view of the above objectives of risk management, the Company's basic strategy for risk management is to identify and analyze all risks faced by the Company, establish the appropriate bottom line for risk tolerance and conduct risk management, carry out timely and reliable supervision of risks and thus control the risks within a limited range.

#### 1. Market Risks

##### (1) Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss caused by exchange rate movements. The Company's foreign exchange risk is mainly related to US dollar. Apart from the Company's several subsidiaries that settle their purchasing and selling businesses in US dollar, the Company's other main business activities are settled in RMB. As of June 30th, 2020, the assets and liabilities of the Company are settled in RMB, except that the assets or liabilities mentioned in the following table are settled in US dollar. Foreign exchange risks arising from assets and liabilities settled in such foreign currencies may have an impact on the Company's operating performance.

Item	Ending Balance	Opening Balance
Cash and cash equivalents	13,768,147.63	6,768,083.00
Accounts receivable		1,590,894.85
Accounts payable		134,399.21
Prepaid accounts	264,943.21	
Other receivable	297,084.56	
Short-term loans	11,936,744.95	

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

##### (2) Sensitivity analysis on foreign exchange risk:

The Company adopts the sensitivity analysis technology to analyze the possible influences of reasonable and possible changes of risk variables on current profits and losses or owner's equity. Since a risk variable seldom changes by itself and the correlation between variables will have a significant impact on the final amount of change caused by a risk variable, the following content is based on the assumption that each variable changes independently.

On the assumption that foreign currency assets and liabilities remain relatively stable and other variables remain unchanged, the possible reasonable changes in exchange rates have the following after-tax influences on current profits and losses and equities:

Item	Change in Exchange Rate	Current period	
		Influence on Profits	Influence on Shareholders' Equity
All foreign currencies	Appreciate by 5% against RMB	89,963.07	89,963.07
All foreign currencies	Depreciate by 5% against RMB	-89,963.07	-89,963.07

#### 2. Credit Risk

On June 30th, 2020, the largest credit risk exposure that may cause financial loss to the Company mainly comes from the loss on financial assets of the Company due to the failure of the other party to perform its obligations, including:

Book value of financial assets recognized in the consolidated balance sheet; for a financial instrument measured at fair value, its book value reflects its risk exposure instead of their biggest risk exposure, and its biggest risk exposure may vary with the change of its future fair value.

In order to reduce the credit risk, the Company sets relevant policies to control its exposure, sets corresponding credit periods based on customer's financial position, possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions and other credit qualifications for customer assessment, and implements other monitoring procedures to ensure that necessary measures are taken to recover overdue credits. In addition, the Company reviews the collection of individual account receivables on each balance sheet date in order to make sufficient provision for bad debts for uncollectable amounts. Therefore, the Company's management believes that the Company's credit risk has been greatly reduced.

The liquidity funds of the Company are deposited in banks with high credit rating, so the credit risk of liquidity funds is low.

#### 3. Liquidity Risk

When managing liquidity risk, the Company keeps and monitors adequate cash and cash equivalents approved by its management in order to meet the Company's business needs and reduce the influences of cash flow fluctuations. The Company's management monitors the use of bank loans and ensures the performance of loan agreements.

As of June 30, 2020, the undiscounted cash flow of Company's financial assets and liabilities under contracts is shown below by due date:

Item	Ending Balance
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	Net Book Value	Original Book Value	Within One Year	1 To 2 Years	2 To 5 Years	Above Five Years
Monetary funds	570,017,788.15	570,017,788.15	570,017,788.15			
Transactional financial assets	153,300,000.00	153,300,000.00	153,300,000.00			
Derivative financial assets	120,761,236.80	120,761,236.80	120,761,236.80			
Accounts receivables	55,374,522.52	56,886,390.48	55,429,580.58	996,633.00	282,885.50	177,291.40
Other receivables	19,032,159.09	19,270,058.92	16,033,296.42	2,141,517.73	1,019,244.78	75,999.99
Investment in other equity instruments	20,000,000.00	30,500,000.00	30,500,000.00			
Subtotal	938,485,706.56	950,735,474.35	946,041,901.95	3,138,150.73	1,302,130.28	253,291.39
Short-term loans	1,587,070,726.95	1,587,070,726.95	1,587,070,726.95			
Accounts payable	130,577,918.81	130,577,918.81	130,577,918.81			
Other payables	140,262,576.19	140,262,576.19	140,262,576.19			
Subtotal	1,857,911,221.95	1,857,911,221.95	1,857,911,221.95			

(Continued)

Item	Beginning balance					
	Net Book Value	Original Book Value	Within One Year	1 to 2 Years	2 to 5 Years	Above Five Years
Monetary funds	557,168,512.39	557,168,512.39	557,168,512.39			
Transactional financial assets	161,300,000.00	161,300,000.00	161,300,000.00			
Derivative financial assets	88,792,254.00	88,792,254.00	88,792,254.00			
Accounts receivables	80,743,986.81	82,255,854.77	81,502,115.68	65,951.22	510,496.47	177,291.40
Other receivables	19,220,097.34	19,457,997.17	12,853,916.80	936,934.75	1,662,306.72	77,400.00
Available-for-sale financial assets	20,000,000.00	30,500,000.00	30,500,000.00			
Subtotal	927,224,850.54	939,474,618.33	932,116,798.87	1,002,885.97	2,172,803.19	254,691.40
Short-term loans	1,329,238,701.60	1,329,238,701.60	1,329,238,701.60			
Notes payable and accounts payable	130,568,413.43	130,568,413.43	130,568,413.43			
Other payables	96,171,396.23	96,171,396.23	96,171,396.23			
Subtotal	1,555,978,511.26	1,555,978,511.26	1,555,978,511.26			

#### 4. Interest Rate Risk

The Company's interest rate risk mainly arises from bank loans. The financial liabilities at floating interest rates bring the Company the interest rate risk on cash flow, while the financial liabilities at fixed interest rates bring the Company the interest rate risk on fair value. The Company decides the relative proportion of fixed interest rate contracts and floating interest rate contracts according to the current market environment.

As of June 30th, 2020, the Company's interest-bearing liabilities under floating rate contracts denominated in RMB amounted to RMB 229,490,000 and those under fixed rate contracts denominated in RMB amounted to RMB 1,357,580,726.95.

#### X. Disclosure of Fair Values

##### 1. Fair values of assets and liabilities measured at fair value at the end of the period

Item	Fair Values at the End of the Period
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	First Level Fair Value Measurement	Second Level Fair Value Measurement	Third Level Fair Value Measurement	Total
I. Continuous fair value measurement				
(一) Transactional financial assets	274,061,236.80			274,061,236.80
(I) Financial assets that are measured at fair value and whose changes are included in the current profits and losses	120,761,236.80			120,761,236.80
(1) Investment in debt Instruments				
(2) Investment in equity instruments				
(3) Derivative financial assets	120,761,236.80			120,761,236.80
(II) Financial assets designated as fair value through profit or loss	153,300,000.00			153,300,000.00
(1) Investment in debt Instruments				
(2) Investment in equity instruments				
(3) Others	153,300,000.00			153,300,000.00
(二) Other investments in equity instruments	20,000,000.00			20,000,000.00
<b>Total assets continuously measured at fair value</b>	<b>294,061,236.80</b>			<b>294,061,236.80</b>

## 2. Basis for determining market prices of continuous and non-continuous first level fair value measurement items

Note: The Company makes offers for first level fair value measurement according to open contracts of the futures exchange and the quote from the bank on financial product at the end of the period.

## XI. Related Parties and Related-Party Transactions

### 1. Parent Company of the Company

Name of Parent Company	Registered Place	Nature of Business	Registered Capital (ten thousand Yuan)	Proportion of Shares Held by Parent Company in the Company (%)	Proportion of Voting Power Held by Parent Company in the Company (%)
Beijing Grain Group Co. Ltd.	Beijing	Investment Management	90,000.00	39.68	39.68

Note: The ultimate controlling party of the Company is Beijing Capital Agribusiness Group Co., Ltd.

### 2. Subsidiaries of the Company

See 1. Equity in Subsidiaries under Section VIII of the Notes for details.

### 3. Joint Ventures and Affiliates of the Company

Equity in Joint Ventures or Affiliates under Section VIII of the Notes 32 for details on major joint ventures or affiliates.

The information on other joint ventures or affiliates that have related party transactions with the Company in the current period or have balances of related party transactions with the Company in the previous period is as follows:

Name of Joint Venture or Affiliate	Relationship with the Company
Beijing Zhengda Feed Co., Ltd.	Joint venture
SINOGRain (Tianjin) Warehousing Logistics Co., Ltd.	Affiliate

### 4. Other Related Parties

Name of Other Related Party	Relationship with the Company
Beijing Dahongmen Grain Purchasing & Storage Warehouse	Controlled by the ultimate controlling party
Beijing Daxing National Grain Purchasing & Storage Warehouse	Controlled by the ultimate controlling party
Beijing Southeast Suburb Grain Warehouse	Controlled by the ultimate controlling party



Name of Other Related Party	Relationship with the Company
Beijing Guchuan Fuxing Food Co., Ltd.	Controlled by the ultimate controlling party
Beijing Guchuan Rice Industry Co., Ltd.	Controlled by the ultimate controlling party
Beijing Guchuan Food Co., Ltd.	Controlled by the ultimate controlling party
Beijing Hongyuanli Rations Supply Station	Controlled by the ultimate controlling party
Beijing Jingliang Dacang Grain and Oil Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Dagu Grain and Oil Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang E-commerce Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Gurun Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Biotechnology Industry Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Logistics Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Yunhe Grain and Oil Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingliang Property Co., Ltd.	Controlled by the ultimate controlling party
Beijing Jingmen Liangshi State-owned Asset Management Co., Ltd.	Controlled by the ultimate controlling party
Beijing Juncheng Nuoyuan Grain and Oil Purchase and Sale Co., Ltd.	Controlled by the ultimate controlling party
Beijing Lanfeng Vegetable Distribution Co., Ltd.	Controlled by the ultimate controlling party
Beijing Grain Group Finance Co., Ltd.	Controlled by the ultimate controlling party
Beijing Grain Group Co., LTD	Controlled by the ultimate controlling party
Beijing Longde Business Management Co., Ltd.	Controlled by the ultimate controlling party
Beijing Nanjiao Agricultural Production Management Co., Ltd.	Controlled by the ultimate controlling party
Beijing Niannian Haohe Rations Supply Station	Controlled by the ultimate controlling party
Beijing Sanyuan Petroleum Co., Ltd.	Controlled by the ultimate controlling party
Beijing Sanyuan Seed Technology Co., Ltd. Feed Branch	Controlled by the ultimate controlling party
Beijing Dahongmen Grain Purchasing & Storage Warehouse Co., Ltd.	Controlled by the ultimate controlling party
Beijing Dahongmen Oil Plant	Controlled by the ultimate controlling party
Beijing Haidian West Suburb Grain and Oil Supply Station	Controlled by the ultimate controlling party
Beijing Jingcheng Auto Driving Technical School	Controlled by the ultimate controlling party
Beijing Liangguan Grain and Oil Supply Station	Controlled by the ultimate controlling party
Beijing Institute of Food Science	Controlled by the ultimate controlling party
Beijing Longqing Xiadu Rations Supply Station	Controlled by the ultimate controlling party
Beijing Maliandao Grain and Oil Special Supply Station	Controlled by the ultimate controlling party
Beijing South Suburb Grain Purchasing & Storage Warehouse	Controlled by the ultimate controlling party
Beijing Nanyuan Vegetable Oil Plant	Controlled by the ultimate controlling party
Beijing Pinggu Grain and Oil Industry and Trade Co., Ltd.	Controlled by the ultimate controlling party
Beijing Food Supply Department No. 34 Supply Section	Controlled by the ultimate controlling party
Beijing Shunyi Grain and Oil Co., Ltd.	Controlled by the ultimate controlling party

Name of Other Related Party	Relationship with the Company
Beijing Tiangu Grain and Oil Trade Co., Ltd.	Controlled by the ultimate controlling party
Supply Station of Beijing Tongzhou Grain and Oil Trading Company	Controlled by the ultimate controlling party
Beijing Northwest Suburb Grain Warehouse	Controlled by the ultimate controlling party
Beijing Northwest Suburb Grain Purchasing & Storage Warehouse	Controlled by the ultimate controlling party
Beijing Sesame Oil Plant	Controlled by the ultimate controlling party
Beijing Yonghe Xincheng Grain and Oil Supply Co., Ltd.	Controlled by the ultimate controlling party
Beijing Assistant Rations Supply Station	Controlled by the ultimate controlling party
Beijing Army Grain and Oil Supply Station	Controlled by the ultimate controlling party
Beijing Shounong Animal Husbandry Development Co., Ltd.	Controlled by the ultimate controlling party
Beijing Wuhuan Shuntong Supply Chain Management Co., Ltd.	Controlled by the ultimate controlling party
Beijing Xingshishang Trade Center	Controlled by the ultimate controlling party
Beijing Yuma Motor Vehicle Training Ground Co., Ltd.	Controlled by the ultimate controlling party
Beijing Yuanjishun Rations Supply Station	Controlled by the ultimate controlling party
Beijing Zhibohui Architectural Design Institute Co., Ltd.	Controlled by the ultimate controlling party
Hebei Shounong Modern Agricultural Technology Co., Ltd.	Controlled by the ultimate controlling party
Jingliang (Tianjin) E-commerce Co., Ltd.	Controlled by the ultimate controlling party
Jingliang (Tianjin) Trade Development Co., Ltd.	Controlled by the ultimate controlling party
Jingliang Huayuan (Beijing) Agricultural High-tech Co., Ltd.	Controlled by the ultimate controlling party
Shandong Fukuan Bioengineering Co., Ltd.	Controlled by the ultimate controlling party
China Integrated Research Center for Meat Products	Controlled by the ultimate controlling party

### 5. Related-party Transactions

(1) Related-party transactions for purchase and sale of goods and provision and acceptance of labor services

#### ① Purchase of goods or acceptance of labor services

Related Party	Related-party Transaction	Current Amount	Last Term Amount
Beijing Beishui Food Industry Limited	Purchase of goods	2,664.00	
Beijing Er Shang Dahongmen Meat Food Limited	Purchase of goods	260,599.00	23,465.91
Beijing Er Shang Jinghua Tea Limited	Purchase of goods	20,128.00	
Beijing Er Shang Longhe Food Limited	Purchase of goods	54.00	
Beijing Er Shang Moqi Zhonghong Food Limited	Purchase of goods	13,034.40	
Beijing Er Shang Wangzhihe Food Limited	Purchase of goods	177,803.60	
Beijing Guchuan Rice Industry Co., Ltd.	Purchase of goods	134,268.00	1,080,320.62
Beijing Guchuan Food Co., Ltd.	Purchase of goods	7,662,781.80	6,712,357.05
Beijing Jingliang E-commerce Co., Ltd.	Purchase of goods	5,000.00	
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	Purchase of goods	266,693.50	62,306.04
Beijing Liubiju Food Limited	Purchase of goods	26,809.40	
Beijing Sanyuan Food Co. Ltd	Purchase of goods	1,459,486.60	83,449.82
Beijing WuhuanShuntong Supply Chain	Purchase of goods	11,895.00	

Related Party	Related-party Transaction	Current Amount	Last Term Amount
management Limited			
Beijing Yueshengzhai Halal Food Limited	Purchase of goods	520,850.50	10,116.37
Shandong Fukuan Bioengineering Co., Ltd.	Purchase of goods	248,829.00	564,670.00
In total		10,810,896.80	8,536,685.81

Note: The price of a related-party transaction shall be equal to the price charged for a unrelated-party transaction that is same as or similar to such related-party transaction.

② Sale of goods/provision of labor services

Related Party	Related-party Transaction	Current Amount	Last Term Amount
Beijing Baijiayi Food Limited	Sale of goods	131,284.00	233,920.76
Beijing Beifang Jingtang Wine Sale Limited	Sale of goods	27,364.00	47,762.71
Beijing Damofang Flour Limited	Sale of goods	2,075.00	2,244.51
Beijing Daxing State Grain Reserves	Sale of goods		18,927.28
Beijing Dongcheng Sugar Tobacco and Alcohol Co., Ltd.	Sale of goods	15,207.54	
Beijing Dongfeng International Sports Culture Co., Ltd.	Sale of goods	1,755.00	
Beijing Er Shang Dahongmen Poultry Food Limited	Sale of goods		2,800.00
Beijing Er Shang Fuyue Food Limited	Sale of goods	7,460.00	
Beijing Er Shang Gongyifu Food Limited	Sale of goods	17,256.88	56,719.07
Beijing Er Shang Longhe Food Limited	Sale of goods	15,270.00	9,185.51
Beijing Er Shang Wangzhihe Food Limited	Sale of goods	25,766,349.73	
Beijing Guchuan Rice Industry Co., Ltd.	Sale of goods	429,869.06	380,345.69
Beijing Guchuan Food Co., Ltd.	Sale of goods	1,089,789.39	1,120,065.36
Beijing Hongyuanli Army Grain and Oil Supply Station	Sale of goods	377,490.82	290,155.12
Beijing Jingliang E-commerce Co., Ltd.	Sale of goods	333,956.73	556,667.87
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	Sale of goods	1,855,631.79	3,098,779.64
Beijing Jingliang Biotechnology Industry Co., Ltd.	Sale of goods		8,886.11
Beijing Jingliang Taihe Real Estate Limited	Sale of goods	4,980.00	4,489.04
Beijing Jingliang Taixing Real Estate Limited	Sale of goods	2,075.00	
Beijing Jingliang Taiyu Real Estate Limited	Sale of goods	3,320.00	2,244.51
Beijing Jingliang Logistics Co., Ltd.	Sale of goods	226,577.57	4,628.78
Beijing Jingliang Xinda Property Management Co., Ltd.	Sale of goods	11,205.00	12,120.37
Beijing Jingliang Xingye Asset Management Co., Ltd.	Sale of goods	7,885.00	
Beijing Jinigliang Yunhe Grain and Oil Trade Co., Ltd	Sale of goods	122,729.05	98,066.30
Beijing Jingliang Property Co., Ltd	Sale of goods	174,056.74	135,032.85
Beijing Jingmen Liangshi state-owned Assets Management Co., Ltd.	Sale of goods	363,200.00	
Beijing Juncheng Nuoyuan Grain and Oil Sale Limited	Sale of goods	306,990.83	1,138,782.32
Beijing Lanfeng Vegetable Distribution Co., Ltd.	Sale of goods	3,380.00	
Beijing Liubiju Food Co., Ltd.	Sale of goods	2,750.00	2,727.27

Related Party	Related-party Transaction	Current Amount	Last Term Amount
Beijing Longde Business Management Co., Ltd.	Sale of goods		77,727.27
Beijing Maisui Hotel Management Co., Ltd.	Sale of goods	31,955.00	31,872.10
Beijing Nanjiao Agricultural Production Management Co., Ltd.	Sale of goods	64,726.61	
Beijing Automobile Service Co., Ltd.	Sale of goods	18,600.00	
Beijing Sanyuan Taxi Co., Ltd.	Sale of goods	44,400.00	
Beijing Sanyuan Petroleum Co., Ltd.	Sale of goods	286.24	569.88
Beijing Sanyuan Food Co., Ltd.	Sale of goods	527,348.00	86,318.19
Beijing Sanyuan Seed Technology Co., Ltd. Feed Branch	Sale of goods	14,185,704.49	14,515,875.28
Beijing Dahongmen Grain Storage Co., Ltd.	Sale of goods	15,355.00	
Beijing Desheng Hotel	Sale of goods	102,900.00	
Beijing Dongjiao Farm Co., Ltd.	Sale of goods	13,585.00	
Beijing Haidian District Xijiao Grain and Oil Supply Station Co., Ltd.	Sale of goods	7,327,448.82	5,797,596.22
Beijing Hongbaoyuan Trade Co., Ltd.	Sale of goods	1,872.00	
Beijing Huacheng Trade Co., Ltd.	Sale of goods	2,502.00	5,863.63
Beijing Jingcheng Automobile Driving Technical School	Sale of goods	13,200.00	
Beijing Jingliang Shengyuan Grain and Oil Sales Co., Ltd.	Sale of goods		72,318.18
Beijing Academy of Grain Science	Sale of goods		6,771.72
Beijing Longqing Xiadu Military Grains Supply Limited	Sale of goods	379,651.38	363,175.15
Beijing Maliandao Grain and Oil Special Supply Station	Sale of goods	1,311,822.02	1,299,552.22
Beijing Nanyuan Vegetable Oil Plant	Sale of goods	7,055.00	
Beijing Milk Co., Ltd.	Sale of goods	1,946.00	
Beijing Pinggu District Grain and Oil Industry & Trade Co., Ltd.	Sale of goods		2,672.73
Beijing Food Supply No. 34 Supply Department	Sale of goods	1,399,738.14	1,056,193.89
Beijing Shunyi Grain & Oils Co., Ltd.	Sale of goods	4,920.00	
Beijing Sidaokou Aquatic Products Co., Ltd.	Sale of goods	176.00	
Beijing Yanqing Farm Co., Ltd.	Sale of goods	6,000.00	3,000.00
Beijing Yonghe Xincheng Grain and Oil Supply Co., Ltd.	Sale of goods		748,622.16
Beijing Zidibing Grain and Oil Supply Co., Ltd.	Sale of goods	1,676,047.71	1,578,420.33
Beijing Shounong Animal Husbandry Development Co., Ltd.	Sale of goods	3,522.95	7,013.85
Beijing Shounong Supply Chain Management Co., Ltd.	Sale of goods	2,469,496.69	26,877.71
Beijing Shounong Commercial Chain Co., Ltd. Hebei Xiong'an Branch	Sale of goods	41,834.86	
Beijing Capital Agribusiness Group Co., Ltd.	Sale of goods	3,154.10	13,027.59
Beijing Shounong Xiangshan Convention Center	Sale of goods	13,100.00	21,834.86
Beijing Shuangta Lvgu Agriculture Co., Ltd.	Sale of goods	107,775.70	
Beijing Aquatic Products Co., Ltd.	Sale of goods	6,380.00	5,727.27
Beijing Sugar Tobacco and Alcohol Group Co., Ltd.	Sale of goods	26,280.00	

Related Party	Related-party Transaction	Current Amount	Last Term Amount
Beijing Wuhuan Shuntong Supply Chain Management Co., Ltd.	Sale of goods	1,344,372.42	1,089,576.75
Beijing Xicheng Sugar Tobacco and Alcohol Co., Ltd.	Sale of goods	8,370.00	
Beijing Xingshishang Trade Co., Ltd.	Sale of goods		8,181.82
Beijing Great Wall Danyu Livestock Co., Ltd.	Sale of goods		411.01
Beijing Zhibohui Architectural Design Institute Co., Ltd Union	Sale of goods		9,545.45
Beijing Zhujun Grain and Oil Supply Co., Ltd.	Sale of goods	2,196,158.88	3,014,819.43
Hebei Shounong Modern Agricultural Technology Co., Ltd.	Sale of goods	7,867,155.54	10,975,282.69
Jinghai Petrochemical (Tianjin) Co., Ltd.	Sale of goods	2,112.00	
Jingliang (Tianjin) E-Commerce Co., Ltd.	Sale of goods	41,993.91	68,685.10
Jingliang (Tianjin) Trade Development Co., Ltd.	Sale of goods	10,560.00	
Jingliang Century Cloud Technology Co., Ltd.	Sale of goods	830.00	
Tianjin Hongda International Freight Forwarding Company	Sale of goods	3,520.00	
China Meat Research Center	Sale of goods		5,437.16
Beijing Jingliang E-Commerce Co., Ltd.	Provision of Service	766,509.38	
Beijing Jingliang Dagu Grain and Oil Trading Co., Ltd.	Provision of Service	177,900.00	
In Total		73,528,174.97	48,117,520.71

Note: The price of a related-party transaction shall be equal to the price charged for an unrelated-party transaction that is same as or similar to such related-party transaction.

(2) Related-party lease

① If the Company is the lessor,

Name of Lessee	Type of Leased Asset	Lease Income Recognized in the Current Period	Lease Income Recognized in the Prior Period
Beijing Jingliang E-commerce Co., Ltd.	Housing	766,509.38	
Beijing Guchuan Food Co., Ltd.	Housing		9,523,809.50
Beijing Jingliang E-commerce Co., Ltd	Vehicle leasing	12,729.60	
In Total		779,238.98	9,523,809.50

② If the Company is the lessee,

Name of Lessor	Type of Leased Asset	Lease fee recognized in the current period	Lease fee recognized in the prior period
Beijing Jingliang Property Co. Ltd.	House leasing	578,628.78	
Beijing Daxing National Grain Purchasing & Storage Warehouse	House leasing	1,055,100.00	1,055,100.00
Beijing Grain Group Co., Ltd	House leasing	280,000.00	700,000.00
Beijing Dahongmen Grain Purchasing & Storage Warehouse	House leasing		956,592.00
Beijing Dahongmen Plant Oil Factory	House leasing		340,000.00
In Total		1,913,728.78	3,051,692.00

(3) Related-party guarantee

The Company has no related-party guarantee expect for the subsidiary guarantees within the scope of the

consolidated financial statements at this period

(4) Related-party assets transfer and debt restructuring

The Company has no related-party assets transfer and debt restructuring at this period.

(5) Remuneration for key management staff

Unit: ten thousand yuan

Item	Current Amount	Last Term Amount
Remuneration for Key Management Staff	89.05	78.26

(6) Other related-party transaction

Related Party	Related-party Transaction	Current Amount	Last Term Amount
Beijing Guchuan Food Co., Ltd.	Income from utility costs	1,544,536.20	1,380,188.90

**6. Related-party Receivables and Payables**

(1) Receivables

Item	Ending Balance		Beginning Balance	
	Book Balance	Provision for Bad Debts	Book Balance	Provision for Bad Debts
Monetary funds				
Beijing Grain Group Finance Co. Ltd.	183,314,973.33		326,474,443.01	
Total	183,314,973.33	-	326,474,443.01	
Receivables:				
Beijing Baijiayi Food Limited			110,400.00	
Beijing Beishui Yongxing Seafood Sales Limited			882.00	
Beijing Er Shang Gongyifu Food Co., Ltd.	13,860.00		17,226.00	
Beijing Er Shang Wangzhihe Food Co., Ltd.	3,422,950.00			
Beijing Guchuan Rice Co., Ltd	82,674.00		11,397.00	
Beijing Guchuan Food Co., Ltd.	4,900.00		139,100.00	
Beijing Jingliang E-commerce Co., Ltd.	7,848.00		238,918.00	
Beijing Jingliang Dongfang Grain and Oil Trade Co., Ltd.	448,954.00		1,122,310.00	
Beijing Jingliang Logistics Co., Ltd.	5,302.00			
Beijing Jingliang Property Co., Ltd.	120,765.00			
Beijing Juncheng Nuoyuan Purchase and Sale Co., Ltd.	334,620.00		148,800.00	
Beijing Sanyuan Seed Industry Technology Co., Ltd. Feed Branch	2,704,158.65		1,938,842.06	
Beijing Beishui Jialun Seafood Market Co. Ltd			2,856.00	
Beijing Haidian West Suburb Grain and Oil Supply Station Co., Ltd.	2,062,648.00		7,800.00	
Beijing Longqing Xiadu Army Food Supply Co., Ltd.	166,320.00			
Beijing Maliandao Special Grain & Oil Supply Station Co, Ltd	505,400.00			
Beijing Zhujun Grain & Oil Supply Station			981,204.00	
Beijing Army Grain & Oil Supply Co, Ltd.	332,400.00			
Beijing Shounong Supply Chain Management Co. Ltd.	302,318.30		2,880,252.00	
Beijing Seafood Limited			2,688.00	

Item	Ending Balance		Beginning Balance	
	Book Balance	Provision for Bad Debts	Book Balance	Provision for Bad Debts
Beijing Wuhuan Shuntong Supply Chain Management Co. Ltd.	45,540.00		289,880.00	
Beijing Zhujun Grain & Oil Supply Co, Ltd.	765,000.00			
Hebei Shounong Modern Agriculture Technology Co. Ltd.			1,579,153.54	
Total	11,325,657.95	-	9,471,708.60	
Advance receipts:				
Beijing Er Shang Wangzhihe Food Limited	10,718.00			
Total	10,718.00			

**(2) Payables**

Item	Ending Balance	Beginning balance
Short-term Borrowings:		
Beijing Capital Agribusiness Group Co., Ltd		170,000,000.00
Total		170,000,000.00
Payables:		
Beijing Guchuan Food Co. Ltd.	61,600.00	
Beijing Er Shang Moqi Zhonghong Food Co. Ltd..	204.00	
Beijing Er Shang Da Hong Men Meat Food Co. Ltd.		11,176.11
Beijing Wuhuan Shuntong Supply Chain Management Co. Ltd.		10,495.41
Total	61,804.00	21,671.52
Advance receipts:		
Beijing Jingliang E-Commerce Limited		153,301.88
Beijing Wuhuan Shuntong Supply Chain Management Co. Ltd.		7,524.00
Total		160,825.88
Other payables:		
Beijing Grain Group Co. Ltd.	1,137,030.30	1,137,030.30
Beijing Jingliang E-commerce Co., Ltd.	431,539.20	444,268.80
Beijing Dahongmen Oil Plant	1,055,100.00	
Beijing nanyuan plant oil factory	107,596.56	50,360.92
Beijing Guchuan Food Co. Ltd.	260,834.20	
Total	2,992,100.26	1,631,660.02

**7. Related-party Commitments**

The Company has no related-party commitments this year.

**XII. Share based payment**

There are no share based payments incurred this year for the company.

**XIII. Commitments and Contingencies**

As of June 30, 2020, the Company has no commitments and contingencies to disclose.

**XIV. Events after the Balance Sheet Date****1. Major Non-Adjusting Events**

As of the financial report date, the company has no important non-adjustment matters that need to be disclosed.

**XV. Other Important Matters****1. Annuity Plan**

On November 18, 2013, the controlling shareholder of Beijing Grain Group Co., Ltd. (hereinafter referred to as "BGG") received *Reply of the State-owned Assets Supervision and Administration Commission of the People's*

Government of Beijing Municipality to the Establishment of Enterprise Annuity Plan of Beijing Grain Group Co., Ltd. (Beijing State-owned Asset [2013] No. 224), providing that BGG's Request for Reporting of Enterprise Annuity (BGG Enterprise [2013] No. 258) complies with the requirements of Provisional Measures for Trial Implementation of Enterprise Annuity (Decree No. 20 of the Ministry of Labor and Social Security) and Guiding Opinions for the Trial Implementation of Enterprise Annuity System by State-owned Enterprises in Beijing (Beijing State-owned Asset Audit [2006] No. 77) and approving that the supplementary old-age insurance and various commercial insurance established by the Company before the implementation of the annuity plan should be terminated automatically and all employees who have participated in the annuity plan will no longer enjoy social benefits outside of overall planning after retirement.

On November 20, 2013, BGG received Reply to the Filing of Annuity Plan of Beijing Grain Group Co., Ltd. (Xicheng Human & Social [2013] No. 71) from Beijing Xicheng District Human Resources and Social Security Bureau, requesting that BGG should strictly implement payment scope and standards and relevant democratic procedures stipulated in the plan and actively cooperate in supervision and inspection of relevant departments after filing.

On March 14, 2014, the Company obtained the Certificate of Enterprise Annuity Participation Plan from Ping An Pension Insurance Co., Ltd. The details on the Certificate is listed as follows:

The Company's basic information: Name of Enterprise: Beijing Jingliang Food Co., Ltd.; Enterprise Annuity No.: C0156482005; the Time of Participation Plan: November 18, 2013; Effective Time of the Plan: March 13, 2014; Plan No. of the Superior Enterprise: C0156482000; Name of the Superior Enterprise: Beijing Jingliang Food Co., Ltd.

Basic information of Annuity Plan: Name of the Plan: Ping An-CITIC Splendid Life Enterprise Annuity Plan; Trustee and Account Manager: Ping An Pension Insurance Co., Ltd; Trustee: CHINA CITIC BANK CORPORATION LIMITED; Annuity Plan Registration No.: 99JH20120041; Annuity Plan No.: P0807; Plan Type: Collective Plan.

Portfolio: Portfolio Code: 9155; Name of Portfolio: Ping An-CITIC Splendid Life Bond Enhanced Portfolio; Investment Proportion: 100%; Investment Manager: CITIC Securities Co., Ltd.

## 2 Information on Divisions

### (1) Basis of determination and accounting policies for reporting of divisions

The Company's businesses consist of food processing, oil and grease and so on according to its internal organizational structure, management requirements and internal reporting system. The Company's management regularly evaluates the operating results of these divisions to determine the allocation of resources to them and evaluate their performance. The information reported by divisions should be disclosed according to the accounting policies and measurement standards adopted by such divisions when they are reporting to the management. These measurement bases should be consistent with the accounting and measurement bases for preparation of financial statements.

### (2) Reporting of the financial information on divisions

Item	Oil & Grease	Food Processing	Other	Offset Among Divisions	Total
Operating income	3,493,823,723.60	448,991,302.59	12,636,556.69	-204,678,515.25	3,750,773,067.63
Operating costs	3,233,319,539.16	306,213,197.39	4,937,017.00	-188,268,495.49	3,356,201,258.06
Operating profit	63,302,227.40	79,871,192.87	-15,618,391.87	-7,055,928.85	120,499,099.55
Net profit attributable to parent company	56,519,781.89	60,965,120.07	-16,614,390.26	-27,107,616.51	73,762,895.19
Total assets	3,055,453,601.15	1,009,966,756.63	6,284,258,452.23	-5,015,179,852.33	5,334,498,957.68
Total liabilities	1,698,388,631.09	142,723,285.44	1,659,994,917.10	-1,138,735,649.39	2,362,371,184.24

## XVI. Notes to Main Financial Statement Items of Parent Company

### 1. Accounts Receivable

#### (1) Disclosed according to aging

Aging	Ending Balance
Within 1 Year	
Among them: Within 3 months	
4-12 months	
1 to 2 years	
2 to 3 years	3,000.00



Aging	Ending Balance
3 to 4 years	51,420.00
4 to 5 years	72,000.00
More than 5 years	
Sub total	126,420.00
minus: provision for bad debts	83,910.00
Total	42,510.00

(2) present according to the method of provision for bad debt

Type(s)	Ending Balance				Book Value
	Book Balance		Bad Debt Provision		
	Amount	Ratio(%)	Amount	Provision Ratio(%)	
Receivables with separate provision for bad debts					
Accounts Receivable for Bad Debt Provision Based on Portfolio					
Portfolio 1 - Age-based accounts receivable	126,420.00		83,910.00		42,510.00
Portfolio 2 - Related Party Accounts Receivable					
Portfolio Total	126,420.00	100.00	83,910.00	66.37	42,510.00
Total	126,420.00	—	83,910.00	—	42,510.00

(Continued)

Type(s)	Beginning Balance				Book Value
	Book Balance		Bad Debt Provision		
	Amount	Ratio(%)	Amount	Provision Ratio(%)	
Receivables with significant individual amounts and separate provision for bad debts					
Accounts Receivable for Bad Debt Provision Based on Credit Risk Characteristic Portfolio					
Portfolio 1 - Age-based accounts receivable	126,420.00		83,910.00		42,510.00
Portfolio 2 - Related Party Accounts Receivable					
Portfolio Total	126,420.00	100.00	83,910.00	66.37	42,510.00
Receivables with minor amounts but separate provision for bad debts					
Total	126,420.00	—	83,910.00	—	42,510.00

A. In portfolio, Accounts Receivable with provision for bad debts is calculated by age analysis method

Aging	Ending Balance		
	Accounts Receivable	Bad Debt Provision	Provision Ratio(%)
Within 1 Year			

Aging	Ending Balance		
	Accounts Receivable	Bad Debt Provision	Provision Ratio(%)
Among them: Within 3 months			0
4-12 months			2
1 to 2 years			5
2 to 3 years	3,000.00	600.00	20
3 to 4 years	51,420.00	25,710.00	50
4 to 5 years	72,000.00	57,600.00	80
More than 5 years			100
Total	126,420.00	83,910.00	—

(Continued)

Aging	Beginning Balanc		
	Accounts Receivable	Bad Debt Provision	Provision Ratio(%)
Within 1 Year			
Among them: Within 3 months			0
4-12 months			2
1 to 2 years			5
2 to 3 years	3,000.00	600.00	20
3 to 4 years	51,420.00	25,710.00	50
4 to 5 years	72,000.00	57,600.00	80
More than 5 years			100
Total	126,420.00	83,910.00	-----

## (3) Details of bad debt provision

Items	Beginning Balance	The amount changed for the period			Ending Balance
		addition	Write-off	Other deduct	
Provision for bad debt	83,910.00				83,910.00
Total	83,910.00				83,910.00

## (4) Accounts Receivable of the Top 5 Balances Collected by Debtors at the End of the Period

Debtors	total ending balance of accounts receivable	Ratio of the total ending balance of accounts receivable(%)	Ending Balance of Bad Debt Provision
Hainan pearl river pipe pile co. LTD	108,000.00	85.43	74,700.00
Ceibs agricultural Qinhuangdao development co. LTD	18,420.00	14.57	9,210.00
Total	126,420.00	100.00	83,910.00

**2. Other Receivables**

Item	Ending Balance	Beginning Balance
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Item	Ending Balance	Beginning Balance
Interest receivable		
Dividends receivable		
Other receivables	12,307,166.41	12,612,756.48
Total	12,307,166.41	12,612,756.48

## (1) Other Receivables

## A. Disclosed according to aging

Aging	Ending Balance
Within 1 Year	109,271.85
Among them: Within 3 months	4,000.00
4-12 months	105,271.85
1 to 2 years	12,200,000.00
2 to 3 years	
3 to 4 years	
4 to 5 years	
More than 5 years	50,000.00
Sub total	12,359,271.85
minus: provision for bad debts	52,105.44
Total	12,307,166.41

## B. Classification by nature of funds

Nature of Funds	Book Balance at End of Period	Book Balance at Beginning of Year
Transactions between related parties	12,200,000.00	12,200,000.00
Pretty cash (for employees, departments)	105,271.85	105,271.85
Receivables for employees		18,590.07
Other accounts	54,000.00	341,000.00
Sub total	12,359,271.85	12,664,861.92
minus: provision for bad debts	52,105.44	52,105.44
Total	12,307,166.41	12,612,756.48

## C. Details about bad debt provision

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the whole period (no credit impairment)	Expected credit loss for the whole period (with credit impairment)	
Amount on 1 <sup>st</sup> January 2020	2,105.44		50,000.00	52,105.44
Carrying amount of other receivable on 1 <sup>st</sup> January 2020 that in this period:				
——Get into Stage 2				

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the next 12 months	Expected credit loss for the whole period (no credit impairment)	Expected credit loss for the whole period (with credit impairment)	
—Get into Stage 3				
—Get back to Stage 2				
—Get back to Stage 1				
Provision for the period				
Reverse for the period				
Transfer for the period				
Write off for the period				
Other deduct				
Carrying amount at the end of the period	2,105.44		50,000.00	52,105.44

### 3. Long-term Equity Investment

#### (1) Classification of long-term equity investment

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investment in subsidiaries	2,626,437,846.24	0.00	2,626,437,846.24	2,377,420,527.10		2,377,420,527.10
Total	2,626,437,846.24	0.00	2,626,437,846.24	2,377,420,527.10		2,377,420,527.10

#### (2) Investment in subsidiaries

Invested Entity	Beginning Balance	Current Increase	Current Decrease	Ending Balance	Current Provision for Impairment	Ending Balance of Provision for Impairment
Beijing Jingliang Food Co., Ltd.	2,336,639,964.05	249,017,319.14		2,585,657,283.19		
Jingliang Rural Complex Construction and Operations (Xinyi) Co., Ltd.	15,280,563.05			15,280,563.05		
Jingliang (Caofeidian) Agricultural Development Co., Ltd.	25,500,000.00			25,500,000.00		
Total	2,377,420,527.10	249,017,319.14		2,626,437,846.24		

### 4. Operating income and operating costs

Item	Current Amount		Last Term Amount	
	Income	Cost	Income	Cost
Other Businesses	376,609.17			
Total	376,609.17			

## XVII. Additional Information

### 1. Statement of Current Non-recurring Gains and Losses

Item	Amount	Description
Profit and loss from disposal of non-current assets		
Government subsidies included into the current profits and losses (closely related to the Company's businesses, except for those that should be enjoyed in accordance with national unified standard quota or fixed quantity)	607,800.07	

Item	Amount	Description
Funds occupation fees charged to non-financial enterprises which are included in current profits and losses		
Profit or loss arising from fair value changes due to trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except for the effective hedging business related to the Company's normal business activities.	7,957,284.73	
Other non-operating income and expenditure other than the above items	-729,231.95	
Subtotal	7,835,852.85	
Change in income tax	-1,954,161.27	
Change in minority shareholder's equity (after tax)	-113,986.34	
Total	5,767,705.24	

Note: For the figures in the non-recurring profit and loss items, “+” indicates profit and income, and “-” indicates loss or expenditure.

## 2. Return on Equity and Earnings per Share

Current Profit	Weighted Return on Average Equity (ROAE)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's common shareholders	3.02	0.11	0.11
Net profit attributable to common shareholders after deduction of non-recurring gains and losses	2.79	0.10	0.10

Legal Representative: LI Shaoling

Chief Accounting Officer: Guan Ying

Leader of the Accounting Body: Liu Quanli

Hainan Jingliang Holdings Co., Ltd.

August 22, 2020