

# Financial Report

## I. Audit report

Type of audit opinion	Unqualified opinions with major uncertainty paragraphs of continuous operations
Signing date of audit report	2019-04-18
Name of audit institute	Baker Tilly China CPA (LLP)
Number of audit report	Baker Tilly Zi[2019]No.: 3850
Name of CPA	Chen Zhigang, Zhang Lei

Text of auditor's Report

To all shareholders of Shenzhen China Bicycle Company (Holdings) Limited

### I. Auditing opinions

We have audited the financial statement under the name of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as CBC), including the consolidated and parent Company's balance sheet of 31 December 2018 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2018 and its operation results and cash flows for the year ended.

### II. Basis of opinion

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

### III. Major uncertainty with continuous operation concerned

We bring to the attention of the users of the financial statements, as stated in note XV of the financial statements under the name of CBC, China Bicycle Company has completed

implementation of the restructuring plan dated 27 December 2013 and terminate the bankruptcy proceedings, in which the condition of introduction of investors has been set out with a view to restoring its ability to continue as a going concern and its sustainable profitability through asset restructuring. Up to the reporting date of auditing, the Company has not introduced any investor, but retained the business of bicycles so as to maintain its ability to continue as a going concern before the injection of assets by investors. These events or circumstances indicate that there are significant uncertainties that may cause significant doubts about the sustainable operation ability of China Bicycle Company. This matter does not affect the published audit opinion.

#### IV. Key audit matters

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

Key audit matters	Audit address
<p>1. Revenue recognized</p> <p>CBC mainly engages in the sales of bicycles, electric vehicles and relevant materials. In 2018, the main business income of Shenzhen China Bicycle Company was RMB119,906,950.34, all of which were generated from domestic sales. Shenzhen China Bicycle Company took the receipt of products as the time point for confirming the sales revenue. Due to the significant amount of operating income, the authenticity of the revenue and whether it should be included in the appropriate accounting period had a significant impact on the operating results of the company in 2018, and there might be potential misstatements. Therefore, we took the recognition of income as a key audit matter.</p> <p>Please refer to the accounting policies said in “23. Income” of “Note III Significant Accounting Policies and Accounting Estimate”, “20. Operation Revenue and Cost” of “Note VI Combined Financial Statement Annotation and “4. Operating Income and Costs” of “Note XVI Financial Statement Annotation of Parent Company” of the financial statements annotation.</p>	<p>1. Understand, test and evaluate the effectiveness of the internal control design and operation related to the company’s sales and collections.</p> <p>2. Check the relevant provisions of customer contracts, and pay attention to the changes in pricing methods, acceptance methods, delivery locations and deadlines, settlement methods, etc., and assess whether the company’s recognition of income meets the requirements of the accounting standards and whether it is consistent with the disclosed accounting policies.</p> <p>3. Inquire and understand the background information of major customers through open channels, such as business registration data, etc., confirm whether there are potential unrecognized related party relationships between the customer and the company and related parties.</p> <p>4. Check the customer information (such as contact information, contact address, order time, etc.) of online marketing and evaluate the authenticity and rationality of online marketing; examine the market price of main materials and analyze the rationality of gross profit rate fluctuation.</p> <p>5. Inform the main customers of the current transaction</p>

	<p>amount and fund balance by confirmation letters, and visit important customers to verify the authenticity of the company's revenue recognition.</p> <p>6. Check the contracts, warehouse receipts, delivery notes and delivery receipt records of major customers</p> <p>7. Check the delivery note within a certain period before and after the balance sheet date, pay attention to the date of receipt, and confirm whether the revenue recognition is included in the correct accounting period.</p>
Key audit matters	Audit address
<b>2. Impairment of account receivable</b>	
<p>As of December 31, 2018, the balance of accounts receivable of Shenzhen China Bicycle Company was RMB 32,337,707.54, and the balance of bad debt provisions was RMB 2,518,500, and the bad-debt provision transferred back was RMB 3,330,198.52. As the balance of accounts receivable was significant and the assessment of bad debt provision involved the significant judgment of management, we regarded the impairment of accounts receivable as a key audit matter.</p> <p>Please refer to the accounting policies said in "11. Accounts Receivables" of Note III Significant Accounting Policies and Accounting Estimate, "2. Note receivable and accounts Receivables" of "Note VI Combined Financial Statement Annotation", and "1. Note receivable and accounts Receivables" of "Note XVI Financial Statement Annotation of Parent Company" of the financial statements annotation.</p>	<p>1. Understand and test the effectiveness of the internal control design and operation related to the accounts receivable management</p> <p>2. Review the rationality and consistency of accounting policies of the bad debt provision for accounts receivable of the management, and review the rationality of major standards of single amount determined by the management.</p> <p>3. For the accounts receivable with separate provision for bad debts, select samples to obtain management's basis for estimating the estimated future recoverable amount, including customer credit record, default or delayed payment records, and actual repayment after date, and review its rationality.</p> <p>For the accounts receivable with provision for bad debts according to the aging analysis method, analyze the rationality of the accounting estimates for the bad-debt provision of the accounts receivable of China Bicycle Company, and select samples to test the accuracy of the ageing.</p>

## V. Other information

The management of CBC (the "Management") is responsible for other information which includes the information covered in the Company's 2018 annual report excluding the financial statement and our audit report.

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

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

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

## **VI. Responsibilities of management and those charged with governance for the financial statements**

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## **VII. Responsibilities of the auditor for the financial statements**

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

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor’s report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Beijing China	Chinese CPA:	Chen Zhigang
18 April 2019	(Partner)	
	Chinese CPA:	Zhang Lei

## II. Financial statement

Unit in note of financial statement refers to CNY: RMB (Yuan)

### 1. Consolidated Balance Sheet

Prepared by Shenzhen China Bicycle Company (Holdings) Limited

2018-12-31

In RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary fund	18,488,886.26	27,985,654.24
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	29,007,509.02	30,507,775.21
Including: Note receivable		1,500,000.00
Account receivable	29,007,509.02	29,007,775.21
Account paid in advance	13,799,753.60	2,482,276.54
Insurance receivable		
Reinsurance receivables		

Contract reserve of reinsurance receivable		
Other account receivable	844,537.19	659,706.81
Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventory	2,386,603.94	2,777,174.63
Assets held for sale		
Non-current asset due within one year		
Other current assets	2,266,241.66	1,805,427.17
Total current assets	66,793,531.67	66,218,014.60
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment real estate		
Fixed assets	3,502,807.32	3,941,117.97
Construction in progress		
Productive biological asset		
Oil and gas asset		
Intangible assets	1,506,000.00	2,259,000.00
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned		
Deferred income tax assets	1,040,621.18	741,828.71
Other non-current assets	400,000.00	400,000.00
Total non-current asset	6,449,428.50	7,341,946.68
Total assets	73,242,960.17	73,559,961.28
Current liabilities:		
Short-term loans		
Loan from central bank		

Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable and account payable	11,979,010.69	12,408,197.27
Account received in advance	405,779.88	1,268,479.32
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	435,736.16	706,703.40
Taxes payable	6,297,096.28	3,807,286.87
Other account payable	37,144,872.42	36,508,323.90
Including: Interest payable		
Dividend payable		
Reinsurance payable		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	56,262,495.43	54,698,990.76
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Accrual liability		
Deferred income		
Deferred income tax liabilities		



Other non-current liabilities		
Total non-current liabilities		
Total liabilities	56,262,495.43	54,698,990.76
Owner's equity:		
Share capital	551,347,947.00	551,347,947.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	627,834,297.85	627,834,297.85
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	32,673,227.01	32,673,227.01
Provision of general risk		
Retained profit	-1,197,549,169.92	-1,195,957,201.01
Total owner's equity attributable to parent company	14,306,301.94	15,898,270.85
Minority interests	2,674,162.80	2,962,699.67
Total owner's equity	16,980,464.74	18,860,970.52
Total liabilities and owner's equity	73,242,960.17	73,559,961.28

Legal Representative: Li Hai

Person in charge of Accounting Works: Sun Longlong

Person in charge of Accounting Institution: Zhong Xiaojin

## 2. Balance Sheet of Parent Company

In RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary fund	8,889,572.73	15,398,405.80
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		

Note receivable 及 Account receivable	12,827,954.16	17,980,663.16
Including: Note receivable		300,000.00
Account receivable	12,827,954.16	17,680,663.16
Account paid in advance	13,798,452.48	2,357,662.42
Other account receivable	380,925.78	280,576.37
Including: Interest receivable		
Dividend receivable		
Inventory		
Assets held for sale		
Non-current asset due within one year		
Other current assets	2,130,677.11	1,792,452.81
Total current assets	38,027,582.26	37,809,760.56
Non-current assets:		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	10,379.73	10,379.73
Investment real estate		
Fixed assets	2,995,407.48	3,309,465.26
Construction in progress		
Productive biological asset		
Oil and gas asset		
Intangible assets	1,506,000.00	2,259,000.00
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned		
Deferred income tax assets		
Other non-current assets	400,000.00	400,000.00
Total non-current asset	4,911,787.21	5,978,844.99
Total assets	42,939,369.47	43,788,605.55
Current liabilities:		
Short-term loans		
Financial liability measured by fair value and with variation reckoned into current gains/losses		

Derivative financial liability		
Note payable and account payable		
Account received in advance	327,632.18	1,086,506.70
Wage payable	151,598.60	112,896.71
Taxes payable	5,416,117.27	2,806,928.48
Other account payable	28,967,052.96	30,786,588.98
Including: Interest payable		
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	34,862,401.01	34,792,920.87
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Accrual liability		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	34,862,401.01	34,792,920.87
Owner's equity:		
Share capital	551,347,947.00	551,347,947.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	627,834,297.85	627,834,297.85
Less: Inventory shares		
Other comprehensive income		

Reasonable reserve		
Surplus public reserve	32,673,227.01	32,673,227.01
Retained profit	-1,203,778,503.40	-1,202,859,787.18
Total owner's equity	8,076,968.46	8,995,684.68
Total liabilities and owner's equity	42,939,369.47	43,788,605.55

### 3. Consolidated Profit Statement

Item	In RMB	
	Current Period	Last Period
I. Total operation revenue	119,906,950.34	137,490,597.69
Including: Operation revenue	119,906,950.34	137,490,597.69
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operation cost	122,211,426.75	135,674,815.04
Including: Operation cost	108,071,430.05	124,027,332.26
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	727,636.82	197,163.09
Sales expenses	5,933,231.41	5,462,581.21
Administrative expenses	6,627,286.22	5,743,265.84
R&D expenses		
Financial expenses	-348,684.16	-209,569.66
Including: Interest expenses		
Interest income	-369,745.70	-233,170.32

Losses of devaluation of asset	1,200,526.41	454,042.30
Add: Other income		
Investment income(Loss is listed with “-” )		
Including: Investment income on affiliated company and joint venture		
Changing income of fair value(Loss is listed with “-” )		
Exchange income (Loss is listed with “-” )		
Assets disposal income (Loss is listed with “-” )		-2,464.81
III. Operating profit(Loss is listed with “-”)	-2,304,476.41	1,813,317.84
Add: Non-operation revenue	4,634,304.77	4,629,029.13
Less: Non-operation expenditure	4,458,892.86	4,347,483.24
IV. Total Profit (Loss is listed with “-”)	-2,129,064.50	2,094,863.73
Less: Income tax expenses	-248,558.72	515,704.26
V. Net profit (Net loss is listed with “-”)	-1,880,505.78	1,579,159.47
(I) Continuous operation net profit (Net loss is listed with “-”)	-1,880,505.78	1,579,159.47
(ii) Discontinued operation net profit (Net loss is listed with “-”)		
Net profit attributable to owner’ s of parent company	-1,591,968.91	1,529,587.27
Minority shareholders’ gains and losses	-288,536.87	49,572.20
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(i) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes as a result of		

re-measurement of net defined benefit plan liability or asset		
2.Other comprehensive income unable transfer to gain/loss under equity method		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income able to transfer to gain/loss under equity method		
2.Gains or losses arising from changes in fair value of available-for-sale financial assets		
3.Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4.The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5.Translation differences arising on translation of foreign currency financial statements		
6.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	-1,880,505.78	1,579,159.47
Total comprehensive income attributable to owners of parent Company	-1,591,968.91	1,529,587.27
Total comprehensive income attributable to minority shareholders	-288,536.87	49,572.20
VIII. Earnings per share:		
(i) Basic earnings per share	-0.0029	0.0028
(ii) Diluted earnings per share	-0.0029	0.0028

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Li Hai

Person in charge of Accounting Works: Sun Longlong

Person in charge of Accounting Institution: Zhong Xiaojin

#### 4. Profit Statement of Parent Company

In RMB		
Item	Current Period	Last Period
I. Operation revenue	33,859,463.41	24,505,590.30
Less: Operation cost	29,856,342.44	20,012,376.09
Tax and extras	572,884.38	720.00
Sales expenses	872,164.08	
Administrative expenses	3,801,648.55	2,833,306.05
R&D expenses		
Financial expenses	-138,128.50	-2,696.71
Including: Interest expenses		
Interest income	-146,307.16	-8,881.57
Losses of devaluation of asset	-14,209.76	53,202.19
Add: Other income		
Investment income(Loss is listed with “-” )		
Including: Investment income on affiliated company and joint venture		
Changing income of fair value(Loss is listed with “-” )		
Assets disposal income (Loss is listed with “-” )		
II. Operating profit(Loss is listed with “-”)	-1,091,237.78	1,608,682.68
Add: Non-operation revenue	4,601,274.42	4,541,594.86
Less: Non-operation expenditure	4,428,752.86	4,332,392.64
III. Total Profit (Loss is listed with “-”)	-918,716.22	1,817,884.90
Less: Income tax expenses		403,966.10
IV. Net profit (Net loss is listed with “-”)	-918,716.22	1,413,918.80

(I) Continuous operation net profit (Net loss is listed with “-” )	-918,716.22	1,413,918.80
(ii) Discontinued operation net profit (Net loss is listed with “-” )		
V. Net after-tax of other comprehensive income		
(i) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes as a result of re-measurement of net defined benefit plan liability or asset		
2.Other comprehensive income unable transfer to gain/loss under equity method		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income able to transfer to gain/loss under equity method		
2.Gains or losses arising from changes in fair value of available-for-sale financial assets		
3.Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4.The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5.Translation differences arising on translation of foreign currency financial statements		
6.Other		
VI. Total comprehensive income	-918,716.22	1,413,918.80
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		



## 5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	36,129,289.85	47,815,380.56
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	4,438,556.57	14,948,547.89
Subtotal of cash in-flow from operation activity	40,567,846.42	62,763,928.45
Cash paid for purchasing commodities and receiving labor service	30,870,252.63	42,234,146.49
Net increase of customer loans and		

advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	7,034,174.47	7,032,925.15
Taxes paid	2,508,051.27	2,108,578.13
Other cash paid concerning operating activities	9,634,842.21	14,819,857.08
Subtotal of cash out-flow from operation activity	50,047,320.58	66,195,506.85
Net cash flow from operation activities	-9,479,474.16	-3,431,578.40
II. Cash flows arising from investment activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets		60,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investment activities		
Subtotal of cash in-flow from investment activity		60,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	17,293.82	658,054.98
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning		

investment activities		
Subtotal of cash out-flow from investment activity	17,293.82	658,054.98
Net cash flow from investment activities	-17,293.82	-598,054.98
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities	8,808,378.06	8,000,000.00
Subtotal of cash in-flow from financing activity	8,808,378.06	8,000,000.00
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	2,000,000.00	8,808,378.06
Subtotal of cash out-flow from financing activity	2,000,000.00	8,808,378.06
Net cash flow from financing activities	6,808,378.06	-808,378.06
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		-0.09
VI. Net increased amount of cash and cash equivalent	-2,688,389.92	-4,838,011.53
Add: Balance of cash and cash equivalents at the period -begin	19,177,276.18	24,015,287.71
VI. Balance of cash and cash equivalents at the period -end	16,488,886.26	19,177,276.18

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	191,824.00	1,965,727.01
Write-back of tax received		
Other cash received concerning operating activities	5,803,118.03	18,392,380.58
Subtotal of cash in-flow from operation activity	5,994,942.03	20,358,107.59
Cash paid for purchasing commodities and receiving labor service	416,418.59	1,777,103.37
Cash paid to/for staff and workers	2,958,657.75	2,345,272.99
Taxes paid	1,101,894.37	341,557.38
Other cash paid concerning operating activities	8,014,959.57	9,620,841.25
Subtotal of cash out-flow from operation activity	12,491,930.28	14,084,774.99
Net cash flow from operation activities	-6,496,988.25	6,273,332.60
II. Cash flows arising from investment activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investment activities		
Subtotal of cash in-flow from investment activity		

Cash paid for purchasing fixed, intangible and other long-term assets	11,844.82	18,345.00
Cash paid for investment		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investment activities		
Subtotal of cash out-flow from investment activity	11,844.82	18,345.00
Net cash flow from investment activities	-11,844.82	-18,345.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		8,000,000.00
Subtotal of cash in-flow from financing activity		8,000,000.00
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Other cash paid concerning financing activities		
Subtotal of cash out-flow from financing activity		
Net cash flow from financing activities		8,000,000.00
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		-0.09
五. Net increased amount of cash and cash equivalent	-6,508,833.07	14,254,987.51
Add: Balance of cash and cash equivalents at the period -begin	15,398,405.80	1,143,418.29
VI. Balance of cash and cash equivalents at the period -end	8,889,572.73	15,398,405.80

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

Current period

In RMB

Item	Current period													
	Owners' equity attributable to parent company											Minority interests	Total owner's equity	
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit			
		Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	551,347,947.00				627,834,297.85							-1,195,957,201.01	2,962,699.67	18,860,970.52
Add:														
Changes of accounting policy														
Error correction of the previous period														
Enterprise combine under the same control														
Other														
II. Balance at the beginning of this year	551,347,947.00				627,834,297.85							-1,195,957,201.01	2,962,699.67	18,860,970.52
III. Increase/Decrease in this year (Decrease is listed with "-")												-1,591,968.91	-288,536.87	-1,880,505.78
(i) Total comprehensive income												-1,591,968.91	-288,536.87	-1,880,505.78
(ii) Owners' devoted and														

decreased capital													
1.Common shares invested by owners													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(iii) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(iv) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Change amount of defined benefit													

plans that carry forward retained earnings														
5. Other														
(v) Reasonable reserve														
1. Withdrawal in the report period														
2. Usage in the report period														
(vi) Other														
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85					32,673,227.01		-1,197,549,169.92	2,674,162.80	16,980,464.74

Last Period

In RMB

Item	Last Period												Minority interests	Total owner's equity
	Owners' equity attributable to parent company													
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Provision of general risk	Retained profit			
preferred stock		Perpetual capital securities	Other											
I. Balance at the end of the last year	551,347,947.00				627,834,297.85							-1,197,486,788.28	2,913,127.47	17,281,811.05
Add:														
Changes of accounting policy														
Error correction of the previous period														
Enterprise combine under the same control														



Other													
II. Balance at the beginning of this year	551,347,947.00				627,834,297.85				32,673,227.01		-1,197,486,788.28	2,913,127.47	17,281,811.05
III. Increase/Decrease in this year (Decrease is listed with “-”)											1,529,587.27	49,572.20	1,579,159.47
(i) Total comprehensive income											1,529,587.27	49,572.20	1,579,159.47
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by owners													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(iii) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(iv) Carrying forward internal owners’ equity													

1. Capital reserves converted to capital (share capital)														
2. Surplus reserves converted to capital (share capital)														
3. Remedying loss with surplus reserve														
4. Change amount of defined benefit plans that carry forward retained earnings														
5. Other														
(v) Reasonable reserve														
1. Withdrawal in the report period														
2. Usage in the report period														
(vi) Other														
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85				32,673,227.01			-1,195,957,201.01	2,962,699.67	18,860,970.52

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

Current period

In RMB

Item	Current period											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Total owner's equity	
		preferred stock	Perpetual capital securities	Other								
I. Balance at the	551,347,000				627,834,297.85				32,673,227.01	-1,195,957,201.01	2,962,699.67	18,860,970.52

end of the last year	947.00				97.85				7.01	59,787.18	.68
Add: Changes of accounting policy											
Error correction of the previous period											
Other											
II. Balance at the beginning of this year	551,347,947.00				627,834,297.85				32,673,227.01	-1,202,859,787.18	8,995,684.68
III. Increase/Decrease in this year (Decrease is listed with “-”)										-918,716.22	-918,716.22
(i) Total comprehensive income										-918,716.22	-918,716.22
(ii) Owners’ devoted and decreased capital											
1. Common shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(iii) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or											

shareholders)											
3. Other											
(iv) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(v) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(vi) Other											
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85				32,673,227.01	-1,203,778,503.40	8,076,968.46

Last Period

In RMB

Item	Last Period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Total owner's equity
		preferred stock	Perpetual capital	Other							

			securiti es								
I. Balance at the end of the last year	551,347,947.00				627,834,297.85				32,673,227.01	-1,204,273,705.98	7,581,765.88
Add: Changes of accounting policy											
Error correction of the previous period											
Other											
II. Balance at the beginning of this year	551,347,947.00				627,834,297.85				32,673,227.01	-1,204,273,705.98	7,581,765.88
III. Increase/Decrease in this year (Decrease is listed with “-”)										1,413,918.80	1,413,918.80
(i) Total comprehensive income										1,413,918.80	1,413,918.80
(ii) Owners’ devoted and decreased capital											
1.Common shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(iii) Profit distribution											
1. Withdrawal of											

surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(iv) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(v) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(vi) Other											
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85				32,673,227.01	-1,202,859,787.18	8,995,684.68

### III. Company Profile

#### 1. History and basic information

According to the Approval Document SFBF (1991) No. 888 issued by the People's Government of Shenzhen, Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) was reincorporated as the company limited by shares in November 1991. On 28 December 1991, upon the Approval Document SRYFZ(1991) No. 119 issued by Shenzhen Special Economic Zone Branch of the People's Bank of China, the Company got listed on Shenzhen Stock Exchange, Registered capital of the Company amounted as 551,347,947.00 Yuan.

Legal representative: Li Hai

Location: No. 3008, Buxin Road, Luohu District, Shenzhen

Certificate for Uniform Social Credit Code: 914403006188304524

## **2. Business nature and main operation activities**

The Company's industry: machinery manufacturing industry

Main operation activities: The production and assembly of various bicycles and spare parts, components, parts, mechanical product, sport machinery, fine chemicals, carbon fiber composites material, household electrical appliance and affiliated components (products management by license excluded).

The majority of its products were previously exported, however, the sales volume sharply declined in recent years because of the antidumping litigation. Hence, the Company commences on the debt reorganization and the reorganization plan was completed on 27 December 2013 with bankruptcy proceedings terminated. Meanwhile, makes greater efforts to develop and research the new products, and creates a range of electrical bicycles to occupy the domestic market.

Main products and services provided so far: EMMELLE bicycles, electrical bicycles and lithium battery material

## **3. Release of the financial report**

The Financial Report released on 18 April 2019 after approved by 11<sup>th</sup> session of 10<sup>th</sup> BOD of the Company

One subsidiary included in consolidate scope in the period, found more in Note IX- equity in other entity and Note VIII Change of consolidate scope

## **IV. Compilation Basis of Financial Statement**

### **1. Compilation Basis**

The financial statement is prepared based on continuing operation assumptions, and according to actual occurrence, in line with relevant accounting rules and follow important accounting policy and estimation.

## **2. Going concern**

On 11 May 2012, the largest shareholder and biggest creditor of the Company, Shenzhen Guosheng Energy Investment Development Co., Ltd. applied to Shenzhen Municipal Intermediate People's Court for reforming the Company as the Company couldn't pay off the matured debts and was seriously insolvent. On 12 October 2012, Shenzhen Municipal Intermediate People's Court ruled to accept the application proposed by Guosheng Energy according to (2012) Shenzhen Intermediate Court Po Zi No. 30 civil ruling. On the last ten-day of October 2012, Shenzhen Municipal Intermediate People's Court ruled to reform the Company since 25 October 2012 according to (2012) Shenzhen Intermediate Court Po Zi No. 30-1 civil ruling, appointed King & Wood (Shenzhen) Mallesons and Shenzhen ZhengYuan Liquidation Affairs Co., Ltd. as the custodians of the Company. On the same day, Shenzhen Municipal Intermediate People's Court made (2012) Shenzhen Intermediate Court Po Zi No. 30-1 written decision, and approved the Company to manage property and business affairs by itself under the supervision of custodians according to the law. On 5 November 2013, the Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-6 Civil Ruling Paper judged that approved the reorganization plan of the Company. On 27 December 2013, the Civil Ruling Paper Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-10 ruled that the reorganization plan of CBC was completed and bankruptcy procedures of the Company closed down.

The Company has solved the debt problem by reforming, realized the net assets with positive value, the main business of bicycle is able to be maintained and realizes the stable development. The Company has set up the conditions for introducing the recombination party in the reforming plan, and expects to restore the abilities of sustainable operation and sustained profitability by reorganization. The conditions of introducing the recombination party includes: the assessed value of net assets should be no less than 2 billion Yuan, the net assets in the same year for implementing the major reorganization should be no less than 200 million Yuan. The Company doesn't have the recombination party at the moment.

## **V. Main accounting policy and Accounting Estimate**

Whether the company needs to comply with the disclosure requirements of the particular industry

No

Tips for specific accounting policy and estimate:

Nil

### **1. Declaration on compliance with accounting standards**

The financial statement prepared by the Company, based on follow compilation basis, is comply with the requirement of new accounting standards for business enterprise issued by Ministry of Finance and its application guide, commentate as well as other regulations (collectively referred to



as Accounting Standards for Business Enterprise), which is reflect a real and truth financial status of the Company, as well as operation results and cash flow situations.

Furthermore, the statement has reference to the listing and disclosure requirement from “Rules Governing the Disclosure of Information for Enterprise with Stock Listed No.15-general regulation of financial report” (2014 Revised) and “Notice on Implementation of New Accounting Standards for Listed Companies” (KJBH (2018) No. 453)

## **2. Accounting period**

Calendar year is the accounting period for the Company, which is starting from 1 January to 31 December.

## **3. Business cycles**

The business period for the Company, which is the Gregorian calendar starting from 1 January to 31 December

## **4. Recording currency**

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

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

(1) Accounting treatment for business combinations under the same control and those not under the same control

For a business merger that is under the same control and is achieved by the Company through one single transaction or multiple transactions, assets and liabilities obtained from that business combination shall be measured at their book value at the combination date as recorded by the party being absorbed in the consolidated financial statement of ultimate controlling party. Capital reserve shall be adjusted as per the difference between the book value of obtained net assets and the book value of paid consolidated consideration (or the nominal value of the issued shares) of the Company; retained earnings shall be adjusted if the capital reserve is not sufficient for offset.

(2) Accounting treatment for Enterprise combine not under the same control

The Company will validate the difference that the combined cost is more than the fair value of the net identifiable assets gained from the acquiree on the acquisition date as goodwill; where the combined cost is less than the fair value of net identifiable assets gained from the acquiree during business combination, the fair value and combined cost of various identifiable assets, liabilities

and contingent liabilities from the acquiree must be rechecked. Where the combined cost is, after the recheck, still less than the fair value of net identifiable assets gained from the acquiree during business combination, the difference shall be charged to current profits and losses.

As for business combination not under common control and realized through multiple transactions and by steps, the Company shall make accounting treatment as follows:

1) Adjust the initial investment cost of long-term equity investments. As for stock equities held before the acquisition date accounted according to the equity method, re-measurement is carried out according to the fair value of the equity on the acquisition date. The balance between the fair value and the book value is included in the current investment income. If the acquiree's stock equities held before the acquisition date involves changes of other comprehensive incomes and other owner's equities under accounting with the equity method, the balance between the fair value and the book value is included in the current investment income on the acquisition date, excluding other comprehensive incomes incurred by changes due to re-measurement of net liabilities or net assets of the defined benefit plan.

2) Confirm the goodwill (or include the amount in the profits and losses). The initial investment cost of long-term equity investments adjusted in step 1 is compared with the fair value of net identifiable assets of the subsidiary shared on the acquisition date. If the former is greater than the latter, the balance is confirmed as goodwill; if the former is less than the latter, the balance is included in the current profits and losses.

Loss of control of a subsidiary in multiple transactions in which it disposes equity interests of its subsidiary in stages

(1) In determining whether to account for the multiple transactions as a single transaction

A parent shall consider all the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:

- 1) Arrangements are entered into at the same time or in contemplation of each other;
- 2) Arrangements work together to achieve an overall commercial effect;
- 3) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- 4) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

(2) Accounting treatment for each of the multiple transactions forming part of a bundled transactions which eventually results in loss of control the subsidiary during disposal of its subsidiary in stages

If each of the multiple transactions forms part of a bundled transactions which eventually results in loss of control the subsidiary, these multiple transactions should be accounted for as a single

transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding percentage of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

The remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost

③ Accounting treatment for each of the multiple transactions NOT forming part of a bundled transactions which eventually results in loss of control the subsidiary during disposal of its subsidiary in stages

If the Company doesn't lose control of investee, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary shall be adjusted to the capital reserve (capital /equity premium) in the consolidated financial statements.

If the Company loses control of investee, the remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding percentage, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

## **6. Compilation method of consolidated financial statement**

Consolidated financial statements are prepared by the Company in accordance with Accounting Standard for Business Enterprise No. 33-Consolidated Financial Statements and based on financial statements of parent company and its subsidiaries and other related information.

When consolidating the financial statements, the following items are eliminated: internal equity

investment and owners' equity of subsidiaries, proceeds on internal investments and profit distribution of subsidiaries, internal transactions, internal debts and claim. The accounting policies adopted by subsidiaries are the same as parent company.

## **7. Classification of joint venture arrangement and accounting treatment for joint control**

### **(1) Affirmation and classification of joint venture arrangement**

Joint arrangement refers to an arrangement controlled by two or more than two participants. Joint venture arrangement has the following characteristics: 1) Each participant is bound by the arrangement; 2) Two or more participants carry out joint control on implementation of the arrangement. Any participant cannot control the arrangement independently. Any participant for joint control can stop other participants or participant combinations to independently control the arrangement.

Joint control refers to the sharing of control over certain arrangement under related agreements, and related activities of the arrangement must be determined only when obtaining the unanimous consent of the parties sharing control.

Joint venture arrangement is classified in to joint operation and joint venture. Joint operation refers to an arrangement that a joint party enjoys assets related to the arrangement and bears liabilities related to the arrangement. Joint venture refers to an arrangement that a joint party only has the power governing net assets of the arrangement.

### **(2) Accounting treatment of joint venture arrangement**

Joint venture participants should confirm the following items related to interest shares in joint venture and carry out accounting settlement according to relevant provisions of the Accounting Standards for Business Enterprises: 1) confirm the assets held separately and confirm the assets held jointly based on shares; 2) confirm the liabilities borne separately and confirm the liabilities borne jointly based on shares; 3) confirm the income incurred after selling its shares in joint venture output; 4) confirm the income after selling the joint venture outputs based on shares; 5) confirm the expenses incurred separately and confirm the expenses incurred in joint venture based on shares.

Joint venture participants should carry out accounting settlement for investments of the joint venture according to provisions of Accounting Standards for Business Enterprises No.2--Long-term Equity Investments.

## **8. Recognition of cash and cash equivalents**

Cash in cash flow statement means the inventory cash and savings available for use anytime. Cash

equivalents refer to the short-term (generally due within three months since the date of purchase) highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

## **9. Foreign currency transaction and financial statement conversion**

### **(1) Conversion for foreign currency transaction**

When initially recognized, the foreign currency for the transaction shall be converted into CNY amount according to the spot exchange rate on the date of transaction. For the foreign currency monetary items, conversion must be based on the spot exchange rate on the balance sheet date and the exchange difference incurred from different exchange rates, except for the exchange difference of principal and interest incurred due to foreign currency loan related to acquisition or construction of assets that qualify for capitalization, shall be charged to current profits and losses; foreign currency non-monetary items measured with historical cost are still converted as per the spot exchange rate on the transaction date and keep the RMB amount unchanged; foreign currency non-monetary items measured with fair value shall be converted as per the spot exchange rate on the date of determining the fair value and the difference shall be charged to current profits and losses or other comprehensive income.

### **(2) Conversion of financial statements presented in foreign currencies**

The asset and liability items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; the owner's equity items, except for the items of "undistributed profit", shall be converted at the spot exchange rate on the transaction date; the income and expenditure items in the profit statement shall be converted at the spot exchange rate on the transaction date. The translation difference of foreign financial statements conducted as above is recognized as other comprehensive incomes.

## **10. Financial instruments**

Financial instrument including the financial assets, financial liability and equity instrument

### **(1) Classification of financial assets and financial liability**

Financial assets can be divided into four types while initially recognized: financial assets at fair value through profit or loss (including transactional financial assets and those financial assets designated as at fair value through profit or loss), held-to-maturity investments; loans & receivables; available-for-sale financial assets.

Financial liability can be divided into two types while initially recognized: financial liability at fair value through profit or loss (including transactional financial liability and those financial liabilities

designated as at fair value through profit or loss) and other financial liability

(2) Recognition, measurement and derecognition of financial assets and financial liabilities

Financial assets or financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets or financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized to profit or loss. For other financial assets or financial liabilities, transaction costs are included in their initial recognized amounts.

Financial assets are subsequently measured at fair value without considering of the possible transaction costs upon the disposal thereof in the future, except that: (1) Held-to-maturity investments and loans and receivables are subsequently measured at amortised cost using the effective interest method; and (2) Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except that: (1) Financial liabilities at fair value through profit are subsequently measured at fair value without considering of the possible transaction costs upon the settlement thereof in the future; (2) Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, they are subsequently measured at cost; and (3) Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, subsequent to initial recognition, they are measured at the higher of: (1) the amount determined in accordance with ASBE No. 13 “Contingencies”; and (2) the amount initially recognized less cumulative amortisation recognized in accordance with the principles set out in ASBE No. 14 “Revenue”.

Any gains or losses arising from changes in the fair value on financial assets or financial liabilities, other than those hedging instrument, are accounted for as follows: (1) Gains or losses arising from the change in fair value on financial assets or financial liabilities at fair value through profit or loss are recorded as gains or losses from change in fair value; Any interest or dividend income earned during the holding on such financial assets are recognized to profit or loss. On disposal, the differences between the consideration received and initial recognized amount are recognized as investment income and adjust to the gains or losses from change in fair value accordingly; and (2) Changes in fair value of available-for-sale financial assets are recorded in the other comprehensive income. Interest calculated using the effective interest method for the periods, in which the assets

are held, are recognized as investment income. Cash dividends from available-for-sale equity investments are recognized as investment income when the dividends are declared by the investee. On disposal, the differences between the considerations received and the carrying amounts of financial assets after deducting the accumulated fair values adjustments previously recorded in the other comprehensive income are recognized as investment income.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset terminate, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. A financial liability (or part of it) is derecognized only when the underlying present obligations (or part of it) are discharged.

### (3) Recognition and measurement on transfer of financial assets

If the Group has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee, the financial asset should be derecognized; If the Group retains substantially all the risks and rewards of ownership of a financial asset, the transferred financial asset should be recognized and the consideration received should be recognized as a financial liability; If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall be accounted for as follows: (1) the financial asset should be derecognized if the Group waives control over the asset; (2) it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability if the Group does not waive control over the asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference of the following is recognized to profit or loss: (1) The carrying amount of the financial asset transferred; and (2) The sum of the consideration received from the transfer and any cumulative change of fair value that has been previously recognized in other comprehensive income directly. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference of the following is recognized to profit or loss: (i) The carrying amount allocated to the part derecognized; and (ii) The sum of the consideration received for the part derecognized and any cumulative change of fair value allocated to the part derecognized which has been previously recognized in other comprehensive income directly.

### (4) Determination of fair value of financial assets and financial liabilities

For a financial asset or financial liability which has an active market, the Group considers the quoted price in the active market to determine its fair value. For a financial assets or financial liability which has no active market, the Group uses a valuation technique (valuation techniques

include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models) to determine its fair value. For a financial asset acquired or a financial liability assumed initially, its fair value is based on the price of market transactions.

(5) Provision for impairment on financial assets other than account receivables

At each balance sheet date, the Group assesses the carrying amounts of its financial assets other than those financial assets at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment.

At the end of the reporting period, if there is objective evidence that an impairment loss on a financial asset carried at amortized cost has occurred, an impairment loss is recognized as the excess of the carrying amount of the financial asset over its present value of estimated future cash flows to profit or loss. If an impairment loss has been incurred on an investment in unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such equity instrument, an impairment loss is recognized as the excess of the carrying amount of the unquoted equity investment or a derivative financial asset over its present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset to profit or loss.

An impairment is recognized where there is a significant decrease in the fair value of available for sale financial assets, or taken into account all factors, the decrease trend is not temporary to profit or loss. The cumulative loss arising from decline in fair value previously recognized directly in the other comprehensive income is reclassified from the capital reserve to profit or loss.

(6) There is no reclassification of held-to-maturity investment which is not due into financial assets available for sale during the period.



## 11. Note receivable and account receivable

### (1) Account receivable with single significant amount and withdrawal single item bad debt provision

Account with single significant amount	Single significant account: the single receivable has over 5 million yuan at end of the period
Withdrawal method for bad debt provision of account receivable with single significant amount	At the end of the period, the receivables with significant single amount are tested separately for impairment. If there is objective evidence that they have been impaired, the impairment loss will be recognized and the provision for bad debts will be made based on the balance between the present value of future cash flows and its book value.

### (2) Accounts receivable whose bad debts provision was accrued by combination based on credit risk characteristics portfolio

Combination	Bad debt provision accrual
Credit risk portfolio	Age analysis method

Accrual bad debt provision by age analysis in combination:

Applicable  Not applicable

Account age	Accrual ratio	Accrual ratio for other receivable
Within one year(one year included)	0.30%	0.30%
1—2 years	0.30%	0.30%
2—3 years	0.30%	0.30%
Over 3 years	100.00%	100.00%

In combination, withdrawal proportion of bad debt provision based on balance proportion

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods:

Applicable  Not applicable

### (3) Account receivable with minor single amount but with withdrawal bad debt provision for single item

Reasons for provision of bad debt reserve	The Company conducts impairment test separately for receivables that are not significant in single amount but have the following characteristics, if there is objective evidence that they have been impaired, the impairment loss will be recognized and the provision for bad debts will be made based on the balance between the present value of future cash flows and its book value; receivables that are in dispute with the other party or
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	involving litigation or arbitration; there are clear signs indicating that the debtor is likely to be unable to fulfill the repayment obligations of the receivables.
Provision method of bad debt reserve	If the impairment test is carried out separately and there is objective evidence that it has been impaired, the impairment loss will be recognized and the provision for bad debts will be made based on the balance between the present value of future cash flows and its book value.

## 12. Inventory

Whether the company needs to comply with the disclosure requirements of the particular industry

No

### (1) Classification of inventory

The inventory of the Company refers to such seven classifications as the raw materials, product in process, goods on hand, wrap page, low value consumables, materials for consigned processing and goods sold.

### (2) Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The prices of inventories are calculated using weighted average method when they are delivered.

### (3) Provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

#### (4) Inventory system

Perpetual inventory system is adopted.

### **13. Assets held for sale**

The Company classifies such corporate components (or non-current assets) that meet the following criteria as held-for-sale: (1) Disposable immediately under current conditions based on similar transactions for disposals of such assets or practices for the disposal group; (2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained (the undertaking to purchase means a binding purchase agreement entered into by the Company and other parties, which contains transaction price, time and adequately strict punishments for breach of contract provisions, which renders the possibility of material adjustment or revocation of the agreement is extremely minor), and the disposal is expected to be completed within a year. Besides, approval from relevant competent authorities or regulatory authorities has been obtained as required by relevant rules.

The expected net residual value of asset held for sale is adjusted by the Company to reflect its fair value less selling expense, provided that the net amount shall not exceed the original carrying value of the asset. In case that the original value is higher than the adjusted expected net residual value, the difference shall be recorded in profit or loss for the period as asset impairment loss, and allowance of impairment for the asset shall be provided. Impairment loss recognized in respect of the disposal group held for sale shall be used to offset the carrying value of the goodwill in the disposal group, and then offset the carrying value of the non-current assets within the disposal group based on their respective proportion of their carrying value.

In respect of the non-current assets held for sale, if the net amount after their fair value less the selling expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the assets impairment loss amount recognized after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The impairment loss on assets recognized before being classified as held for sale will not be reversed. In respect of the disposal group held for sale, if the net amount after their fair value less the selling

expenses increased as at the subsequent balance date, the reduced amount before will be recovered and reversed in the assets impairment loss amount recognized in non-current assets after being classified as held for sale, and the reversed amount will be recorded in the current profits or loss. The reduced book value of the goodwill as well as the impairment loss on assets recognized before the non-current assets are classified as held for sale will not be reversed. The subsequent reversed amount in respect of the impairment loss on assets recognized in the disposal group held for sale will increase the book value in proportion of the book value of each non-current assets (other than goodwill) in the disposal group.

In respect of loss of control in a subsidiary arising from disposal of the investment in such subsidiary, the investment in a subsidiary shall be classified as held for sale in its entirety in the individual financial statement of the parent company, and all the assets and liabilities of the subsidiary shall be classified as held for sale in the consolidated financial statement subject to that the proposed disposal of investment in the subsidiary satisfies such conditions as required for being classified as held for sale notwithstanding part equity investment will be retained by the Company after such disposal.

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

##### (1) Determination of investment costs

1) If it is formed by the business combination under the common control, and that the combining party takes cash payment, transfer of non-cash assets, assumption of debts or issuance of equity securities as the consolidation consideration, the shares of the book value of the owner's equity obtained from the combined party on the date of combination in the ultimate controlling party's consolidated financial statements shall be recognized as its initial investment cost. Capital reserves shall be adjusted according to the balance between the initial investment cost for long-term equity investment and the book value of paid consolidation consideration or the total face value of issued shares (capital premium or equity premium). If capital reserves are insufficient for offset, retained earnings shall be adjusted.

As for business combination under the common control realized by the Company through several transactions, the initial investment cost of the investment shall be determined based on the share of the carrying value of the owners' equity of the consolidated party as calculated according to the shareholding proportion on the consolidation date. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve (capital premium or equity premium). If the balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

2) As for long-term equity investment formed from business combination not under common control, the fair value of the consolidated consideration paid shall be deemed as the initial

investment cost on the acquisition date.

3) Except those ones formed by the business combination, for all items obtained by means of cash payment, actually paid acquisition costs shall be taken as the initial investment cost. For those ones obtained by the issuance of equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost. For those ones invested by investors, the value agreed in the investment contract or agreement shall be taken as the initial investment cost, provided that the value agreed in the contract or agreement shall be fair.

## (2) Subsequent measurement and profit or loss recognition

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. The equity method is adopted when the Group has joint control, or exercises significant influence on the investee.

Under cost method, long term equity investment is measured at initial investment cost. Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognizes cash dividends or profits declared by the investee as current investment gains, and determine whether there is impairment on long term investment according to relevant assets impairment policies.

Under equity method, when the initial investment cost of the long-term equity investment exceeds the share of fair value in the net identifiable assets in the investee, the difference shall be included in initial investment cost of the long-term equity investment. When the initial investment cost is lower than the share of fair value in the net identifiable asset in the investee, such difference is recognized in profit or loss for the period with adjustment of cost of the long-term equity investment.

Under equity method, after the Company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss realized by the investee, recognize the investment profit or loss and adjust carrying value of the investment. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its shareholding proportion (but impairment losses for assets arising from internal transactions shall be recognized in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognized to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to

assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in owners' equity of the investee (other than net profits or losses) and includes the corresponding adjustments in the owners' equity of the Group.

### (3) Determination of control and significant influence on investee

Control is the power over an investee. An investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over those policies

### (4) Disposal of long-term equity investment

#### 1) Partial disposal of long term investment in which control is retained

When long term investment is been partially disposed but control is retained by the company, the difference between disposal proceeds and carrying amount of the proportion being disposed is accounted for through profit or loss.

#### 2) Partial disposal of long term investment in which control is lost

When long term investment is partially disposed and control is lost as a result, the carrying value of the long term invest on the stock right, the difference between carrying amount of the part being disposed and disposal proceeds should be recognized as profit or loss. The residual part should be treated as long term investment or other financial assets according to their carrying amount. After partial disposal, if the company is able to exert significant influence or common control over the investee, the investment should be measured according to cost method or equity method, in compliance with relevant accounting standards and regulations.

### (5) Impairment test and provision for impairment

If there is objective evidence on the balance sheet date showing investment in subsidiaries, associates and joint ventures is impaired, provision of impairment shall be made against the difference between the carrying amount and the recoverable amount of the investment.

## **15. Investment real estate**

Measurement mode

Measured by cost method

Depreciation or amortization method

(1) Investment property including land use right which has been rented out, land use right which is held for transfer upon appreciation and buildings which has been rented out.

(2) Investment properties are initially measured at cost and subsequently measured as per the cost

pattern, and relevant withdrawal of provision for depreciation or amortization is carried out by the same method for fixed assets and intangible assets. As of the balance sheet date, where there is any indication that an investment property experiences impairment, the relevant impairment provision shall be provided for based on the difference between the carrying value and the recoverable amount.

## 16. Fixed assets

### (1) Confirmation conditions

Fixed assets refer to the tangible assets for production of products, provision of labor, lease or operation, and with a service life in excess of 1 financial year. Fixed assets may be recognized unless it simultaneously meets the conditions as follows: ①The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and ②The cost of the fixed assets can be measured reliably.

### (2) Depreciation methods

Category	Method	Years of depreciation	Scrap value rate	Yearly depreciation rate
Housing buildings	Straight-line depreciation	20	10%	4.5%
Machinery equipment	Straight-line depreciation	10	10%	9%
Office equipment	Straight-line depreciation	5	10%	18%
Electronic equipment	Straight-line depreciation	5	10%	18%
Means of transportation	Straight-line depreciation	5	10%	18%
Other equipment	Straight-line depreciation	5	10%	18%

Nil

### (3) Recognition basis, valuation and depreciation method for financial lease assets

Finance lease is determined when one or a combination of the following conditions are satisfied: (1) the ownership has been transferred to the lessee when the leasing term is due; (2) the lessee has the option to purchase the leasing asset at a price that is much lower than its fair value, so it can be reasonably determined that the lessee will take the option at the very beginning of the lease; (3) the leasing term accounts for most time of the useful life (ordinarily accounting for 75% or higher) even if the ownership does not transfer to the lessee; (4) the present value of the minimum amount of rent that the lessee has to pay at the first day of the lease amounts to 90% or higher of its fair value at the same date; or the present value of the minimum amount of rent that the lessor collects at the first day of the lease amounts to 90% or higher of its fair value at the same date; and/or (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications. Fixed assets rented-in under finance lease are recorded at the lower of fair value and the present value of the minimum lease payment at the inception of the lease, and are

depreciated following the depreciation policy for self-owned fixed assets.

## **17. Construction in progress**

Whether the company needs to comply with the disclosure requirements of the particular industry

No

(1)When the construction in progress has reached the intended condition for use, it will be treated as fixed assets as per the actual construction cost. If the construction in progress has reached the intended condition for use but completion accounting is not carried out, the construction in progress should be first treated as fixed assets as per the estimated value. After completion accounting is carried out, the original estimated value should be adjusted as per the actual cost, but the provision for depreciation withdrawn should not be adjusted.

(2)As of the balance sheet date, where there is any indication that a construction in process experiences impairment, the relevant impairment provision shall be provided for based on the difference between the carrying value and the recoverable amount.

## **18. Borrowing expenses**

(1)Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the Company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

①the asset expense has occurred, which includes expenses in the form of cash paid, nonmonetary asset transferred or interest-bearing obligations assumed for the construction or product of an asset that meets capitalization conditions;

②the borrowing expenses have occurred;

③the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions.



When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When the a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

(2)Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended.

(3) Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

## **19. Biological assets**

Nil

## **20. Oil and gas asset**

Nil

## **21. Intangible assets**

### **(1) Valuation method, service life and impairment test**

(1) Intangible assets include land use right, patent right and non-patent technology, which should be initially measured at cost.

(2) Intangible assets with limited service life should be amortized systematically and reasonably in their service lives as per the expected form of realization economic benefits relating to the said intangible assets. If the form of realization cannot be reliably determined, the intangible assets should be amortized on a straight-line basis.

(3)At the balance sheet date, when there is any indication that the intangible assets with finite

useful lives may be impaired, a provision for impairment loss is recognized on the excess of the carrying amounts of the assets over their recoverable amounts. Intangible assets with infinite useful lives and intangible assets not satisfying the condition for use yet are subject to impairment test each year notwithstanding whether the assets are impaired.

## **(2) Internal accounting policies relating to research and development expenditures**

Expenditure incurred in the research phase of internal R&D shall be included in current gain/loss at the time of occurrence.

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

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

## **22. Impairment of long-term assets**

The Company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is a sign indicating potential impairment, the Company will estimate the recoverable amount. And if the recoverable amount of an asset is less than its carrying value, the carrying value shall be written down to the recoverable amount, and the amount written down shall be recognized as impairment loss and included in current profit or loss. Meanwhile, the Company shall make impairment provision for the asset accordingly.

No matter whether there is any sign of possible assets impairment, the goodwill formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate

the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

Once the asset impairment loss is recognized, it will not be reversed in the subsequent periods

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net residual value) within the residual service life of the asset.

### **23. Long-term expenses to be apportioned**

Long-term expenses to be apportioned are booked by actual amount occurred, and apportioned evenly during the benefit period or regulated period. In case that the long-term deferred expenses are not likely to benefit the subsequent accounting periods, the outstanding value of the item to be amortized shall be included in current profit or loss in full.

### **24. Employee compensation**

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

During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall be recognized as liabilities and reckoned into current gains/losses or relevant assets costs. The non-monetary welfare is measured by fair value.

#### **(2) Accounting treatment for post-employment benefit**

The post-employment benefit including the defined contribution plans. And defined contribution plans including basic endowment insurance, unemployment insurance and annuity, corresponding payable amount will be reckoned into relevant assets costs or current gains/losses while occurred.

#### **(3) Accounting for retirement benefits**

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognize employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labor relationship plans and employee redundant proposals; and the Company recognize cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier.

#### **(4) Accounting for other long-term employee benefits**

The employees of the Company have participated in the basic social endowment insurance organized and implemented by the local labor and social security department. The Company pays the endowment insurance premium to the local basic social endowment insurance agency on a monthly basis based on the base and ratio of the local basic social endowment insurance payment. After the retirement of employees, the local labor and social security department has the responsibility to pay the social basic pension to the retired employees. During the accounting period in which employees provide services, the Company recognizes the amount payable calculated according to the above social security insurance regulations as the liabilities and includes them in the current profit and loss or related asset costs.

#### **25. Accrual liability**

(1)When the obligations arising from provision of external guarantee, lawsuits, product quality guarantee and contract loss and other contingent issues become the present obligations of the company, the performance of which is likely to result in outflow of benefit from the company and the amount of which can be measured reliably, the company shall recognize such obligations as projected liabilities.

(2)Projected liabilities are initially measured at the best estimate on the expenses required to perform the relevant present obligation by the Company, and the carrying value of project liabilities are reviewed on each balance sheet date.

#### **26. Share-based payment**

(1)Types of share-based payment

Share-based payment comprises of equity-settled share-based payment and cash-settled share-based payment.

(2)Determination of fair value of equity instruments

1)determined based on the price quoted in an active market if there exists active market for the instrument.

2)determined by adoption of valuation technology if there exists no active market, including by reference to the recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(3)Basis for determination of the best estimate of exercisable equity instruments

To be determined based on the subsequent information relating to latest change of exercisable employees.

(4)Accounting relating to implementation, amendment and termination of share-based payment schemes

1)Equity-settled share-based payment

For equity instruments that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the increase in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves at the fair value of such instruments on the date of the grant.

For equity-settled share-based payment made in exchange for service from other parties, such payment shall be measured at the fair value of the service as of the acquisition date is the fair value can be measured reliably. And if the fair value of the service cannot be measured reliably while the fair value of the equity instrument can be measured reliably, it shall be measure at the fair value of the instrument as of the date on which the service is acquired, which shall be recorded in relevant cost or expense with increase in owners' equity accordingly.

2)Cash-settled share-based payment

For the cash-settled share-based payment that may be exercised immediately after the grant in exchange for render of service by employees, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

3)Revision and termination of share-based payment schemes

If the revision results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the revision results in an increase in the number of equity instruments granted, the Company will recognize the increase in the services rendered accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the revision results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the revision results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company revises the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the Company cancels the equity instruments granted or settles the equity instruments granted during the vesting period (other than cancellation as a result of failure to satisfy the vesting conditions), such cancellation or settlement will be treated as accelerated exercisable rights and the original amount in the remaining vesting period will be recognized immediately.

## **27. Other financial instruments including senior shares and perpetual bonds**

### (1) Distinguish of senior shares and perpetual bonds

The perpetual bonds and senior shares issued by the Company are treated as equity instruments subject to satisfaction of all the below conditions:

- ① the financial instrument excludes delivery of cash or other financial assets to others, or exchange for contractual obligations on financial assets or financial liabilities with others under potential negative conditions;
- ② if its own equity instruments are required or may be used to settle the financial instruments, it excludes the contractual obligation to deliver varied numbers of own equity instruments for settlement provided that the financial instruments are non-derivatives; if the financial instruments are derivatives, the Company can only settle the financial instruments by fixed number of own equity instruments for exchange for fixed amount of cash or other financial assets.

Other than the financial instruments which can be classified as equity instruments under the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

In case that financial instruments issued by the Company are compound financial instruments, they shall be recognized as liabilities at the fair value of liabilities portion. The actual amount received less fair value of the liabilities portion shall be recognized as other equity instrument. Transaction expenses occurred in issuance of compound financial instruments are allocated to the portions of liabilities and equities according to their respective proportion to the total issuance

price.

#### (2) Accounting for perpetual bonds and senior shares

For perpetual bonds and senior shares classified into financial liabilities, their relevant interest, dividends, gains or losses and gains or losses arising from redemption or refinancing are all included in current profit or loss other than those borrowing expenses which meet condition for capitalization (please refer to Note V-18 “borrowing expenses”).

For perpetual bonds and senior shares classified into equity instruments, their issuance (including refinancing), repurchase, sale or cancel are treated as change of equity, and relevant transaction fees are also deducted from equity. The Company accounts for allocation of holders of equity instruments as profit distribution.

The Company does not recognize change of fair value of equity instruments.

## 28. Revenue

Whether the company needs to comply with the disclosure requirements of the particular industry

No

#### (1) Sales of goods

Income from sale of goods is recognized when the following conditions are met: 1)the Company has transferred the key risks and return on the ownership of the merchandise to the buyer; 2)the Company has not retained continued management rights associated with ownership and no longer exercises effective control on the merchandise sold; 3)the amount of income can be reliably measured; 4)the relevant economic benefits are very likely to flow to the enterprise; 5)the costs incurred or to be incurred can be reliably measured.

Timing for recognition of revenue of the Company from products sales: revenue is recognized upon delivery of products to and confirmed by purchaser with signature.

#### (2)Rendering of services

When the outcome of the transaction can be estimated reliably, revenue from rendering of services is recognized using the percentage of completion method. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

#### (3)Transfer of asset use right revenue

When the economic benefits related to the transaction is likely to flow to the Company and the income amount can be reliably calculated, the Company shall recognize income arising from transfer of asset use right. The income of interests is determined on basis of the time and real

interest rate of the Company's cash funds which is utilized by other persons. The income of royalties is determined on basis of the chargeable time and method fixed under relevant agreement or contract.

## **29. Government Grants**

(1) Government grants including those relating to assets and relating to income

(2) government grant, if granted as monetary assets, are measured at the amount received or receivable, and measured at fair value if granted as non-monetary assets. If the fair value can not be determined reliably, they shall be measured at nominal value.

(3) Aggregate method for government grants:

1) government grants relating to assets are recognized as deferred income, which shall be recorded in profit or loss by installment reasonably and systematically within the useful life of the assets. If assets are sold, transferred, discarded as useless or damaged prior to expiration of the useful life, the remaining deferred income undistributed shall be transferred to profit or loss for the period in which the assets are disposed.

2) If government grants relating to income are used to compensate for relevant costs or loss for the subsequent periods, they shall be recognized as deferred income, and recorded in profit or loss for the period in which the relevant costs are recognized. If government grants relating to income are used to compensate for the relevant costs or loss occurred, they shall be recorded in profit or loss for the period directly.

(4) Net method for government grants

1) Government grants relating to assets are used to write off the carrying value of the relevant assets;

2) If government grants relating to income are used to compensate for relevant costs or loss for the subsequent periods, they shall be recognized as deferred income, and recorded in profit or loss for the period in which offset against the relevant costs. If government grants relating to income are used to compensate for the relevant costs or loss occurred, they shall be offset against the relevant costs for the period directly.

(5) The Company adopts aggregated accounting method for the government grants received.

(6) As for the government grants comprising both portions relating to assets and income, separate accounting shall be made for different portion; in case it is hard to differentiate the portions, the grants will be recorded as related to income in general.

(7) The Company realizes government grants relating to its normal activities as other income based on the substance of economic business, and if not related to its normal activities, realized as non-operating income and expenditure.

(8) Subsidized loans from preferential policy obtained by the Company are classified based on whether subsidy funds are paid to the loaning bank or directly to the Company by the competent



financial authorities and are treated based on the following principles:

1)Where subsidy funds are paid to the loaning bank by the competent financial authorities and the bank then provides loans to the Company at a preferential policy rate, accounting shall be made by the Company as follows:

a. Recognizes the actual borrowing amount received as the carrying value of the loan, and calculates the relevant borrowing costs based on the principal and the preferential policy rate.

b. Recognizes the fair value of the loan as the carrying value and calculates the borrowing cost under effective interest method, and recognizes the difference between the actual amount received and the fair value of the loan as deferred income. Deferred income is amortized over the term of the loan under effective interest method and offset against the relevant borrowing costs.

2)Where subsidy funds are paid directly to the Company, the Company will offset the corresponding subsidy against the relevant borrowing expenses.

### **30. Deferred income tax assets/Deferred income tax liabilities**

(1) Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

(2)A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

(3)At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

(4)The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: ① business combination; and ② the transactions or items directly recognized in equity.

## **31. Lease**

### **(1) Accounting for operating lease**

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

### **(2) Accounting for financing lease**

When the company acts as lessee, at the inception of lease, the lower of fair value of leased assets at the inception of lease and the present value of minimum lease payment is recognized as the value of leased assets. The minimum lease payment is recognized as the value of long-term payable. Their difference is recorded as unrecognized finance costs with any initial direct expense incurred recorded in the value of leased assets. For each period of the lease term, current finance cost is calculated using effective interest method.

When the company acts as lessor, at the inception of lease, the sum of minimum lease income at the inception of lease and the initial direct expense is recognized as the value of finance lease payment receivable, with unsecured balance also recorded. The difference between the sum of minimum lease income, initial direct expense and unsecured balance and the sum of their present values is recognized as unrealized finance income. For each period of the lease term, current finance income is calculated using effective interest method.

## **32. Other important accounting policy and estimation**

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria:

- (1) it represents an independent key operation or key operating region;
- (2) it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or
- (3) it only establishes for acquisition of subsidiary through disposal.

Accounting for discontinued operation is set out in note V-13 “classified as assets held for sale”.

### 33. Major accounting policy and changes

#### (1) Main accounting policy changes

Applicable  Not applicable

The contents and reasons of accounting policy changes	Examination and approval procedures	Note
Account receivable and Note receivable are merged into “Note receivable and account receivable”		In consolidate balance sheet, the Note receivable and Account receivable has ending amount of 29,007,509.02 yuan, while amount at beginning of the period was 30,507,775.21 yuan.
Note payable and Account payable are merged into “Note payable and account payable”		In consolidate balance sheet, the Note payable and account payable has ending amount of 11,979,010.69 yuan, while amount at beginning of the period was 12,408,197.27 yuan

#### (2) Changes of important accounting estimate

Applicable  Not applicable

### 34. Other

Nil

## VI. Taxes

### 1. Main tax category and tax rate

Tax category	Tax calculation evidence	Tax rate
Value added tax	Sales of goods, taxable labor service revenue, taxable income, intangible assets income and income from property leasing	5%. 6%. 16%. 17%
Tax for maintaining and building cities	Turnover tax payable	7%
Enterprise income tax	Taxable income	25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%

Property tax	70% of the original value for property	1.2%
Stamp tax	Amount of the contract for purchasing and sales	0.03%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate
----------------	-----------------

## 2. Tax preference

Nil

## 3. Other

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value-Added Tax Rate “CS [2018] No. 32”, from May 1, 2018, taxpayers having VAT taxable sales or importing goods, which was originally applicable to 17% and 11% tax rate, the tax rate is adjusted to 16% and 10%. The rate of value-added tax of the Company and its subsidiaries has been adjusted to 16% since May 1, 2018.

## VII. Notes to Items in Consolidated Financial Statements

### 1. Monetary fund

In RMB

Item	Balance at period-end	Balance at period-begin
Cash on hand	126,486.63	100,034.87
Cash in bank	16,305,989.07	18,837,402.11
Other Monetary fund	2,056,410.56	9,048,217.26
Total	18,488,886.26	27,985,654.24
Including: total payments deposited abroad	0.00	0.00

Other explanation

Other monetary fund with restricted application purposes at period-end amounted as 2,000,000.00 Yuan, refers to the cash deposit for bank acceptance.

### 2. Financial assets measured by fair value and with variation reckoned into current gains/losses

In RMB

Item	Balance at period-end	Balance at period-begin
------	-----------------------	-------------------------

Other explanation:

Nil

### 3. Derivative financial assets

Applicable  Not applicable

### 4. Note receivable and account receivable

In RMB

Item	Balance at period-end	Balance at period-begin
Note receivable		1,500,000.00
Account receivable	29,007,509.02	29,007,775.21
Total	29,007,509.02	30,507,775.21

#### (1) Note receivable

1) Category of note receivable

In RMB

Item	Balance at period-end	Balance at period-begin
Bank acceptance		1,500,000.00
Total		1,500,000.00

2) Notes receivable already pledged by the Company at the end of the period

In RMB

Item	Amount pledge at period-end
Bank acceptance	0.00
Bank acceptance bill	0.00
Total	0.00

3) Notes endorsement or discount and undue on balance sheet date

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance	46,548,529.37	
Total	46,548,529.37	0.00

4) Notes transfer to account receivable due for failure implementation by drawer at period-end

In RMB

Item	Amount transfer to receivable at period-end
Total	0.00

Other explanation

Nil

**(2) Account receivable**

1) Category of account receivable

In RMB

Category	Balance at period-end					Balance at period-begin				
	Book balance		Bad debts provision		Book value	Book balance		Bad debts provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable withdrawal bad debt provision by group of credit risk characteristics	29,860,222.34	92.34%	1,230,837.51	4.12%	28,629,384.83	30,247,962.05	95.95%	1,240,186.84	4.10%	29,007,775.21
Accounts with single minor amount but with bad debts provision accrued individually	2,477,485.20	7.66%	2,099,361.01	84.74%	378,124.19	1,278,283.50	4.05%	1,278,283.50	100.00%	
<b>Total</b>	<b>32,337,707.54</b>	<b>100.00%</b>	<b>3,330,198.52</b>	<b>10.30%</b>	<b>29,007,509.02</b>	<b>31,526,245.55</b>	<b>100.00%</b>	<b>2,518,470.34</b>	<b>7.99%</b>	<b>29,007,775.21</b>

Receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB

Account age	Balance at period-end		
	Account receivable	Bad debts provision	Accrual ratio
Within one year			
Within one year	28,226,004.53	84,678.01	0.30%
Subtotal within one year	28,226,004.53	84,678.01	0.30%
1-2 years	488,301.90	1,464.91	0.30%
2-3 years	1,225.00	3.68	0.30%
Over 5 years	1,144,690.91	1,144,690.91	100.00%
<b>Total</b>	<b>29,860,222.34</b>	<b>1,230,837.51</b>	<b>4.12%</b>

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 1,030,846.18 Yuan; the amount collected or switches back amounting to 219,118.00 Yuan

Important bad debt provision collected or switch back:

In RMB		
Enterprise	Collected or switch back amount	Collection way
Shijiazhuang Dasong Tech. Co., Ltd	219,118.00	Returned money
Total	219,118.00	--

3) Account receivable actual charge off in the Period

In RMB	
Item	Amount written off
实际核销的 Account receivable	8,210.75

Written-off for the major receivable:

In RMB					
Enterprise	Nature of account receivable	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of receivables:

Nil

4) Top 5 receivables at ending balance by arrears party

Enterprise	Relationship with the company		Amount	Account age	Bad debts provision	Ratio in total receivables (%)	Nature
Shenzhen Weiterui Technology Co., Ltd.	New Energy	Non-related party	5,772,755.17	Within one year	17,318.27	17.85	Payment for goods
Zhengzhou Guiguan Tech. Trade. Ltd	Co., Non-related	Non-related party	5,333,141.05	Within one year	15,999.42	16.49	Payment for goods
Jinan Yuxintai Sales Co., Ltd.		Non-related party	5,280,959.55	Within one year	15,842.88	16.33	Payment for goods
Shenzhen Jiahaosong Technology Ltd.	Co., Non-related	Non-related party	4,056,480.65	Within one year	12,169.44	12.54	Payment for goods
Fu Qi		Non-related	2,457,269.40	Within two	7,371.81	7.60	Payment

	party	years	t for goods
<b>Total</b>	<u>22,900,605.82</u>	<u>68,701.82</u>	<u>70.81</u>

5)Receivable derecognition due to transfer of financial assets

Nil

6)Assets and liability resulted by receivable transfer and continuous involvement

Nil

Other explanation:

Nil

## 5. Account paid in advance

### (1) Listed by account age

In RMB

Account age	Balance at period-end		Balance at period-begin	
	Amount	Ratio	Amount	Ratio
Within one year	13,799,753.60	100.00%	2,482,276.54	100.00%
<b>Total</b>	<b>13,799,753.60</b>	<b>--</b>	<b>2,482,276.54</b>	<b>--</b>

Explanation on un-settlement in time for advance payment with over one year account age and major amounts:

Nil

### (2) Top 5 advance payment at ending balance by prepayment object

Enterprise	Relationship with the company	Amount	Account age	Nature	Ratio in total advance e payment (%)
Zhaoqing Kaisite Battery Co., Ltd.	Material Non-related party	13,798,452.48	Within one year	Prepayments for raw materials	99.99
Shenzhen JFM Package Material Co., Ltd.	Non-related party	1,301.12	Within one year	Prepayments for raw materials	0.01
<b>Total</b>		<u>13,799,753.60</u>			<u>100.00</u>

Other explanation:

Nil

## 6. Other account receivable

In RMB

Item	Balance at period-end	Balance at period-begin
------	-----------------------	-------------------------



Other account receivable	844,537.19	659,706.81
Total	844,537.19	659,706.81

### (1) Interest receivable

1)Category of interest receivable

In RMB

Item	Balance at period-end	Balance at period-begin
------	-----------------------	-------------------------

2)Major overdue interest

In RMB

Borrower	Balance at period-end	Overdue time	Overdue cause	Whether the impairment occurs and its judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

### (2) Dividend receivable

1)Dividend receivable

In RMB

Item(或 The invested enterprise)	Balance at period-end	Balance at period-begin
---------------------------------	-----------------------	-------------------------

2)Important dividends payable with account age over one year

In RMB

Item(或 The invested enterprise)	Balance at period-end	Account age	Un-recovered reasons	Whether the impairment occurs and its judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

### (3) Other account receivable

1)Other accounts receivable by category

In RMB

Category	Balance at period-end					Balance at period-begin				
	Book balance		Bad debts provision		Book value	Book balance		Bad debts provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	

Other receivables with bad debt provision accrual by credit portfolio	1,331,920.95	100.00%	487,383.76	36.59%	844,537.19	1,130,591.40	100.00%	470,884.59	41.65%	659,706.81
Total	1,331,920.95	100.00%	487,383.76	36.59%	844,537.19	1,130,591.40	100.00%	470,884.59	41.65%	659,706.81

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

Applicable  Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis

Applicable  Not applicable

In RMB

Account age	Balance at period-end		
	Other account receivable	Bad debts provision	Accrual ratio
Within one year			
Within one year	624,378.43	1,873.14	0.30%
Subtotal within one year	624,378.43	1,873.14	0.30%
1-2 years	181,000.00	543.00	0.30%
2-3 years	41,700.00	125.10	0.30%
Over 3 years	484,842.52	484,842.52	100.00%
3-4 years	15,943.00	15,943.00	100.00%
4-5 years	20,164.00	20,164.00	100.00%
Over 5 years	448,735.52	448,735.52	100.00%
Total	1,331,920.95	487,383.76	36.59%

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 16,499.17 Yuan; the amount collected or switches back amounting to 0.00 Yuan

Important bad debt provision collected or switch back:

In RMB

Enterprise	Amount reversal or collected	Collection way
Total	0.00	--

Nil

3) Other receivables actually written-off during the reporting period

In RMB

Item	Amount written off
------	--------------------

Written-off for the major other receivable:

In RMB

Enterprise	Nature of other receivables	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of other receivables:

Nil

4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Deposit or margin	783,672.00	628,997.24
Equipment fund	311,400.00	311,400.00
Staff personal loans	31,098.50	49,098.50
Other	205,750.45	141,095.66
Total	1,331,920.95	1,130,591.40

5) Top 5 other receivables at ending balance by arrears party

In RMB

Enterprise	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Shenzhen Luwei Mechatronic Equipment Co., Ltd.	Equipment fund	300,000.00	Over 5 years	22.52%	300,000.00
Shenzhen Anjingheng Industrial Co., Ltd.	Deposit and margin	266,000.00	Within one year	19.97%	798.00
Shenzhen Material Group Co., Ltd.	Deposit and margin	181,918.00	Within one year	13.66%	545.75
Alipay (China) Network Technology Co., Ltd.	Deposit and margin	170,000.00	Within two years	12.76%	510.00
Tianjin Lvchi E-Business Co., Ltd.	Service charge	79,850.93	Within one year	6.00%	239.55
Total	--	997,768.93	--	74.91%	302,093.30

6)Account receivable with government grants involved

In RMB

Enterprise	Government grants	Balance at period-end	Ending account age	Time, amount and basis of amount collection estimated

Nil

7)Other account receivable derecognition due to financial assets transfer

Nil

8)Assets and liability resulted by other account receivable transfer and continuous involvement

Nil

Other explanation:

Nil

## 7. Inventory

Whether the company needs to comply with the disclosure requirements of the particular industry

No

### (1) Category of inventory

In RMB

Item	Balance at period-end			Balance at period-begin		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	388,818.51	23,015.17	365,803.34	566,193.56	27,465.37	538,728.19
Finished goods	2,382,433.75	361,633.15	2,020,800.60	2,233,386.81	4,450.20	2,228,936.61
Goods shipped in transit				9,509.83		9,509.83
<b>Total</b>	<b>2,771,252.26</b>	<b>384,648.32</b>	<b>2,386,603.94</b>	<b>2,809,090.20</b>	<b>31,915.57</b>	<b>2,777,174.63</b>

Does the Company comply with the disclosure requirement of “Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 – Listed Companies Engaged in Seed Industry and Planting Business” or not

No

Does the Company comply with the disclosure requirement of “Information Disclosure Guidelines of Shenzhen Stock Exchange No.11 – Listed Companies Engaged in Jewelry Related Business” or not

No

### (2) Inventory depreciation reserve

In RMB

Item	Balance at period-begin	Current period increased Amount		Current period decreased Amount		Balance at period-end
		Accrual	Other	Switch back or write-off	Other	
Raw materials	27,465.37			4,450.20		23,015.17
Finished goods	4,450.20	364,088.31		6,905.36		361,633.15
Total	31,915.57	364,088.31		11,355.56		384,648.32

During normal production, the cash realizable value of inventories directly for sale, such as merchants and materials for sale is accounted according to the estimated price less the estimated sales expenses and taxes. During normal production, the cash realizable value of materials to be processed is accounted according to the estimated price of finished product less the estimated cost, sales expenses and taxes. For inventories with purpose of implementing sales contract or labor contract, the cash realizable value is based on the contract price; if the inventories held exceed the ordered amount specified in the contract, the cash realizable value of surplus part is accounted based on the market price.

### (3) Explanation on capitalization of borrowing costs at ending balance of inventory

Nil

### (4) Assets that completed without settlement from construction contract

In RMB

Item	Amount
------	--------

Other explanation:

Nil

## 8. Assets held for sale

In RMB

Item	Ending book value	Fair value	Expected disposal expenses	Expected disposal time
Total	0.00	0.00	0.00	--

Other explanation:

Nil

## 9. Non-current asset due within one year

In RMB

Item	Balance at period-end	Balance at period-begin
------	-----------------------	-------------------------

Other explanation:

Nil

## 10. Other current assets

In RMB

Item	Balance at period-end	Balance at period-begin
Prepaid intermediary fee	1,792,452.81	1,792,452.81
Prepaid tax	473,788.85	12,974.36
Total	2,266,241.66	1,805,427.17

Other explanation:

Prepaid intermediary fee refers to the prepaid, which paid to the intermediary organ as securities, auditing and evaluation (according to the service contract), for preparation of privately placement, and the money is not included in current gains/losses yet.

## 11. Finance asset available for sales

### (1) Finance asset available for sales

In RMB

Item	Balance at period-end			Balance at period-begin		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Total	0.00	0.00		0.00	0.00	

### (2) Financial assets available for sale measured by fair value at period-end

In RMB

Finance asset available for sales	Equity instrument available for sale	Debt instrument available for sale		Total
Cost /liability of equity instrument/ amortization cost of debt instrument				0.00
Fair value				0.00
Amount of fair value changes that accumulatively reckoned in other comprehensive gains				0.00
Amount with impairment accrual				0.00

**(3) Financial assets available for sale measured by cost at period-end**

In RMB

The invested enterprise	Book balance				Impairment				Ratio of share-holding in invested entity	Current cash dividend
	Period-beginning	Current period increased	Current period decreased	Period-end	Period-beginning	Current period increased	Current period decreased	Period-end		
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	--	0.00

**(4) Changes of impairment in Period**

In RMB

Finance asset available for sales	Equity instrument available for sale	Debt instrument available for sale		Total
Balance of impairment accrual at period-beg				0.00
Current accrual				0.00
Including: transfer-in from other comprehensive income				0.00
Current period decreased				0.00
Including: switch back due to fair value rebound at period-end				0.00
Balance of impairment accrual at period-end				0.00

**(5) Fair value of equity instrument available for sale sharply declined or other-than-temporary declined at period-end without depreciation reserves accrual**

In RMB

Equity instrument available for sale	Investment cost	Ending fair value	Fair value declined relative to cost	Time of drops persistently (month)	Amount with impairment accrual	Reasons for un-accrual
Total	0.00	0.00	--	--	0.00	--

Other explanation

Nil

## 12. Held-to-maturity investment

### (1) Held-to-maturity investment

In RMB

Item	Balance at period-end			Balance at period-begin		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Total	0.00	0.00		0.00	0.00	

### (2) Important held-to-maturity investment at period-end

In RMB

Bond	Face value	Coupon value	Actual rate	Maturity date
Total	0.00	--	--	--

### (3) Held-to-maturity investment reclassify in the Period

Nil

Other explanation

Nil

## 13. Long-term account receivable

### (1) Long-term account receivable

In RMB

Item	Balance at period-end			Balance at period-begin			Discount rate section
	Book balance	Bad debts provision	Book value	Book balance	Bad debts provision	Book value	
Total	0.00	0.00		0.00	0.00		--

### (2) Long-term account receivable derecognition due to transfer of financial assets

Nil

### (3) Assets and liability resulted by long-term account receivable transfer and continuous involvement

Nil

Other explanation

Nil



## 14. Long-term equity investment

In RMB

The invested enterprise	Balance at period-begin	Current period changes +,-								Balance at period-end	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Affiliated enterprise											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other explanation

Nil

## 15. Investment real estate

### (1) Investment real estate measured at cost

Applicable  Not applicable

### (2) Investment real estate measured at fair value

Applicable  Not applicable

### (3) Investment real estate without property rights certificate

In RMB

Item	Book value	Reasons for failing to complete the property rights certificate

Other explanation

Nil

## 16. Fixed assets

In RMB

Item	Balance at period-end	Balance at period-begin
Fixed assets	3,502,807.32	3,941,117.97

Total	3,502,807.32	3,941,117.97
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**(1) Fixed assets**

In RMB

Item	Housing buildings	Machinery equipment	Means of transportation	Electronic equipment and other	Total
I. original book value:					
1. Balance at period-begin	2,959,824.00	416,629.06	958,593.21	684,394.50	5,019,440.77
2. Current period increased Amount				17,293.82	17,293.82
(1) Purchase				17,293.82	17,293.82
(2) construction in process transfer-in					
(3) the increase in business combination					
3. Current period decreased Amount				475,800.00	475,800.00
(1) Disposal or scrap				475,800.00	475,800.00
4. Balance at period-end	2,959,824.00	416,629.06	958,593.21	225,888.32	4,560,934.59
II. accumulated depreciation					
1. Balance at period-begin	199,788.12	109,246.12	269,780.13	499,508.43	1,078,322.80
2. Current period increased Amount	133,192.08	37,496.64	172,546.80	26,638.90	369,874.42
(1) provision	133,192.08	37,496.64	172,546.80	26,638.90	369,874.42
3. Current period decreased Amount				390,069.95	390,069.95
(1) Disposal or				390,069.95	390,069.95

scrap					
4. Balance at period-end	332,980.20	146,742.76	442,326.93	136,077.38	1,058,127.27
III. Impairment					
1. Balance at period-begin					
2. Current period increased Amount					
(1) provision					
3. Current period decreased Amount					
(1) Disposal or scrap					
4. Balance at period-end					
IV. Book value					
1. Ending book value	2,626,843.80	269,886.30	516,266.28	89,810.94	3,502,807.32
2. Opening book value	2,760,035.88	307,382.94	688,813.08	184,886.07	3,941,117.97

**(2) Fixed assets temporary idle**

In RMB

Item	original book value:	Accumulated depreciation	Impairment	Book value	Note
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**(3) Fixed assets leased through operating lease**

In RMB

Item	original book value:	Accumulated depreciation	Impairment	Book value
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**(4) Fixed assets leased through operating lease**

In RMB

Item	Ending book value
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**(5) Fixed assets without property rights certificate**

In RMB		
Item	Book value	Reasons for failing to complete the property rights certificate
Six properties in Lianxin Garden	2,626,843.80	The six properties of Lianxin Garden with original value of 2,959,824.00 Yuan. The property purchasing refers to the indemnificatory housing for enterprise talent buying from Shenzhen Housing and Construction Bureau of Luohu District. According to the agreement, the enterprise shall not carrying any kind of property trading with any units or individuals except the government, and the company has no property certification on the above mentioned properties.

Other explanation

No accrual for impairment provision due to there was no evidence of impairment being found in fixed assets at period-end

**(6) Fixed assets disposal**

In RMB		
Item	Balance at period-end	Balance at period-begin

Other explanation

Nil

**17. Construction in progress**

In RMB		
Item	Balance at period-end	Balance at period-begin

**(1) Construction in progress**

In RMB						
Item	Balance at period-end			Balance at period-begin		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value

Total	0.00	0.00		0.00	0.00
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**(2) Changes in significant construction in progress**

In RMB

Item	Budget	Opening balance	increased in the Period	Fixed assets transfer-in in the Period	Other decrease d in the Period	Ending balance	Proporti on of project investme nt in budget	Progress	Accumul ated amount of interest capitaliz ation	including : interest capitaliz ed amount of the year	Interest capitaliz ation rate of the year	Source of funds
Total	0.00	0.00	0.00	0.00	0.00	0.00	--	--	0.00	0.00	0.00%	--

**(3) Depreciation reserves accrual**

In RMB

Item	Current accrual amount	Reasons for accrual
Total	0.00	--

Other explanation

Nil

**(4) Engineering materials**

In RMB

Item	Balance at period-end			Balance at period-begin		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Total	0.00	0.00		0.00	0.00	

Other explanation:

Nil

**18. Productive biological asset**

**(1) Productive biological assets measured by cost**

Applicable  Not applicable

**(2) Productive biological assets measured by fair value**

Applicable  Not applicable

## 19. Oil and gas asset

Applicable  Not applicable

## 20. Intangible assets

### (1) Intangible assets

In RMB

Item	Land use right	Patent	Non-patent technology	Trademark	Total
I. original book value:					
1. Balance at period-begin				5,271,000.00	5,271,000.00
2. Current period increased Amount					
(1) Purchase					
(2) internal R & D					
(3) the increase in business combination					
3. Current period decreased Amount					
(1) Disposal					
4. Balance at period-end				5,271,000.00	5,271,000.00
II. accumulated depreciation					
1. Balance at period-begin				3,012,000.00	3,012,000.00
2. Current period increased Amount				753,000.00	753,000.00
(1) provision				753,000.00	753,000.00

3.Current period decreased Amount					
(1) Disposal					
4.Balance at period-end				3,765,000.00	3,765,000.00
III. Impairment					
1.Balance at period-begin					
2.Current period increased Amount					
(1) provision					
3.Current period decreased Amount					
(1) Disposal					
4.Balance at period-end					
IV. Book value					
1.Ending book value				1,506,000.00	1,506,000.00
2. Opening book value				2,259,000.00	2,259,000.00

Ratio of intangible assets resulted from internal R&D in balance of intangible assets at period-end

## (2) Land use right without certificate of title completed

In RMB

Item	Book value	Reasons for failing to complete the property rights certificate
------	------------	---

Other explanation:

Nil

## 21. Expense on Research and Development

In RMB

Item	Balance at period-begin	Current period increased Amount			Current period decreased Amount			Balance at period-end
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other explanation

Nil

## 22. Goodwill

### (1) Original book value of goodwill

In RMB

The invested entity or items	Balance at period-begin	Current period increased		Current period decreased		Balance at period-end
Total	0.00	0.00	0.00	0.00	0.00	0.00

### (2) Goodwill Impairment

In RMB

The invested entity or items	Balance at period-begin	Current period increased		Current period decreased		Balance at period-end
Total	0.00	0.00	0.00	0.00	0.00	0.00

Information about the asset group or asset group combination in which the goodwill is located

Nil

Explain the method of confirming the goodwill impairment test process, key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, forecast period, etc. when estimating the present value of future cash flow), and the impairment loss of goodwill :

Nil

Impact of impairment test for goodwill

Nil

Other explanation

Nil

## 23. Long-term expenses to be apportioned

In RMB

Item	Balance at period-begin	Current period increased Amount	Amortized in the Period	Other decrease	Balance at period-end
Total		0.00	0.00	0.00	



Other explanation

Nil

## 24. Deferred income tax assets/Deferred income tax liabilities

### (1) Deferred income tax assets un-offset

In RMB

Item	Balance at period-end		Balance at period-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debts provision	944,459.10	3,777,836.40	733,849.82	2,935,399.29
Inventory falling price reserves	96,162.08	384,648.32	7,978.89	31,915.57
Total	1,040,621.18	4,162,484.72	741,828.71	2,967,314.86

### (2) Deferred income tax liabilities un-offset

In RMB

Item	Balance at period-end		Balance at period-begin	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Total	0.00	0.00	0.00	0.00

### (3) Deferred income tax assets and deferred income tax liabilities listed after off-set

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		1,040,621.18		741,828.71

### (4) Details of unrecognized deferred income tax assets

In RMB

Item	Balance at period-end	Balance at period-begin
Total	0.00	0.00

**(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year**

In RMB

Year	Ending amount	Opening amount	Note
Total	0.00	0.00	--

Other explanation:

As stated under article 17 of the Enterprise Accounting Standards No.18-Income Tax, deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable in the period in which the assets are expected to be recovered or liabilities are expected to be settled according to relevant tax laws on the balance sheet date. The tax rate adopted by the Company in calculating deferred income tax assets is 25% for both parent company and subsidiaries.

**25. Other non-current assets**

In RMB

Item	Balance at period-end	Balance at period-begin
Advance payment for house	400,000.00	400,000.00
Total	400,000.00	400,000.00

Other explanation:

In 2016, the Company paid the four houses in advance for enterprise talent, located in Yinhu Lanshan, to Shenzhen Housing and Construction Bureau of Luohu District, up to 31<sup>st</sup> December 2018, payment are not paid by Shenzhen Housing and Construction Bureau of Luohu District yet

**26. Short-term loans**

**(1) Short-term loans**

In RMB

Item	Balance at period-end	Balance at period-begin
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Explanation on short-term loans category:

Nil

**(2) Overdue outstanding short-term loans**

Total 0.00 Yuan overdue outstanding short-term loans at period-end, including the followed significant amount:

In RMB

Borrower	Balance at period-end	Lending rate	Overdue time	Overdue rate
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Total	0.00	--	--	--
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Other explanation:

Nil

## 27. Financial liability measured by fair value and with variation reckoned into current gains/losses

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation:

Nil

## 28. Derivative financial liability

Applicable  Not applicable

## 29. Note payable and account payable

In RMB

Item	Balance at period-end	Balance at period-begin
Note payable	2,000,000.00	8,480,000.00
Account payable	9,979,010.69	3,928,197.27
Total	11,979,010.69	12,408,197.27

### (1) Category of note payable

In RMB

Category	Balance at period-end	Balance at period-begin
Bank acceptance	2,000,000.00	8,480,000.00
Total	2,000,000.00	8,480,000.00

Notes expired at period-end without paid was Yuan.

### (2) Account payable

In RMB

Item	Balance at period-end	Balance at period-begin
Within one year(one year included)	9,713,137.52	3,638,705.30
1-2 years(2 years included)	7,099.50	137,423.41
2-3 years (3 years included)	137,423.41	3,084.95

3-4 years (4 years included)	2,366.00	
Over 5 years	118,984.26	148,983.61
<b>Total</b>	<b>9,979,010.69</b>	<b>3,928,197.27</b>

**(3) Important account payable with account age over one year**

In RMB

Item	Balance at period-end	Reasons of un-paid or carry-over
<b>Total</b>	<b>0.00</b>	<b>--</b>

Other explanation:

No important account payable with account age over one year at end of the Period

**30. Account received in advance**

**(1) Account received in advance**

In RMB

Item	Balance at period-end	Balance at period-begin
Within one year(one year included)	371,039.28	1,211,804.44
1-2 years(2 years included)	3,469.60	19,777.88
2-3 years (3 years included)	2,080.00	36,897.00
Over 3 years	29,191.00	
<b>Total</b>	<b>405,779.88</b>	<b>1,268,479.32</b>

**(2) Account received in advance with over one year book age**

In RMB

Item	Balance at period-end	Reasons of un-paid or carry-over
<b>Total</b>	<b>0.00</b>	<b>--</b>

**(3) Projects that settle without completed from construction contract at period-end**

In RMB

Item	Amount
------	--------

Other explanation:

Nil

## 31. Wage payable

### (1) Wage payable

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
I. Short-term compensation	706,703.40	6,292,582.05	6,563,549.29	435,736.16
II. Post-employment benefit – defined contribution plan		410,459.99	410,459.99	
Total	706,703.40	6,703,042.04	6,974,009.28	435,736.16

### (2) Short-term compensation

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
1. Wages, bonuses, allowances and subsidies	699,994.68	5,425,458.24	5,696,710.60	428,742.32
2. Welfare for workers and staff		230,198.50	230,198.50	
3. Social insurance		186,647.70	186,647.70	
Including: Medical insurance		162,830.82	162,830.82	
Work injury insurance		10,749.72	10,749.72	
Maternity insurance		13,067.16	13,067.16	
4. Housing accumulation fund		360,199.04	360,199.04	
5. Labor union expenditure and personnel education expense	6,708.72	78,333.33	78,048.21	6,993.84
Other short term pay absenteeism		11,745.24	11,745.24	
Total	706,703.40	6,292,582.05	6,563,549.29	435,736.16

### (3) Defined contribution plans

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
1. Basic endowment insurance		399,118.96	399,118.96	
2. Unemployment insurance		11,341.03	11,341.03	
Total		410,459.99	410,459.99	

Other explanation:

Nil

### 32. Taxes payable

In RMB

Item	Balance at period-end	Balance at period-begin
Value-added tax	5,716,531.88	3,391,621.62
Enterprise income tax		339,193.85
Individual income tax	25,288.27	23,164.05
Urban maintenance and construction tax	325,396.78	7,615.81
House property tax		45,070.60
Educational surtax	227,569.65	620.94
Stamp tax	2,309.70	
Total	6,297,096.28	3,807,286.87

Other explanation:

Nil

### 33. Other account payable

In RMB

Item	Balance at period-end	Balance at period-begin
Other account payable	37,144,872.42	36,508,323.90
Total	37,144,872.42	36,508,323.90

### (1) Interest payable

In RMB

Item	Balance at period-end	Balance at period-begin
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Interest overdue without paid:

In RMB

Borrower	Amount overdue	Overdue cause
Total	0.00	--

Other explanation:

Nil

## (2) Dividend payable

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation, including dividends payable with over one year age and disclosure un-payment reasons:

Nil

## (3) Other account payable

1)Classification of other payable according to nature of account

In RMB

Item	Balance at period-end	Balance at period-begin
Custodian and common benefit debts	18,853,692.84	18,919,942.85
Intercourse funds	6,500,000.00	6,500,000.00
Warranty and guarantee money	9,767,553.26	9,615,020.00
Other payable service charge (intermediary services included)	801,237.74	707,252.91
Other	1,222,388.58	766,108.14
Total	37,144,872.42	36,508,323.90

2)Significant other payable with over one year age

In RMB

Item	Balance at period-end	Reasons of un-paid or carry-over
Custodian and common benefit debts	18,853,692.84	
Margin and quality deposit	8,000,000.00	Performance bond
Shenzhen Guosheng Energy Investment Development Co., Ltd.	6,500,000.00	Interest-free loans
Total	33,353,692.84	--

Other explanation

Top 5 other receivables at period-end

Enterprise	Relationship with the	Amount	Ratio in total other receivables (%)	Nature
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company			
Custodian and common benefit debts	Non-related party	18,853,692.84	50.76 Obligatory right of common benefit
Shenzhen Guosheng Energy Investment Development Co., Ltd.	Related party	6,500,000.00	17.50 Interest-free loans
Shenzhen Ruian Information Technology Enterprise (LP)	Non-related party	2,500,000.00	6.73 Cash deposit
Wansheng Industrial Holdings (Shenzhen) Co., Ltd.	Non-related party	2,000,000.00	5.38 Cash deposit
Shenzhen Zhisheng Hi-Tech Enterprise (LP)	Non-related party	2,000,000.00	5.38 Cash deposit
<b>Total</b>		<b>31,853,692.84</b>	<b>85.75</b>

### 34. Liability held for sale

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation:

Nil

### 35. Non-current liabilities due within one year

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation:

Nil

### 36. Other current liabilities

In RMB

Item	Balance at period-end	Balance at period-begin
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Changes of short-term bond payable:

In RMB

Bond	Face value	Release date	Bond period	Issuing amount	Opening balance	Issued in the Period	Accrual interest by face value	Premium/discount amortization	Paid in the Period		Ending balance
Total	--	--	--	0.00	0.00	0.00	0.00	0.00	0.00		0.00

Other explanation:



Nil

### 37. Long-term loans

#### (1) Classification of long-term loans

In RMB

Item	Balance at period-end	Balance at period-begin
------	-----------------------	-------------------------

Explanation:

Nil

Other explanation, including interest rate section:

Nil

### 38. Bonds payable

#### (1) Bonds payable

In RMB

Item	Balance at period-end	Balance at period-begin
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#### (2) Changes of bonds payable (not including the other financial instrument of preferred stock and perpetual capital securities that classify as financial liability)

In RMB

Total	--	--	--	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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#### (3) Convertible conditions and time for shares transfer for the convertible bonds

Nil

#### (4) Other financial instruments classify as financial liability

Basic information of the outstanding preferred stock and perpetual capital securities at period-end

Nil

Changes of outstanding preferred stock and perpetual capital securities at period-end

In RMB

Outstanding financial instrument	Period-begin		Current period increased		Current period decreased		Period-end	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Total	0	0.00	0	0.00	0	0.00	0	0.00

Basis for financial liability classification for other financial instrument

Nil

Other explanation

Nil

### 39. Long-term account payable

In RMB

Item	Balance at period-end	Balance at period-begin
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#### (1) Nature of long-term account payable

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation:

Nil

#### (2) Special payments

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end	Causes of formation
Total		0.00	0.00		--

Other explanation:

Nil

### 40. Long-term wages payable

#### (1) Long-term wages payable

In RMB

Item	Balance at period-end	Balance at period-begin
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#### (2) Changes of defined benefit plans

Present value of the defined benefit plans:

In RMB

Item	Current Period	Last Period
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Scheme assets:

In RMB

Item	Current Period	Last Period
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Net liability (assets) of the defined benefit plans

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Content of defined benefit plans and relevant risks, impact on future cash flow of the Company as well as times and uncertainty:

Nil

Major actuarial assumption and sensitivity analysis:

Nil

Other explanation:

Nil

#### 41. Accrual liability

In RMB

Item	Balance at period-end	Balance at period-begin	Causes of formation
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Other explanation, including relevant important assumptions and estimation:

Nil

#### 42. Deferred income

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end	Causes of formation
Total		0.00	0.00		--

Item with government grants involved:

In RMB

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Amount reckoned in other income	Cost reduction in the period	Other changes	Ending balance	Assets-related/income related
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Other explanation:

Nil

#### 43. Other non-current liabilities

In RMB

Item	Balance at period-end	Balance at period-begin
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Other explanation:

Nil

#### 44. Share capital

In RMB

	Balance at period-begin	Change during the year(+,-)					Balance at period-end
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	551,347,947.00						551,347,947.00

Other explanation:

Nil

#### 45. Other equity instrument

##### (1) Basic information of the outstanding preferred stock and perpetual capital securities at period-end

Nil

##### (2) Changes of outstanding preferred stock and perpetual capital securities at period-end

In RMB

Outstanding financial instrument	Period-begin		Current period increased		Current period decreased		Period-end	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Total	0		0	0.00	0	0.00	0	

Changes of other equity instrument, change reasons and relevant accounting treatment basis:

Nil

Other explanation:

Nil

#### 46. Capital public reserve

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
Other capital reserve	627,834,297.85			627,834,297.85
1. Debt restructuring income	482,580,588.23			482,580,588.23
2. Other	145,253,709.62			145,253,709.62
Total	627,834,297.85			627,834,297.85

Other explanation, including changes and reasons for changes:

Among the other capital reserves, 135,840,297.18 Yuan refers to the payment for creditor from shares assignment by whole shareholders; majority shareholder Guosheng Energy donated 5,390,399.74 Yuan.

#### 47. Treasury stock

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
Total		0.00	0.00	

Other explanation, including changes and reasons for changes:

Nil

#### 48. Other comprehensive income

In RMB

Item	Balance at period-begin	Current Period					Balance at period-end
		Account before income tax in the year	Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period	Less: income tax expense	Belong to parent company after tax	Belong to minority shareholders after tax	
Total other comprehensive income		0.00	0.00	0.00			

Other explanation, including the active part of the hedging gains/losses of cash flow transfer to initial recognition adjustment for the arbitrated items:

Nil

#### 49. Reasonable reserve

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
Total		0.00	0.00	

Other explanation, including changes and reasons for changes:

Nil

#### 50. Surplus public reserve

In RMB

Item	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end
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法定 Surplus public reserve	32,673,227.01			32,673,227.01
Total	32,673,227.01			32,673,227.01

Other explanation, including changes and reasons for changes:

Nil

## 51. Retained profit

In RMB

Item	Current period	Last Period
Retained profit at period-end before adjustment	-1,195,957,201.01	-1,197,486,788.28
Retained profit at period-begin after adjustment	-1,195,957,201.01	-1,197,486,788.28
Add: net profit attributable to shareholders of parent company for this year	-1,591,968.91	1,529,587.27
Retained profit at period-end	-1,197,549,169.92	-1,195,957,201.01

Adjustment for retained profit at period-begin:

- 1). Retroactive adjustment due to the Accounting Standards for Business Enterprise and relevant new regulations, retained profit at period-begin has 0.00 Yuan affected;
- 2) Due to the accounting policy changes, retained profit at period-begin has 0.00 Yuan affected;
- 3) Due to the major accounting errors correction, retained profit at period-begin has 0.00 Yuan affected;
- 4) Consolidation range changed due to the same control, retained profit at period-begin has 0.00 Yuan affected;
- 5) Total other adjustment impacts 0.00 Yuan retained profit at period-begin

## 52. Operation revenue 和 Operation cost

In RMB

Item	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Main business	115,698,679.57	107,318,430.05	134,756,413.50	123,273,702.49
Other business	4,208,270.77	753,000.00	2,734,184.19	753,629.77
Total	119,906,950.34	108,071,430.05	137,490,597.69	124,027,332.26

## 53. Tax and extras

In RMB

Item	Current Period	Last Period
Urban maintenance and construction tax	391,013.39	57,572.84
Educational surtax	279,295.29	41,123.44

Stamp tax	54,238.30	95,767.77
Other	3,089.84	2,699.04
<b>Total</b>	<b>727,636.82</b>	<b>197,163.09</b>

Other explanation:

Nil

#### 54. Sales expenses

In RMB

Item	Current Period	Last Period
Employee compensation	2,954,021.25	2,658,168.80
Market promotion costs	1,052,618.98	1,328,116.44
Business travel expenses	812,392.85	664,419.38
Lease fee	441,316.59	365,319.95
Business entertainment	336,219.12	161,991.56
Other	336,662.62	284,565.08
<b>Total</b>	<b>5,933,231.41</b>	<b>5,462,581.21</b>

Other explanation:

Nil

#### 55. Administrative expenses

In RMB

Item	Current Period	Last Period
Salary	3,298,560.81	3,766,752.91
Intermediary services charge	1,102,426.83	1,081,232.97
Daily management cost	1,856,424.16	592,685.47
Depreciation and amortization charges	369,874.42	302,594.49
<b>Total</b>	<b>6,627,286.22</b>	<b>5,743,265.84</b>

Other explanation:

Nil

#### 56. R&D expenses

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Other explanation:

Nil

## 57. Financial expenses

In RMB

Item	Current Period	Last Period
Interest income	-369,745.70	-233,170.32
Exchange loss		0.09
Commission charge etc.	21,061.54	23,600.57
Total	-348,684.16	-209,569.66

Other explanation:

Nil

## 58. Losses of devaluation of asset

In RMB

Item	Current Period	Last Period
I. Bad debt losses	836,438.10	454,042.30
II. Inventory falling price loss	364,088.31	
Total	1,200,526.41	454,042.30

Other explanation:

Nil

## 59. Other income

In RMB

Income sources	Current Period	Last Period
----------------	----------------	-------------

## 60. Investment income

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Other explanation:

Nil

## 61. Changing income of fair value

In RMB

Changes resources	Current Period	Last Period
-------------------	----------------	-------------

Other explanation:

Nil



## 62. Assets disposal income

In RMB

Sources of assets disposal income	Current Period	Last Period
Income from disposal of fixed assets		-2,464.81

## 63. Non-operation revenue

In RMB

Item	Current Period	Last Period	Amount reckoned into non-recurring gains/losses in the Year
Other	4,634,304.77	4,629,029.13	4,634,304.77
Total	4,634,304.77	4,629,029.13	4,634,304.77

Government grants reckoned into current gains/losses:

In RMB

Item	Granting subject	Cause of distribution	Nature	Impact current profit (Y/N)	Special benefit (Y/N)	Amount in the period	Amount last period	Assets related/income related
------	------------------	-----------------------	--------	-----------------------------	-----------------------	----------------------	--------------------	-------------------------------

Other explanation:

1. Non-operation revenue last period mainly due to the rental revenue settle with the custodian, that is 2,866,994.16 Yuan and compensation of 1,086,507.70 Yuan;

Non-operation revenue in current period mainly due to the rental revenue settle with the custodian, that is 3,256,516.11 Yuan and compensation of 1,086,507.70 Yuan;

## 64. Non-operation expenditure

In RMB

Item	Current Period	Last Period	Amount reckoned into non-recurring gains/losses in the Year
Amercement outlay		800.00	0
Damage and scrap loss for non-current assets	85,730.05		85,730.05
Other	4,373,162.81	4,346,683.24	4,373,162.81
Total	4,458,892.86	4,347,483.24	4,458,892.86

Other explanation:

In the period and last period, the operation assets for assets to be disposed are not allocated by management,

relevant maintenance and management costs are paid by the revenue and loss compensation income from assets leasing (the assets to be disposed), reckoned into non-operating expenditure

## 65. Income tax expenses

### (1) Income tax expenses

Item	In RMB	
	Current Period	Last Period
Current income tax expenses	50,233.75	612,336.68
Deferred income tax expenses	-298,792.47	-96,632.42
Total	-248,558.72	515,704.26

### (2) Adjustment on accounting profit and income tax expenses

Item	In RMB	
	Current Period	
Total Profit	-2,129,064.50	
Income tax measured by statutory/applicable tax rate	-532,266.13	
Impact on cost, expenses and losses that unable to deducted	80,637.96	
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	203,069.45	
Income tax expenses	-248,558.72	

Other explanation

Nil

## 66. Other comprehensive income

Found more in Note 48

## 67. Items of cash flow statement

### (1) Other cash received in relation to operation activities

Item	In RMB	
	Current Period	Last Period
Interest and Rent and utilities etc.	4,406,556.57	4,994,903.73
Restitution of judicial auction		9,444,737.00
Other intercourse funds	32,000.00	508,907.16
Total	4,438,556.57	14,948,547.89

Explanation on other cash received in relation to operation activities:

Nil

## (2) Other cash paid in relation to operation activities

In RMB

Item	Current Period	Last Period
Expense in management for cash payment	2,496,549.86	7,955,537.16
Rent and property fee and maintenance fee	3,394,536.88	4,122,077.60
Expense in sales for cash payment	2,775,796.71	1,886,340.09
Deposit and Margin paid	285,712.13	219,550.24
Utilities	652,106.63	636,351.99
Non-operation expenditure- compensation	30,140.00	
Total	9,634,842.21	14,819,857.08

Explanation on other cash paid in relation to operation activities:

Nil

## (3) Cash received from other investment activities

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Explanation on cash received from other investment activities:

Nil

## (4) Cash paid related with investment activities

In RMB

Item	Current Period	Last Period
------	----------------	-------------

Explanation on cash paid related with investment activities

Nil

## (5) Other cash received in relation to financing activities

In RMB

Item	Current Period	Last Period
Performance bond for privately placement		8,000,000.00
Bill margin received	8,808,378.06	
Total	8,808,378.06	8,000,000.00

Explanation on other cash received in relation to financing activities:

Nil

## (6) Cash paid related with financing activities

Item	In RMB	
	Current Period	Last Period
Payment of bill margin	2,000,000.00	8,808,378.06
Total	2,000,000.00	8,808,378.06

Explanation on cash paid related with financing activities:

Nil

## 68. Supplementary information to statement of cash flow

### (1) Supplementary information to statement of cash flow

Supplementary information	In RMB	
	Current period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	-1,880,505.78	1,579,159.47
Add: Assets impairment provision	1,200,526.41	454,042.30
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	369,874.42	302,594.49
Amortization of intangible assets	753,000.00	753,000.00
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	85,730.05	2,464.81
Financial expense(gain listed with “-”)		0.09
Decrease of deferred income tax asset( increase is listed with “-”)	-298,792.47	-96,632.42
Decrease of inventory (increase is listed with “-”)	26,482.38	341,265.63
Decrease of operating receivable accounts (increase is listed with “-”)	-11,299,293.84	-16,740,831.68
Increase of operating payable accounts (decrease is listed with “-”)	1,563,504.67	9,973,358.91
Net cash flow from operation activities	-9,479,474.16	-3,431,578.40
2. Material investment and financing not	--	--

involved in cash flow		
3. Net change of cash and cash equivalents:	--	--
Add: Balance of cash equivalent at period-end	16,488,886.26	19,177,276.18
Less: Balance of cash equivalent Balance at period-begin	19,177,276.18	24,015,287.71
Net increased amount of cash and cash equivalent	-2,688,389.92	-4,838,011.53

## (2) Net cash paid for obtaining subsidiary in the Period

In RMB

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

Nil

## (3) Net cash received by disposing subsidiary in the Period

In RMB

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

Nil

## (4) Constitution of cash and cash equivalent

In RMB

Item	Balance at period-end	Balance at period-begin
Including: Cash on hand	126,486.63	100,034.87
Bank deposit available for payment at any time	16,305,989.07	18,837,402.11
Other monetary fund available for payment at any time	56,410.56	239,839.20

II. Cash equivalent	16,488,886.26	19,177,276.18
III. Balance of cash and cash equivalent at period-end	16,488,886.26	19,177,276.18

Other explanation:

Nil

## 69. Notes of changes of owners' equity

Explain the name and adjusted amount in "Other" at end of last period:

Nil

## 70. Assets with ownership or use right restricted

In RMB

Item	Closing book value	Restriction reasons
Monetary fund	2,000,000.00	Margin of 2,000,000.00 yuan for bank acceptance bill
Total	2,000,000.00	--

Other explanation:

Nil

## 71. Foreign currency monetary items

### (1) Foreign currency monetary items

In RMB

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted
Monetary fund	--	--	
Including: USD			
EURO			
HKD			
Account receivable	--	--	
Including: USD			
EURO			
HKD			
Long-term loans	--	--	

Including: USD			
EURO			
HKD			

Other explanation:

Nil

**(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons**

Applicable  Not applicable

## 72. Hedging

Disclosed hedging items and relevant hedging instrument based on hedging's category, disclosed qualitative and quantitative information for the arbitrage risks:

Nil

## 73. Government grants

### (1) Government grants

Category	Amount	Item	In RMB
			Amount booked in current gain/loss

### (2) Government grants rebate

Applicable  Not applicable

Other explanation:

Nil

## 74. Other

Nil

## VIII. Changes of consolidation range

### 1. Enterprise combined under different control

#### (1) Enterprise combined under different control in the Period

In RMB

Acquiree	Time point for equity obtained	Cost of equity obtained	Ratio of equity obtained	Acquired way Equity obtained way	Purchasing date	Standard to determine the purchasing date	Income of acquiree from purchasing date to period-end	Net profit of acquiree from purchasing date to period-end
----------	--------------------------------	-------------------------	--------------------------	----------------------------------	-----------------	---	---	---

Other explanation:

#### (2) Combination cost and goodwill

In RMB

Combination cost
------------------

Determination method for fair value of the combination cost and contingent consideration and changes:

Nil

Main reasons for large goodwill resulted:

Nil

Other explanation:

Nil

#### (3) Identifiable assets and liability on purchasing date under the acquiree

In RMB

	Fair value on purchasing date	Book value on purchasing date
--	-------------------------------	-------------------------------

Determination method for fair value of the identifiable assets and liabilities:

Nil

Contingent liability of the acquiree bear during combination:

Nil

Other explanation:

Nil

#### (4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not



Yes No

**(5) On purchasing date or period-end of the combination, combination consideration or fair value of identifiable assets and liability for the acquiree are un-able to confirm rationally**

Nil

**(6) Other explanation**

Nil

## 2. Enterprise combine under the same control

**(1) Enterprise combined under the same control in the Period**

In RMB

Acquiree	Equity ratio obtained in combination	Basis of combined under the same control	Combination date	Standard to determine the combination date	Income of the combined party from period-begin of combination to the combination date	Net profit of the combined party from period-begin of combination to the combination date	Income of the combined party during the comparison period	Net profit of the combined party during the comparison period

Other explanation:

Nil

**(2) Combination cost**

In RMB

Combination cost	

Explanation on contingent consideration and its changes:

Nil

Other explanation:

Nil

**(3) Assets and liability of the combined party on combination date**

In RMB

	On purchasing date	At end of last period

Contingent liability of the combined party bear during combination:

Nil

Other explanation:

Nil

### 3. Counter purchase

Basic transaction information, basis of counter purchase, whether making up business due to the assets and liability reserved by listed company and basis, determination of combination cost, amount and calculation on adjusted equity by equity transaction

Nil

### 4. Subsidiary disposal

Whether lost controlling rights while dispose subsidiary on one time or not

Yes  No

Whether lost controlling rights in the Period while dispose subsidiary on two or more steps or not

Yes  No

### 5. Other reasons for consolidation range changed

Reasons for changed on consolidation range (such as new subsidiary established, subsidiary liquidated etc.)And relevant information

Nil

### 6. Other

Nil

## IX. Equity in other entity

### 1. Equity in subsidiary

#### (1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Shenzhen Emmelle Industry Co., Ltd.	Shenzhen	Shenzhen	Sales of bicycles and spare parts	70.00%		Investment

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Nil

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights

Nil

Controlling basis for the structuring entity included in consolidated range

Nil

Basis on determining to be an agent or consignor:

Nil

Other explanation:

Nil

## (2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Shenzhen Emmelle Industry Co., Ltd.	30.00%	-288,536.87		2,674,162.80

Explanation on share-holding ratio of minority different from ratio of voting right:

Nil

Other explanation:

Nil

## (3) Main finance of the important non-wholly-owned subsidiary

In RMB

Subsidiary	Balance at period-end						Balance at period-begin					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liabilities
Shenzhen Emmelle Industry Co., Ltd.	29,791,525.49	1,548,021.02	31,339,546.51	22,425,670.50	0.00	22,425,670.50	31,672,252.96	1,373,481.42	33,045,734.38	23,170,068.81	0.00	23,170,068.81

In RMB

Subsidiary	Current Period				Last Period			
	Operation revenue	Net profit	Total comprehensive income	Cash flow from operation	Operation revenue	Net profit	Total comprehensive income	Cash flow from operation

				activity				activity
Shenzhen Emmelle Industry Co., Ltd.	88,175,813.90	-961,789.56	-961,789.56	-2,982,485.91	116,393,660.87	165,240.67	165,240.67	-9,704,911.00

Other explanation:

Nil

#### (4) Major restriction on using corporate assets and liquidate corporate debts

Nil

#### (5) Financial or other supporting provided to structuring entity that included in consolidated financial statement

Nil

Other explanation:

Nil

### 2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights

#### (1) Owners equity shares changed in subsidiary

Nil

#### (2) Impact on minority's interest and owners' equity attributable to parent company

In RMB

--	--

Other explanation

Nil

### 3. Equity in joint venture and cooperative enterprise

#### (1) Important joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	

Share-holding ratio or shares enjoyed different from voting right ratio:

Nil

Basis of the voting rights with 20% below but with major influence, or without major influence but with over 20% (20% included) voting rights hold:

Nil

## (2) Main financial information of the important joint venture

In RMB

	Balance at period-end/Current Period	Balance at period-begin/Last Period

Other explanation

Nil

## (3) Main financial information of the important cooperative enterprise

In RMB

	Balance at period-end/Current Period	Balance at period-begin/Last Period

Other explanation

Nil

## (4) Financial summary for un-important joint venture or cooperative enterprise

In RMB

	Balance at period-end/Current Period	Balance at period-begin/Last Period
Joint venture:	--	--
Total numbers measured by share-holding ratio	--	--
Cooperative enterprise	--	--
Total numbers measured by share-holding ratio	--	--

Other explanation

Nil

## (5) Assets transfer ability has major restriction from joint venture or cooperative enterprise

Nil

**(6) Excess losses from joint venture or cooperative enterprise**

In RMB

Name	Cumulative un-confirmed losses	Un-confirmed losses not recognized in the Period (or net profit enjoyed in the Period)	Cumulative un-confirmed losses at period-end
------	--------------------------------	--	--

Other explanation

Nil

**(7) Un-confirmed commitment with investment concerned with joint venture**

Nil

**(8) Contingent liability with investment concerned with joint venture or cooperative enterprise**

Nil

**4. Co-runs operation**

Name	Main operation place	Registered place	Business nature	Share-holding ratio/ share enjoyed	
				Directly	Indirectly

Share-holding ratio or shares enjoyed different from voting right ratio:

Nil

If the co-runs entity is the separate entity, basis of the co-runs classification

Nil

Other explanation

Nil

**5. Equity in structuring entity that excluding in the consolidated financial statement**

Relevant explanation

Nil

**6. Other**

Nil

**X. Risk related with financial instrument**

The major financial instruments of the Company consist of monetary fund, account receivable, other account receivable, account payable and other account payable, etc. details of these financial

instruments are disclosed in the relevant notes. Risks relating to these financial instruments and risk management policies adopted by the Company to minimize these risks are detailed as follows. Management of the Company manages and monitors the risk exposures, to make sure they are under control.

## **1. Risk management targets and policies**

The objectives of the Company's risk management is to balance the risk and income, reduce the negative risk impact of operating performance to the lowest level, maximize the interests of shareholders and other equity investors. Based on these objectives, the Company has established risk management policies to identify and analyze the risks faced by the Company, set adequate risk acceptable level and designed relevant internal control system to monitor the level of risks. The Company regularly reviews these policies and related internal control system to adapt to market development and change of operating activities of the Company. The major risks arising from the Company's financial instruments are credit risk and liquidity risk.

### **(1)Credit risk**

Credit risk represents the risk of financial loss suffered by a party to a financial instrument due to failure of performance obligation of another party.

Credit risk of the Company is managed by category. Credit risk mainly arises from bank deposits and trade receivables. Since the bank deposits of the Company are mainly placed with those banks of high credit rating, the Company expects no significant credit risk on bank deposits.

As for trade receivables, the Company establishes relevant policies to control credit risk exposure. The Company, based on financial position of debtors, their credit records, market conditions and other factors, makes assessment on debtors' credit quality and sets relevant limit on amount of debt and credit term. The maximum credit risk exposure assumed by the Company equals to the sum of carrying value of every financial asset in the balance sheet. The Company provides no guarantee that may lead it to be exposed to credit risks.

### **(2)Liquidity risk**

Liquidity risk refers to the risk of capital shortage of the Company when performing settlement obligation via delivery of cash or other financial assets.

When managing liquidity risk, the Company maintains and monitors such cash and cash equivalents as deemed adequate by the management, so as to satisfy its operation needs and minimize influence of fluctuation of cash flow. Management of the Company monitors application of bank borrowings to make sure it complies with relevant borrowing agreements.

## **2. Capital management**

The capital management policy of the Company is designed to ensure sustainable operation Of the Company so as to bring shareholders return and benefit other stakeholders, and to minimize capital cost by maintaining optimal capital structure.

In order to maintain and adjust capital structure, the Company may adjust share dividend paid to shareholders or issue new shares.

The Company monitors capital structure based on gearing ratio (total liabilities divided by total assets). As at 31 December 2018, the gearing ratio of the Company was 76.82% (31 December 2017: 74.36%)

## **XI. Disclosure of fair value**

### **1. Ending fair value of the assets and liabilities measured by fair value**

In RMB

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
II. Non-sustaining measured by fair value	--	--	--	--

### **2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order**

Nil

### **3. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on second-order**

Nil

### **4. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on third-order**

Nil

### **5. Adjustment information and sensitivity analysis of unobservable parameters for the fair value measure sustaining and non-persistent on third-order**

Nil



**6. Sustaining items measured by fair value, as for the conversion between at all levels, reasons for conversion and policy for conversion time point**

Nil

**7. Changes of valuation technique in the Period**

Nil

**8. Financial assets and liability not measured by fair value**

Nil

**9. Other**

Nil

**XII. Related party and related transactions**

**1. Parent company of the enterprise**

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
----------------	--------------------	-----------------	--------------------	--	--------------------------------------

Explanation on parent company of the enterprise

The Company has no parent company so far

Ultimate controller of the Company: nil

Other explanation:

Controlling shareholder and actual controller of the Company have changed on 20 February 2017. Before changed, the first majority shareholder of the Company was Shenzhen Guosheng Energy Investment Development Co., Ltd., actual controller was Mr. Ji Hanfei; the Company has no actual controller and controlling shareholder after changed. Found more in the Annual Report 2016 released on 27 April 2017 and “Reply on Surveillance Attention Letter on CBC from Shenzhen Stock Exchange” released on 26 May 2017

**2. Subsidiary of the Enterprise**

Found more in Note IX-1

**3. Cooperative enterprise and joint venture**

Found more in Note IX-3

Other cooperative enterprise and joint venture that have related transaction with the Company in the Period or occurred in pervious period

Name	Relationship
------	--------------

Other explanation

Nil

#### 4. Other related party

Other related party	Relationship with the Enterprise
Shenzhen Huahui Tongda Industrial Co., Ltd.	Supervisor of the Company Li Jialin is the legal person of the enterprise
Shenzhen Guosheng Energy Investment Development Co., Ltd.	The first majority shareholder

Other explanation

11.52 percent shares of the Company are held by Shenzhen Guosheng Energy Investment Development Co., Ltd.

#### 5. Related transaction

##### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Transaction content	Current Period	Approved transaction amount	Whether more than the transaction amount	Last amount
---------------	---------------------	----------------	-----------------------------	--	-------------

Goods sold/labor service providing

In RMB

Related party	Transaction content	Current Period	Last Period
Shenzhen Huahui Tongda Industrial Co., Ltd.	Sales of goods	234,790.09	0.00

Explanation on goods purchasing, labor service providing and receiving

Nil

##### (2) Related trusteeship/contract and delegated administration/outsourcing

Trusteeship/contract

In RMB

Client/ contract-out party	Entrusting party/ contractor	Assets type	Starting date	Maturity date	Yield pricing basis	Income from trusteeship/contract
-------------------------------	---------------------------------	-------------	---------------	---------------	------------------------	-------------------------------------

Explanation on related trusteeship/contract

Nil

Delegated administration/outsourcing

In RMB

Client/ contract-out party	Entrusting party/ contractor	Assets type	Starting date	Maturity date	Pricing basis of trustee fee/outsourcing fee	trustee fee/outsourcing fee recognized in the Period
-------------------------------	---------------------------------	-------------	---------------	---------------	---	---

Explanation on related administration/outsourcing

Nil

**(3) Related lease**

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
--------	-------------	---	---

As a lessee for the Company:

In RMB

Lessor	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
--------	-------------	---	---

Explanation on related lease

Nil

**(4) Related guarantee**

As a guarantor for the Company

In RMB

Secured party	Amount guarantee	Starting date	Maturity date	Guarantee completed (Y/N)
---------------	------------------	---------------	---------------	------------------------------

As a secured party for the Company

In RMB

Guarantor	Amount guarantee	Starting date	Maturity date	Guarantee completed (Y/N)
-----------	------------------	---------------	---------------	------------------------------

Explanation on related guarantee

**(5) Borrowed funds of related party**

In RMB

Related party	Borrowed funds	Starting date	Maturity date	Note
Borrowing				
Lending				

**(6) Assets transfer and debt restructuring of related party**

In RMB

Related party	Transaction content	Current Period	Last Period
---------------	---------------------	----------------	-------------

**(7) Remuneration of key manager**

In RMB

Item	Current Period	Last Period
Remuneration of key manager	1,950,178.00	1,880,143.00

**(8) Other related transactions**

Nil

**6. Receivable/payable items of related parties**

**(1) Receivable item**

In RMB

Item	Related party	Balance at period-end		Balance at period-begin	
		Book balance	Bad debts provision	Book balance	Bad debts provision

**(2) Payable item**

In RMB

Item	Related party	Ending book balance	Opening book balance
Account received in advance	Shenzhen Huahui Tongda Industrial Co., Ltd.	5,439.00	0.00
Other account payable	Shenzhen Guosheng Energy Investment Development Co., Ltd.	6,500,000.00	6,500,000.00

**7. Commitments of related party**

Nil

**8. Other**

Nil

### **XIII. Share-based payment**

#### **1. General share-based payment**

Applicable  Not applicable

#### **2. Share-based payment settled by equity**

Applicable  Not applicable

#### **3. Share-based payment settled by cash**

Applicable  Not applicable

#### **4. Revised and termination on share-based payment**

Nil

#### **5. Other**

Nil

### **XIV. Commitment or contingency**

#### **1. Important commitments**

Important commitments in balance sheet date

Nil

#### **2. Contingency**

##### **(1) Contingency on balance sheet date**

Nil

##### **(2) For the important contingency not necessary to disclosed by the Company, explained reasons**

The Company has no important contingency that need to disclosed

#### **3. Other**

Nil

## **XV. Events after balance sheet date**

### **1. Important non-adjustment items**

In RMB

Item	Content	Impact on financial status and operation results	Reasons on un-able to estimated the impact number
------	---------	--	---

### **2. Profit distribution**

In RMB

### **3. Sales return**

Nil

### **4. Other events after balance sheet date**

Nil

## **XVI. Other important events**

### **1. Previous accounting errors collection**

#### **(1) Retrospective restatement**

In RMB

Correction content	Treatment procedures	Impact items of statement during a comparison	Cumulative impacted number
--------------------	----------------------	---	----------------------------

#### **(2) Prospective application**

Correction content	Approval procedures	Reasons for prospective application adopted
--------------------	---------------------	---

### **2. Debt restructuring**

Nil

### **3. Assets replacement**

#### **(1) Non-monetary assets change**

Nil

## (2) Other assets replacement

Nil

## 4. Pension plan

Nil

## 5. Discontinued operations

In RMB

Item	Revenue	Expenses	Total Profit	Income tax expenses	Net profit	Discontinued operations profit attributable to owners of parent company

Other explanation

Nil

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

Nil

### (2) Financial information for reportable segment

In RMB

Item		Offset between segments	Total

**(3)The Company has no reportable segments, or unable to disclose total assts and total liability for reportable segments, explain reasons**

Nil

### (4) Other explanation

Nil

## 7. Major transaction and events makes influence on investor's decision

Nil

## 8. Other

### XVII. Principle notes of financial statements of parent company

#### 1. Note receivable and account receivable

In RMB

Item	Balance at period-end	Balance at period-begin
Note receivable		300,000.00
Account receivable	12,827,954.16	17,680,663.16
Total	12,827,954.16	17,980,663.16

#### (1) Note receivable

##### 1) Classification

In RMB

Item	Balance at period-end	Balance at period-begin
Bank acceptance		300,000.00
Total		300,000.00

##### 2) Notes receivable already pledged by the Company at the end of the period

In RMB

Item	Amount pledge at period-end
Total	0.00

##### 3) Notes endorsement or discount and undue on balance sheet date

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance	15,498,304.72	
Total	15,498,304.72	

##### 4) Notes transfer to account receivable due for failure implementation by drawer at period-end

In RMB

Item	Amount transfer to receivable at period-end
Total	0.00

Other explanation

Nil



**(2) Account receivable**

1) Category of account receivable

In RMB

Category	Balance at period-end					Balance at period-begin				
	Book balance		Bad debts provision		Book value	Book balance		Bad debts provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Account receivable withdrawal bad debt provision by group of credit risk characteristics	12,866,553.82	100.00%	38,599.66	0.30%	12,827,954.16	17,733,864.75	100.00%	53,201.59	0.30%	17,680,663.16
<b>Total</b>	<b>12,866,553.82</b>	<b>100.00%</b>	<b>38,599.66</b>	<b>0.30%</b>	<b>12,827,954.16</b>	<b>17,733,864.75</b>	<b>100.00%</b>	<b>53,201.59</b>	<b>0.30%</b>	<b>17,680,663.16</b>

Receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB

Account age	Balance at period-end		
	Account receivable	Bad debts provision	Accrual ratio
Within one year			
Within one year(one year included)	12,866,553.82	38,599.66	0.30%
Subtotal within one year	12,866,553.82	38,599.66	0.30%
<b>Total</b>	<b>12,866,553.82</b>	<b>38,599.66</b>	<b>0.30%</b>

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was -14,601.93 Yuan; the amount collected or switches back amounting to 0.00 Yuan.

Important bad debt provision collected or switch back:

In RMB

Enterprise	Collected or switch back amount	Collection way
Total	0.00	--

Nil

### 3)Account receivable actual charge off in the Period

In RMB

Item	Amount written off
------	--------------------

Written-off for the major receivable:

In RMB

Enterprise	Nature of account receivable	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of receivables:

Nil

### 4)Top 5 receivables at ending balance by arrears party

Enterprise	Relationship with the company	Amount	Account age	Bad debts provision	Ratio in total receivables (%)	Nature
Shenzhen Boyineng Technology Co., Ltd.	Non-related party	5,772,755.17	Within one year	17,318.27	44.86	Payment for goods
Shenzhen Weiterui New Energy Technology Co., Ltd.	Non-related party	4,056,480.65	Within one year	12,169.44	31.53	Payment for goods
Guangdong Xinlingjia New Energy Co., Ltd.	Non-related party	1,953,000.00	Within one year	5,859.00	15.18	Payment for goods
Shenzhen Jiahaosong Technology Co., Ltd.	Non-related party	1,084,318.00	Within one year	3,252.95	8.43	Payment for goods
<b>Total</b>		<b>12,866,553.82</b>		<b>38,599.66</b>	<b>100.00</b>	

### 5)Receivable derecognition due to transfer of financial assets

Nil

### 6)Assets and liability resulted by receivable transfer and continuous involvement

Nil

Other explanation:

Nil

## 2. Other account receivable

In RMB

Item	Balance at period-end	Balance at period-begin
Other account receivable	380,925.78	280,576.37
Total	380,925.78	280,576.37

### (1) Interest receivable

1)Category of interest receivable

In RMB

Item	Balance at period-end	Balance at period-begin
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2)2)Major overdue interest

In RMB

Borrower	Balance at period-end	Overdue time	Overdue cause	Whether the impairment occurs and its judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

### (2) Dividend receivable

1)Dividend receivable

In RMB

Item(或 The invested enterprise)	Balance at period-end	Balance at period-begin
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2)Important dividends payable with account age over one year

In RMB

Item( or The invested enterprise)	Balance at period-end	Account age	Un-recovered reasons	Whether the impairment occurs and its judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

### (3) Other account receivable

1)Other accounts receivable by category

In RMB

Category	Balance at period-end					Balance at period-begin				
	Book balance		Bad debts provision		Book value	Book balance		Bad debts provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivables with bad debt provision accrual by credit portfolio	382,072.00	100.00%	1,146.22	0.30%	380,925.78	251,350.00	89.34%	754.05	0.30%	250,595.95
Other account receivable with individual minor amount but withdrawal bad debt provision independently						29,980.42	10.66%			29,980.42
<b>Total</b>	<b>382,072.00</b>	<b>100.00%</b>	<b>1,146.22</b>	<b>0.30%</b>	<b>380,925.78</b>	<b>281,330.42</b>	<b>100.00%</b>	<b>754.05</b>	<b>0.27%</b>	<b>280,576.37</b>

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period

Applicable  Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis

Applicable  Not applicable

In RMB

Account age	Balance at period-end		
	Other account receivable	Bad debts provision	Accrual ratio
Within one year			
Within one year(one year included)	370,172.00	1,110.52	0.30%
Subtotal within one year	370,172.00	1,110.52	0.30%
1-2 years	200.00	0.60	0.30%
2-3 years	11,700.00	35.10	0.30%
<b>Total</b>	<b>382,072.00</b>	<b>1,146.22</b>	<b>0.30%</b>

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

2) Bad debt provision accrual collected or switch back

Bad debt provision accrual was 392.17 Yuan; the amount collected or switches back amounting to 0.00 Yuan.

Important bad debt provision collected or switch back:

In RMB

Enterprise	Amount reversal or collected	Collection way
Total	0.00	--

Nil

3) Other receivables actually written-off during the reporting period

In RMB

Item	Amount written off

Written-off for the major other receivable:

In RMB

Enterprise	Nature of other receivables	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of other receivables:

Nil

4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Intercourse funds		29,980.42
Deposit or margin	370,672.00	239,950.00
Equipment fund	11,400.00	11,400.00
Total	382,072.00	281,330.42

5) Top 5 other receivables at ending balance by arrears party

In RMB

Enterprise	Nature	Balance at period-end	Account age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Shenzhen Material Group Co., Ltd.	Deposit or margin	181,918.00	Within one year	47.61%	545.75
Shenzhen Anjingheng Industrial Co., Ltd.	Deposit or margin	161,000.00	Within one year	42.14%	483.00
Shenzhen Jintaiyuan Investment Management Co., Ltd.	Deposit or margin	27,254.00	Within one year	7.13%	81.76
Shenzhen Hongkang Instrument Technology Co., Ltd.	Equipment fund	11,400.00	2-3 years	2.98%	34.20

Lianxin Jiayuan Branch of Shenzhen Color Life Property Management Co., Ltd.	Deposit and margin	300.00	2-3 years	0.08%	0.90
Total	--	381,872.00	--	99.94%	1,145.61

6)Account receivable with government grants involved

In RMB

Enterprise	Government grants	Balance at period-end	Ending account age	Time, amount and basis of amount collection estimated
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Nil

7)Other account receivable derecognition due to financial assets transfer

Nil

8)Assets and liability resulted by other account receivable transfer and continuous involvement

Nil

Other explanation:

Nil

### 3. Long-term equity investment

In RMB

Item	Balance at period-end			Balance at period-begin		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	1,400,000.00	1,389,620.27	10,379.73	1,400,000.00	1,389,620.27	10,379.73
Total	1,400,000.00	1,389,620.27	10,379.73	1,400,000.00	1,389,620.27	10,379.73

#### (1) Investment for subsidiary

In RMB

The invested enterprise	Balance at period-begin	Current period increased	Current period decreased	Balance at period-end	Current impairment accrual	Ending balance of impairment provision
Shenzhen Emmelle Industry Co., Ltd.	1,400,000.00			1,400,000.00		1,389,620.27
Total	1,400,000.00	0.00	0.00	1,400,000.00	0.00	1,389,620.27

## (2) Investment for associates and joint venture

In RMB

Funded enterprise	Balance at period-begin	Current period changes +,-								Balance at period-end	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Affiliated enterprise											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

## (3) Other explanation

Nil

## 4. Operation revenue and operation cost

In RMB

Item	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost
Main business	31,732,088.16	29,103,342.44	22,338,842.47	19,253,017.11
Other business	2,127,375.25	753,000.00	2,166,747.83	759,358.98
Total	33,859,463.41	29,856,342.44	24,505,590.30	20,012,376.09

Other explanation:

Nil

## 5. Investment income

In RMB

Item	Current Period	Last Period

## 6. Other

Nil

## XVIII. Supplementary Information

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

Applicable  Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset	-85,730.05	
Switch-back of the impairment for receivables which have impairment test independently	219,118.00	
Other non-operating income and expenditure except for the aforementioned items	261,141.96	
Less: Impact on income tax	98,632.48	
Impact on minority shareholders' equity	49,951.88	
Total	245,945.55	--

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

Applicable  Not applicable

### 2. 净资产收益率及每股收益

Profits during report period	Weighted average ROE	Earnings per share	
		Basic earnings per share(RMB/Share)	Diluted earnings per share(RMB/Share)
Net profits belong to common stock stockholders of the Company	-10.54%	-0.0029	-0.0029
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-12.17%	-0.0033	-0.0033



### **3. Difference of the accounting data under accounting rules in and out of China**

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

Applicable  Not applicable

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

Applicable  Not applicable

**(3) Explain accounting difference over the accounting rules in and out of China; as for the difference adjustment for data audited by foreign auditing organ, noted the name of such foreign organ**

Nil

### **4. Other**

Nil