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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. YE Yujing (葉玉敬先生)  
(Chairman, executive director and the chief executive officer)  
Mr. YE Jiajun (葉家俊先生)  
Ms. YE Xiujin (葉秀近女士)  
Mr. YE Guofeng (葉國鋒先生)

### Non-executive Directors

Ms. LI Yuanfei (黎媛菲女士) (Resigned on 10 June 2022)  
Mr. ZHUANG Liangbin (莊良彬先生)

### Independent Non-executive Directors

Mr. CAI Huiming (蔡慧明先生)  
Mr. LIN Zhiyang (林志揚先生)  
Mr. SUN Changqing (孫常青先生) (Appointed on 24 June 2022)  
Mr. ZHOU Wanxiong (周萬雄先生) (Appointed on 24 June 2022)  
Ms. ZHAI Xin (翟昕女士) (Retired on 24 June 2022)

## SUPERVISORS

Mr. Li Rui (李銳先生)  
Mr. YE Weizhou (葉偉周先生)  
Mr. TIAN Wen (田文先生)

## AUDIT COMMITTEE

Mr. CAI Huiming (蔡慧明先生) (Chairman)  
Mr. LIN Zhiyang (林志揚先生)  
Mr. SUN Changqing (孫常青先生) (Appointed on 24 June 2022)  
Ms. ZHAI Xin (翟昕女士) (Retired on 24 June 2022)

## NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) (Chairman)  
Mr. YE Yujing (葉玉敬先生)  
Mr. SUN Changqing (孫常青先生) (Appointed on 24 June 2022)  
Ms. ZHAI Xin (翟昕女士) (Retired on 24 June 2022)

## REMUNERATION COMMITTEE

Mr. SUN Changqing (孫常青先生) (Chairman)  
(Appointed on 24 June 2022)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. CAI Huiming (蔡慧明先生)  
Ms. ZHAI Xin (翟昕女士) (Retired on 24 June 2022)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

3rd Floor, Pengyi Garden Building 1  
Bagua No.1 Road  
Futian District  
Shenzhen, China

## STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) (Chairman)  
Mr. LIN Zhiyang (林志揚先生)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. YE Jiajun (葉家俊先生)  
Mr. SUN Changqing (孫常青先生)  
(Appointed on 24 June 2022)  
Ms. ZHAI Xin (翟昕女士) (Retired on 24 June 2022)

## AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)  
Mr. LEE Leong Yin (李亮賢先生)

## AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP

## H SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong

## PRINCIPAL BANKS

Bank of China  
China Construction Bank

## COMPANY SECRETARIES

Mr. LEE Leong Yin (李亮賢先生)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon, Hong Kong

## STOCK CODE

6189

## COMPANY'S WEBSITE

www.aidewei.cn

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

The first half of 2022 is a period full of challenges and changes. While the PRC economic growth has slowed down, especially in the first half of 2022, the Coronavirus (COVID-19) pandemic, the state's macro-control on the real estate industry resulting the pressure on the building decoration industry continued to have major impacts on the operating and financial performance of the Group and the building decoration industry as a whole.

On the other hand, although the PRC economy is facing tremendous challenges, the building decoration industry still has huge market space. The Group insists on transforming to serve more industrial and commercial, infrastructure and public building customers, while improving its competitiveness and management standards in terms of operation and management, and transforming into a company that pursues soundness and healthy cash flows.

## BUSINESS REVIEW

The Group provides professional and comprehensive building decorative services for public and private clients (including state-owned enterprises, government departments and institutions, listed companies, foreign-funded enterprises, property developers and property management companies), mainly covering four areas (i) building decoration works; (ii) electrical and mechanical installation works; (iii) curtain wall engineering works; and (iv) fire safety engineering works. The Group's projects cover a wide range of buildings and properties, including commercial buildings, office buildings, industrial buildings, residential buildings, public buildings and infrastructure as well as hotels.

With over 25 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licenses in the building decoration industry.

The Chinese government has been committed to establishing a unified and open construction market. With the liberalization of conditions for accessing to regional markets of the PRC, the Group's branches are no longer required for the development of the industry. Under the condition that the operating network remains unchanged, the Group closed the branches successively in 2021, and businesses were managed directly by headquarters of the Group, which would help strengthen the Group's ability to manage and control projects and save costs.

In the first half of 2022, the Group has signed 11 new contracts with the total contract value of RMB33.95 million.

In the first half of 2022, the Group carried out 42 projects.

Since 2013, the Company has been awarded the certificate of "High and New Technology Enterprise (高新技術企業)" ("HNTE") by relevant PRC governmental authorities and has been enjoying a preferential enterprise income tax rate of 15%. In 2022, the HNTE Certificate of the Company has been renewed and is valid for three years from 2022 to 2024.

## FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

The Group will keep focusing on its main business in 2022. The Group believes that the following strategies will help improve the operating results and promote the steady development of our business:

### 1. To pay attention to industrial and commercial industry, infrastructure and public building market as well as seek for high quality development

As the Chinese government invests in new infrastructure construction, in 2022, the Group will attach more importance on the industrial and commercial, infrastructure and public building construction sectors in Pearl River Delta, Yangtze River Delta, Chengdu-Chongqing-Xi'an Region, seeking optimal customers and pursuing high-quality development in view of the Group's strengths in the fields of the building decoration, curtain wall and electrical and mechanical installation.

### 2. Optimize the project management process and promote management quality and efficiency

The Group will continue to optimize the project management process and improve the efficiency of the project management. We will maximize the utilization of the Group's collective purchasing platform and enhance the economy of scale on procurement; save engineering projects costs and enhance the efficiency of engineering projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Optimize projects and talent team

The Group will vigorously promote the upgrading and transformation of its marketing efforts, and will change the pursuit of scale to quality in terms of marketing strategy. In the selection of customers and projects, the Group will more carefully evaluate the payment capacity of customers, reduce projects of risky customers, and cultivate stable high-quality large customers with an aim to promoting the steady development of the Group's business. According to the actual situation of business and management transformation, the Group will optimize the talent team and talent training, control marketing and administrative costs, and save expenses.

### 4. Deepen the comprehensive governance and seek the way of developing

The Group focuses on maintaining and improving the qualification, improving the research and development skills, maintaining and promoting the brand, integrated development in corporate finance and managing with standardized approach in refined segments, so as to maintain our competitiveness and influential power. At the same time, the Group will actively seek to introduce strategic investors to solve the Group's financial challenges, striving to achieve high-quality development as soon as possible.

## FINANCIAL REVIEW

### Operating revenue and gross profit margin

The operating revenue of the Group comprised of primary business revenue and other business revenue. The operating revenue decreased by 58.7% from approximately RMB254.6 million for the six months ended 30 June 2021 to approximately RMB105.1 million for the six months ended 30 June 2022. The Group's primary business revenue decreased by 58.8% from approximately RMB254.2 million for the six months ended 30 June 2021 to approximately RMB104.8 million for the six months ended 30 June 2022. The decrease in primary business revenue was mainly due to the fact that financial constraints have caused the Group's business to shrink.

The Group's gross profit decreased by 44.2% from approximately RMB43.6 million for the six months ended 30 June 2021 to approximately RMB24.3 million for the six months ended 30 June 2022. The gross profit margin increased from 17.1% for the six months ended 30 June 2021 to 23.2% for the six months ended 30 June 2022.

### (Net loss) net profit for the period

Net loss for the six months ended 30 June 2022 was approximately RMB91.8 million (for the six months ended 30 June 2021: net profit of approximately RMB4.1 million). The main reasons for the loss of the Group were: (i) the Group's business shrinks due to financial constraints; and (ii) during the corresponding period in 2022, the significant impairment provision was made by the Group in relation to certain large projects of which the settlement and payment process had been delayed.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022 and 31 December 2021, the Group had monetary capital (cash and cash equivalents and restricted capital, etc.) dominated in RMB of approximately RMB14.1 million and approximately RMB33.2 million, respectively. The decrease in the monetary capital of the Group was primarily due to shrinking business and inability to obtain external financing for the six months ended 30 June 2022.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business development. In the future, the Group intends to finance its operations through cash generated from operating activities. Other than that the Group will actively seek strategic investors, the Group does not expect to have any material external debt financing plan in the near future.

### 1. Account receivables and contract assets

The account receivables decreased from approximately RMB647.0 million as at 31 December 2021 to approximately RMB495.3 million as at 30 June 2022. The account receivables are the amounts due from customers in the ordinary course of business. Such decrease was primarily due to the fact that the Group endeavored to accelerate the collection of the account receivables, and bad debt provision were increased during the six months ended 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

The contract assets decreased from approximately RMB415.7 million as at 31 December 2021 to approximately RMB331.2 million as at 30 June 2022. The level of the contract assets due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such decrease was mainly due to the fact that the Group endeavored to accelerate customers' endorsement of project progress report and business shrinking during the six months ended 30 June 2022.

## 2. Account payables

Account payables decreased from approximately RMB353.1 million as at 31 December 2021 to approximately RMB309.4 million as at 30 June 2022. Such decrease was due to the fact that during the first half of this year the more rigorously implemented national labor law shortened the settlement term of labor fee payable.

## 3. Short-term borrowings

As at 30 June 2022, the Group had interest-bearing borrowings in the amount of approximately RMB229.4 million (31 December 2021: approximately RMB245.8 million), majority of which are interest-bearing bank borrowings subject to repayment within one year. As of 30 June 2022, the Group have borrowings of RMB12 million from non-related parties. The Group's bank borrowings were all at fixed interest rates.

## 4. Pledged assets

As at 30 June 2022, the Group's short-term borrowing was secured and pledged by fixed asset of approximately RMB40.9 million in total (31 December 2021: RMB41.8 million), investment property of approximately RMB0.6 million in total (31 December 2021: RMB0.6 million) and account receivables of approximately RMB216.8 million in total (31 December 2021: RMB216.8 million) and guaranteed by certain related parties.

## 5. Gearing ratio

The gearing ratio was 76% as at 30 June 2022 (31 December 2021: 73%). The increase in gearing ratio was mainly due to the fact that the Group made significant provision for credit impairment loss and asset impairment loss, which led to decrease in assets. Gearing ratio represents liabilities divided by total assets.

## 6. Capital expenditure

Capital expenditures decreased from approximately RMB62,000 for the year ended 31 December 2021 to approximately RMB16,000 during the six months ended 30 June 2022, which was mainly attributable to financial constraints and shrinking business.

## 7. Capital commitments

As at 30 June 2022, the Group had no capital commitments (31 December 2021: nil).

## 8. Contingent liabilities

As at 30 June 2022, due to financial constraints, overdue bank borrowings and involvement in a number of litigations, the bank deposits of the Group with the total value of RMB12.1 million has been frozen by the courts in the PRC. According to the Group's in-house legal adviser, the Directors estimated that the Group may therefore be liable for payables, interest and default of approximately RMB19.5 million in total and such amount was made provision.

## 9. Fluctuation of exchange rate and foreign exchange risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group currently has no hedging policy with respect to the foreign exchange risks. Therefore, the Group has not entered into any hedging.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10. Significant investments in, acquisitions or disposal of subsidiaries, affiliated companies or assets and the future plans

The Group had no significant investments in, acquisitions or disposal of subsidiaries, affiliated companies or assets during the six months ended 30 June 2022.

As of the date of this report, there were no any other significant investments or acquisitions of capital assets authorised by the Board. Meanwhile, the Group will continue to identify new opportunities for business development.

## 11. Employees and remuneration policy

The Group had 175 employees as at 30 June 2022 (31 December 2021: 214). During the six months ended 30 June 2022, the Group incurred employee costs of approximately RMB8.7 million (the six months ended 30 June 2021: approximately RMB13.9 million). The Company's Directors, supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses its Directors, supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. The Company regularly reviews and determines the remuneration and compensation packages (including incentive plans) of the Directors, supervisors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors, supervisors and senior management of the Company and the performance of the Company.

In addition, the Group has regularly implemented systematic and specialized vocational training programs for employees of different levels to meet different requirements, with emphasis on individual initiative and responsibility. The Group believes that these measures help to enhance the efficiency of its employees.

## 12. Segment information

The management of the Company has determined the operating segments based on the reports reviewed by chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, have been identified as the executive directors of the Company.

The Group is principally engaged in provision of interior and exterior building decoration and design services in the PRC. The management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Board regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive Directors for the purpose of resources allocation and performance assessment.

All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the six months ended 30 June 2022 (the six months ended 30 June 2021: same). As at 30 June 2022, all of the non-current assets were located in the PRC (31 December 2021: same).

## EVENTS AFTER THE REPORTING PERIOD

### Breaches of the terms of the loan agreements

From 30 June 2022 up to the date of this report, the loans amounted to approximately RMB129.4 million in total from 5 bank were due, and the Group failed to repay or renew the due loan. As of the date of this report, the accumulated due and outstanding bank loans of the Group involved 6 banks, amounting to approximately RMB177.4 million in total.

According to Rule 13.19 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has breached the terms of its loan agreement with the aforementioned banks while the Group has yet to obtain a waiver from these banks in respect of the defaults and such these banks may demand the immediate repayment from the Group. Currently, the Group is actively negotiating with these banks for feasible resolutions and repayment arrangement and is striving to prevent the banks from taking any extreme measures against the Group. The Group will continue to monitor its financial position and will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINUED SUSPENSION OF TRADING

Under Rule 13.50A of the Listing Rules, in view of the disclaimer of opinion of auditor's report for year 2021 (other than the going concern disclaimer), trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

On 8 July 2022, the Company received a letter from the Stock Exchange referring to the disclaimer of opinion expressed by the Company's auditor, BDO China Shu Lun Pan Certified Public Accountants LLP on the Company's financial statements for the year ended 31 December 2021 in relation to (a) material uncertainties on going concern; and (b) the Company's account receivables, prepayment and contracts assets (the "**Disclaimer of Opinion**") and the letter set out the following guidance for the resumption of trading in the shares of the Company (the "**Resumption Guidance**"):

- (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of its financial positions as required under Rule 13.50A of the Listing Rules; and
- (ii) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

The Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 30 September 2023. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 30 September 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing.

Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate. The Company is taking appropriate steps to comply with the Resumption Guidance and the relevant Listing Rules set out therein and will keep the market informed of the latest developments of the Group by making further announcement(s) as and when appropriate.

Save as disclosed above, the Group does not have any material matters that are required to be disclosed after 30 June 2022.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OFFICER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests or short positions of the Directors, Supervisors and the chief executive officer in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Long/short position	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
YE Yujing (葉玉敬) <sup>(Note 3)</sup>	Beneficial Owner	Long position	67,694,000	37.99%	28.10%
	Interest of spouse	Long position	15,504,000	8.70%	6.44%
YE Xiujin (葉秀近) <sup>(Note 4)</sup>	Beneficial Owner	Long position	15,504,000	8.70%	6.44%
	Interest of spouse	Long position	67,694,000	37.99%	28.10%
YE Guofeng (葉國鋒) <sup>(Note 5)</sup>	Interest in a controlled corporation	Long position	6,075,000	3.41%	2.52%
YE Jiajun (葉家俊)	Beneficial Owner	Long position	1,000,000	0.56%	4.20%

*Notes:*

- The calculation is based on 178,167,645 Domestic Shares of the Company in issue as at 30 June 2022.
- The calculation is based on the total number of 240,930,645 shares of the Company in issue as at 30 June 2022 (including 178,167,645 Domestic Shares and 62,763,000 H Shares).
- Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of shares in which Ms. Ye Xiujin is interested.
- Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of shares in which Mr. Ye Yujing is interested.
- Shenzhen Gong Xiang Li Investment Entity (Limited Partnership) (深圳市共享利投資企業(有限合夥)) ("Shenzhen Gong Xiang Li"), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the shares held by Shenzhen Gong Xiang Li.



## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, so far as the Directors, Supervisors and the chief executive officer of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial shareholders (other than Directors, Supervisors and the chief executive officer of the Company) had the following interests and/or short positions in the shares or underlying Shares of the Company:

Name of Shareholders	Class of shares held after the Global Offering	Nature of interest	Long/short position	Number of shares of the Company	Approximate percentage of shareholdings in the relevant class of shares of the Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區瀛享投資中心(有限合夥)) <sup>(Note 3)</sup>	Domestic Shares	Beneficial Owner	Long position	12,580,645	7.06%	5.22%
Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺羸華股權投資中心(有限合夥)) <sup>(Note 4)</sup>	Domestic Shares	Beneficial Owner	Long position	10,000,000	5.61%	4.15%
Shenzhen Qianhai Xingwang Investment Management Co., Ltd. (深圳前海興旺投資管理有限公司) <sup>(Note 3) (Note 4)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) (深圳前海興旺投資中心(有限合夥)) <sup>(Note 3) (Note 4)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
Xiong Mingwang (熊明旺) <sup>(Note 3) (Note 4)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	22,580,645	12.67%	9.37%
South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥)) <sup>(Note 5)</sup>	Domestic Shares	Beneficial Owner	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Asset Management Holding Company Limited (深圳同創偉業資產管理股份有限公司) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Shenzhen Co-Win Jinxiu Asset Management Limited (深圳同創錦繡資產管理有限公司) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Zheng Wei He (鄭偉鶴) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Huang Li (黃荔) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%
Ding Bao Yu (丁寶玉) <sup>(Note 5)</sup>	Domestic Shares	Interest in a controlled corporation	Long position	17,000,000	9.54%	7.06%

## OTHER INFORMATION

### Notes:

1. The calculation is based on 178,167,645 Domestic Shares and 62,763,000 H Shares (as the case may be) of the Company in issue as at 30 June 2022.
2. The calculation is based on the total number of 240,930,645 Shares of the Company in issue as at 30 June 2022 (including 178,167,645 Domestic Shares and 62,763,000 H Shares).
3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) ("**Ningbo Yingxiang**"), a limited partnership incorporated in the PRC on 10 May 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management (深圳前海興旺投資管理). Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binquan, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.
4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) ("**Ningbo Xingwang Yinghua**"), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management Co., Ltd ("**Shenzhen Qianhai Xingwang Investment Management**"). Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) ("**Shenzhen Qianhai Xingwang Investment Center**") and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by Liu Jun. In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.
5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) ("**South China Sea LP**"), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were (i) Shenzhen Co-Win Jinxu Asset Management Limited ("**Shenzhen Co-Win Jinxu Asset**"), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited ("**Shenzhen Co-Win Asset**"). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited ("**Shenzhen Co-Win Venture Capital**"), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創創贏投資合夥企業(有限合夥)) ("**Shenzhen Co-Win Victory LP**"), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠), with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

## CHANGES IN DIRECTORS' AND SUPERVISOR'S INFORMATION

On 17 May 2022, Mr. LIN Zhiyang, an independent non-executive Director of the Company, has resigned as an independent Director of Joeone Co., Ltd.\* (九牧王股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601566.SH), due to the expiry of his term.

Upon specific enquiry by the Company and following confirmations from the Directors and supervisors, save as disclosed above, since the date of publication of the previous annual report and the circular in relation to the election of Directors and re-election of supervisors of the Company, there is no change in the information of the Directors and supervisors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2022.

## OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as the code of conduct regarding the Company’s Directors and supervisor’ securities transactions. Upon specific enquiries, all Directors and supervisors of the Company confirmed that they had complied with the relevant provisions of the Model Code for the six months ended 30 June 2022.

Relevant employees who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the six months ended 30 June 2022.

### CODE ON CORPORATE GOVERNANCE

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate processes for supervision and management of the Group’s businesses are duly operated and reviewed and that good corporate governance practices and procedures are established for the six months ended 30 June 2022.

The Company has adopted the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”).

During the six months ended 30 June 2022, the Company has always complied with all applicable code provisions set out in the Part 2 of CG Code, except for the following deviations.

Pursuant to the requirements in the code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Ye Yujing currently performs these two roles. The Board believes that the performance of the roles of both chairman and general manager by the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority in the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and general manager of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed below, the Company is expected to comply with all the applicable code provisions set out in the CG Code. The Board will review the Company’s policies on corporate governance and the Company’s compliance with the CG code in each financial year.

### REVIEW OF INTERIM RESULTS

The audit committee (“**Audit Committee**”) of the Company comprises three independent non-executive Directors, being Mr. CAI Huiming (as chairman), Mr. LIN Zhiyang and Mr. SUN Changqing. The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 June 2022 and has no disagreement with the accounting policies adopted by the Company.

The Board hereby presents the unaudited financial statements of the Group and the Company for the six months ended 30 June 2022 prepared in accordance with CASBE.

## OTHER INFORMATION

### DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

As of 30 June 2022, the Group has due and outstanding bank loans from 5 banks, amounting to approximately RMB129.4 million in total. Pursuant to Rule 13.19 of the Listing Rules, the Group has breached the terms of its loan agreement entered into by the above 5 banks. It has yet to obtain waivers from the above 5 banks in respect of the defaults and such that the above 5 banks may demand the immediate repayment from the Group. As of the date of this report, the above 5 banks have demanded repayment of the due loans. The Group maintains ongoing communication with the banks and seeks to ensure that they would not take extreme measures. The Group will continue to monitor its financial position and will inform and update its shareholders and other investors of any material development in relation to the above by way of announcement as and when appropriate.

The breakdown of due and outstanding bank loans from the above 5 banks is as follows:

No.	Borrowing banks	Loan interest rate	Outstanding balance of the loan (RMB000,0)	Date of expiry of loan
1	Bank of China, Shenzhen Changcheng Subbranch (中國銀行深圳長城支行)	6.0900%	4,351.27	15 April 2022
2	Bank of Beijing, Shenzhen Luohu Subbranch (北京銀行深圳羅湖支行)	5.4375%	1,842.46	16 March 2022
3	Industrial and Commercial Bank, Guocai Subbranch (工商銀行國財支行)	5.6030%	1,438.16	17 December 2021
4	Hua Xia Bank, Shenzhen Futian Subbranch (華夏銀行深圳福田支行)	6.9000%	2,308.00	28 April 2022
5	Shenzhen Rural Commercial Bank, Shenzhen Luohu Subbranch (深圳農村商業銀行深圳羅湖支行)	8.0000%	3,000.00	22 April 2022
Total			12,939.89	

### PROGRESS OF RESUMPTION

Regarding the disclaimer of opinion in relation to the going concern issue and disclaimer of opinion on others raised by the Company's auditor ("Auditor") as set out in the 2021 Annual Report of the Company (as described in the 2021 annual report of the Company), the Group has taken and will continue to take certain measures ("Proposed Measures") to address issues resulting in such disclaimer of opinion and ensure the Auditor is no longer required to express aforesaid disclaimer of opinion. Save for the following Proposed Measures summary updates, there have been no material changes in respect of this matter since the publication of the 2021 Annual Report of the Company:

Proposed Measures	Updates
1. Vary the accounting subjects comprehensively	The Group is conducting a comprehensive verification of account receivables, contract assets, contract liabilities, prepayment and payables, trying to eliminate disclaimer of opinion on others of audit for year 2022.
2. Maintain ongoing communication with the bank	The Group maintains ongoing communication with the banks and seeks to ensure they would not take extreme measures, but it is expected that the debt default position will be hard to improve by the end of 2022, and it is not expected to be able to eliminate disclaimer of opinion on going concern.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2022 (All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	Closing balance	Closing balance at the preceding year
<b>Current assets:</b>			
Monetary capital	V.(I)	14,105,777.87	33,212,976.49
Settlement provisions			
Placements with banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V.(II)		100,000.00
Accounts receivable	V.(III)	495,318,281.38	647,005,736.93
Receivables financing			
Prepayments	V.(IV)	124,168,713.09	106,488,851.62
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve receivable			
Other receivables	V.(V)	31,404,752.70	26,520,344.90
Financial assets held under resale agreements			
Inventory			
Contract assets	V.(VI)	331,175,369.02	415,662,534.04
Assets held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>996,172,894.06</b>	1,228,990,443.98
<b>Non-current assets:</b>			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments			
Investment in other equity instruments			
Other non-current financial assets			
Investment properties	V.(VII)	580,273.55	601,999.25
Fixed assets	V.(VIII)	47,944,639.11	49,163,420.12
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.(IX)	481,000.64	786,126.16
Intangible assets	V.(X)	8,646,755.20	8,809,908.22
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets	V.(XI)	5,699,937.36	5,063,015.86
<b>Total non-current assets</b>		<b>63,352,605.86</b>	64,424,469.61
<b>Total assets</b>		<b>1,059,525,499.92</b>	1,293,414,913.59

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative: department:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2022 (All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	<i>Notes</i>	<b>Closing balance</b>	Closing balance at the preceding year
<b>Current liabilities:</b>			
Short-term borrowings	V.(XII)	<b>229,390,380.24</b>	245,801,658.03
Borrowings from central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Note payables			
Accounts payable	V.(XIII)	<b>309,393,655.09</b>	353,108,490.10
Advance receipts from customers			
Contract liabilities	V.(XIV)	<b>53,005,279.32</b>	150,619,394.05
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Staff salaries payable	V.(XV)	<b>5,240,301.82</b>	5,838,190.99
Taxes payable	V.(XVI)	<b>122,573,675.46</b>	121,271,501.25
Other payables	V.(XVII)	<b>60,741,820.86</b>	49,347,594.92
Bank charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	V.(XVIII)	<b>2,720,907.86</b>	6,577,072.84
<b>Total current liabilities</b>		<b>783,066,020.65</b>	932,563,902.18
<b>Non-current liabilities:</b>			
Insurance contract reserve			
Long-term payables			
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V.(XIX)	<b>948,906.45</b>	945,763.76
Long-term payables			
Long-term staff salaries payables			
Estimated liabilities	V.(XX)	<b>19,530,429.41</b>	14,754,573.20
Deferred income	V.(XXI)	<b>1,448,302.71</b>	1,484,510.31
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>21,927,638.57</b>	17,184,847.27
<b>Total liabilities</b>		<b>804,993,659.22</b>	949,748,749.45

# CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2022 (All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Notes	Closing balance	Closing balance at the preceding year
<b>Owners' equity:</b>			
Share capital	V.(XXII)	240,930,645.00	240,930,645.00
Other equity instruments Including: Preferred shares Perpetual bonds			
Capital reserve	V.(XXIII)	323,069,734.88	323,069,734.88
Less: Treasury shares			
Other comprehensive income			
Special reserve	V.(XXIV)	1,723,274.79	131,626.07
Surplus reserve	V.(XXV)	80,126,247.00	80,126,247.00
General risk reserve			
Undistributed profit	V.(XXVI)	-391,318,060.97	-300,592,088.81
<b>Total equity attributable to the owners of the Company</b>		<b>254,531,840.70</b>	343,666,164.14
<b>Minority interests</b>			
<b>Total owners' equity</b>		<b>254,531,840.70</b>	343,666,164.14
<b>Total liabilities and owners' equity</b>		<b>1,059,525,499.92</b>	1,293,414,913.59

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# PARENT COMPANY BALANCE SHEET

As at 30 June 2022 (All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	<i>Notes</i>	<b>Closing balance</b>	Closing balance at the preceding year
<b>Current Assets:</b>			
Monetary funds		12,348,939.80	28,059,613.79
Financial assets held for trading			
Derivative financial assets			
Notes receivable	XII.(I)		100,000.00
Accounts receivable	XII.(II)	495,318,281.38	647,005,736.93
Receivables financing			
Advance to suppliers		124,168,713.09	106,488,851.62
Other receivables	XII.(III)	32,636,983.61	24,425,434.84
Inventory			
Contract assets		331,170,369.02	415,657,534.04
Assets held for sale			
Non-current assets maturing within one year			
Other current assets			
<b>Total current assets</b>		<b>995,643,286.90</b>	1,221,737,171.22
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XII.(IV)	21,776,815.14	21,776,815.14
Investment in other equity instruments			
Other non-current financial assets			
Investment properties		580,273.55	601,999.25
Fixed assets		47,497,923.93	48,698,954.66
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		481,000.64	786,126.16
Intangible assets		426.98	20,665.46
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets		5,699,937.36	5,063,015.86
<b>Total non-current assets</b>		<b>76,036,377.60</b>	76,947,576.53
<b>Total assets</b>		<b>1,071,679,664.50</b>	1,298,684,747.75

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**



# PARENT COMPANY BALANCE SHEET (Continued)

As at 30 June 2022 (All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	Closing balance	Closing balance at the preceding year
<b>Current liabilities:</b>			
Short-term borrowings		229,390,380.24	245,801,658.03
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		309,393,655.09	353,108,490.10
Advances from customers			
Contractual liabilities		53,005,279.32	150,619,394.05
Employee compensation payable		5,228,531.82	5,826,400.99
Taxes payable		122,548,217.51	121,270,779.25
Other payables		69,702,707.93	51,530,262.57
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities		2,720,907.86	6,577,072.84
<b>Total current liabilities</b>		<b>791,989,679.77</b>	<b>934,734,057.83</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities		948,906.45	945,763.76
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities		19,530,429.41	14,754,573.20
Deferred income		1,448,302.71	1,484,510.31
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>21,927,638.57</b>	<b>17,184,847.27</b>
<b>Total liabilities</b>		<b>813,917,318.34</b>	<b>951,918,905.10</b>
<b>Owners' equity</b>			
Share capital		240,930,645.00	240,930,645.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves		323,049,734.88	323,049,734.88
Less: treasury stock			
Other comprehensive income			
Special reserves		1,723,274.79	131,626.07
Surplus reserves		80,133,123.00	80,133,123.00
Undistributed profits		-388,074,431.51	-297,479,286.30
<b>Total owners' equity</b>		<b>257,762,346.16</b>	<b>346,765,842.65</b>
<b>Total liabilities and owners' equity</b>		<b>1,071,679,664.50</b>	<b>1,298,684,747.75</b>

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
Mr. YE Yujing

Financial controller:  
Ms. Chen Yan

Head of the financial department:  
Mr. Xue Zhiyong

# CONSOLIDATED INCOME STATEMENT

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>1. Total operating revenue</b>		<b>105,067,299.21</b>	254,635,619.10
Including: Operating revenue	V.(XXVII)	<b>105,067,299.21</b>	254,635,619.10
Interest income			
Premiums earned			
Fee and commission income			
<b>2. Total operating cost</b>		<b>105,029,938.10</b>	249,865,845.47
Including: Operating costs	V.(XXVII)	<b>80,735,862.24</b>	211,062,001.92
Interest expenses			
Fee and commission expense			
Surrenders			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Tax and surcharges	V.(XXVIII)	<b>74,071.28</b>	1,052,780.68
Selling expenses	V.(XXIX)	<b>1,365,888.57</b>	3,755,984.14
Administrative expenses	V.(XXX)	<b>8,376,586.80</b>	13,604,548.79
Research and development costs	V.(XXXI)	<b>6,168,515.95</b>	9,539,901.34
Financial expenses	V.(XXXII)	<b>8,309,013.26</b>	10,850,628.60
Including: Interest expense		<b>8,350,588.21</b>	11,178,695.99
Interest income		<b>64,799.19</b>	658,882.58
Add: Other gains	V.(XXXIII)	<b>98,479.44</b>	609,318.02
Investment income (losses are represented by "-")			
Including: Gains from investment in associates and joint ventures			
Gains from derecognition of financial assets at amortised cost			
Exchange gain (losses are represented by "-")			
Income on hedging the net exposure (losses are represented by "-")			
Gains from changes in fair value (losses are represented by "-")			
Credit impairment loss (losses are represented by "-")	V.(XXXIV)	<b>-118,576,465.96</b>	-41,782,614.42
Asset impairment loss (losses are represented by "-")	V.(XXXV)	<b>34,951,537.09</b>	41,518,907.39
Gains on disposal of assets (losses are represented by "-")	V.(XXXVI)	<b>-904.04</b>	860,304.57
<b>3. Operating profit (losses are represented by "-")</b>		<b>-83,489,992.36</b>	5,975,689.19
Add: Non-operating income	V.(XXXVII)	<b>148,165.12</b>	30,827.70
Less: Non-operating expenses	V.(XXXVIII)	<b>8,422,423.56</b>	813,639.75
<b>4. Total profit (total losses are represented by "-")</b>		<b>-91,764,250.80</b>	5,192,877.14
Less: Income tax expense	V.(XXXIX)		1,126,577.08

# CONSOLIDATED INCOME STATEMENT (Continued)

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>5. Net profit (net losses are represented by "-")</b>		<b>-91,764,250.80</b>	4,066,300.06
(1) Classified by the business continuity			
1. Net profit from continued operations (net losses are represented by "-")		<b>-91,764,250.80</b>	4,066,300.06
2. Net profit from discontinued operation (net losses are represented by "-")			
(2) Classified by the attribution of the ownership			
1. Net Profit attributable to the shareholders of the Company (net losses are represented by "-")		<b>-91,764,250.80</b>	4,066,300.06
2. Minority interests (net losses are represented by "-")			
<b>6. Net other comprehensive income after tax</b>			
Other comprehensive income (net of tax) attributable to the owners of the parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
<b>7. Total comprehensive income</b>		<b>-91,764,250.80</b>	4,066,300.06
Total comprehensive income attributable to the owners of the parent company		<b>-91,764,250.80</b>	4,066,300.06
Total comprehensive income attributable to minority shareholders			
<b>8. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)	V.(XL)	<b>-0.38</b>	0.02
(II) Diluted earnings per share (RMB/share)	V.(XL)	<b>-0.38</b>	0.02

Legal Representative:  
Mr. YE Yujing

Financial controller:  
Ms. Chen Yan

Head of the financial department:  
Mr. Xue Zhiyong

# PARENT COMPANY INCOME STATEMENTS

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>1. Operating revenue</b>	XII.(V)	<b>104,986,049.96</b>	254,332,761.96
Less: Operating cost	XII.(V)	<b>80,575,197.42</b>	210,901,337.10
Taxes and surcharges		<b>74,071.28</b>	1,050,963.54
Selling expenses		<b>1,365,888.57</b>	3,755,984.14
Administrative expenses		<b>8,297,816.40</b>	13,523,324.61
Research and development expenses		<b>6,168,515.95</b>	9,539,901.34
Financial expenses		<b>8,335,637.76</b>	10,852,468.11
Including: Interest expenses		<b>8,350,588.21</b>	11,178,695.99
Interest income		<b>32,220.71</b>	649,952.98
Plus: Other income		<b>97,744.92</b>	609,318.02
Investment income ("-" for losses)			
Including: income from investment in associates and joint ventures			
Income from derecognition of financial assets at amortized cost			
Net exposure hedging income ("-" for losses)			
Income from changes in fair value ("-" for losses)			
Loss from credit impairment ("-" for losses)		<b>-118,576,465.96</b>	-41,782,614.42
Loss from assets impairment ("-" for losses)		<b>34,951,537.09</b>	41,443,092.75
Income from disposal of assets ("-" for losses)		<b>-904.04</b>	860,304.57
<b>2. Operating profit ("-" for loss)</b>		<b>-83,359,165.41</b>	5,838,884.04
Plus: non-operating revenue		<b>148,165.12</b>	30,827.70
Less: non-operating expenses		<b>8,422,423.56</b>	813,639.75
<b>3. Total profits ("-" for total losses)</b>		<b>-91,633,423.85</b>	5,056,071.99
Less: Income tax expenses			1,119,597.53
<b>4. Net profit ("-" for net loss)</b>		<b>-91,633,423.85</b>	3,936,474.46
(I) Net profit from continued operation ("-" for net loss)		<b>-91,633,423.85</b>	3,936,474.46
(II) Net profit of discontinued operation ("-" for net loss)			
<b>5. Other comprehensive income, net of tax</b>			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of the investment in other equity instruments			
4. Changes in the fair value of the Company's credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of the financial assets reclassified into the other comprehensive income			
4. Provision for impairment in the credit of other creditors' investment			
5. Reserve for cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
<b>6. Total comprehensive income</b>		<b>-91,633,423.85</b>	3,936,474.46
<b>7. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>-0.38</b>	0.02
(II) Diluted earnings per share (RMB/share).		<b>-0.38</b>	0.02

Legal Representative:  
Mr. YE Yujing

Financial controller:  
Ms. Chen Yan

Head of the financial department:  
Mr. Xue Zhiyong

# CONSOLIDATED STATEMENT OF CASH FLOW

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>1. Cash flows from operating activities</b>			
Cash received from sale of goods and rendering of services		<b>107,369,159.65</b>	521,380,284.65
Net increase in deposits from customers and due from banks and other financial institutions			
Net increase in borrowings from the central bank			
Net increase in loans from other financial institutions			
Cash received from receiving insurance premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, handling charge and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from acting sales of securities			
Refund of taxes			
Cash received from other operating activities	V.(XLI.1)	<b>16,123,852.94</b>	82,949,401.06
<b>Sub-total of cash inflows from operating activities</b>		<b>123,493,012.59</b>	604,329,685.71
Cash paid for goods purchased and services received		<b>93,267,679.82</b>	503,561,047.23
Net increase in loans and advances to customers			
Net increase in deposits with central bank and with banks and other financial institutions			
Cash paid for original insurance contract claims			
Net increase in lending funds			
Cash paid for interest, handling charge and commissions			
Cash paid for policy dividends			
Cash paid to and for employees		<b>8,007,339.96</b>	14,347,010.22
Tax paid		<b>1,224,700.50</b>	8,265,254.78
Cash paid for other operating activities	V.(XLI.2)	<b>19,089,980.02</b>	57,011,424.27
<b>Sub-total of cash outflows from operating activities</b>		<b>121,589,700.30</b>	583,184,736.50
<b>Net cash flow from operating activities</b>		<b>1,903,312.29</b>	21,144,949.21
<b>2. Cash flows from investing activities</b>			
Cash received from disinvestment			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>4,000.00</b>	3,520,000.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>4,000.00</b>	3,520,000.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		<b>15,925.00</b>	49,363.15
Cash paid for investments			
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>15,925.00</b>	49,363.15
<b>Net cash flows from investing activities</b>		<b>-11,925.00</b>	3,470,636.85

# CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>3. Cash flows from financing activities</b>			
Cash from absorption of investments			
Including: cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings			49,999,000.00
Cash received from other financing activities	V.(XLI.3)		8,400,875.00
<b>Sub-total of cash inflows from financing activities</b>		<b>4,671,350.29</b>	58,399,875.00
Cash paid for debt repayments			149,383,119.11
Cash paid for distribution of dividends and profits or payment of interest		<b>3,786,456.87</b>	11,178,695.99
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	V.(XLI.4)	<b>19,394.55</b>	303,480.70
<b>Sub-total of cash outflows from financing activities</b>		<b>8,477,201.71</b>	160,865,295.80
<b>Net cash flows from financing activities</b>		<b>-8,477,201.71</b>	-102,465,420.80
<b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		<b>1,499.36</b>	419.97
<b>5. Net increase in cash and cash equivalents</b>		<b>-6,584,315.06</b>	-77,849,414.77
Plus: beginning balance of cash and cash equivalents		<b>8,595,891.89</b>	110,600,765.32
<b>6. Closing balance of cash and cash equivalents</b>		<b>2,011,576.83</b>	32,751,350.55

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# PARENT COMPANY STATEMENT OF CASH FLOW

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>1. Cash flows from operating activities</b>			
Cash receipts from the sale of goods and the rendering of services		107,369,159.65	521,380,284.65
Refunds of taxes			
Other cash payments relating to operating activities		80,110,402.14	92,463,071.46
<b>Sub-total of cash inflows from operating activities</b>		<b>187,479,561.79</b>	613,843,356.11
Cash paid for goods and services		93,267,679.82	503,561,047.23
Cash paid to and for employees		8,001,599.56	14,334,049.88
Taxes paid		1,224,700.50	8,265,254.78
Other cash payment related to operating activities		79,685,256.00	67,005,180.21
<b>Sub-total of cash outflows from operating activities</b>		<b>182,179,235.88</b>	593,165,532.10
<b>Net cash flows from operating activities</b>		<b>5,300,325.91</b>	20,677,824.01
<b>2. Cash flows from investing activities</b>			
Cash received from disinvestment			
Cash received from return on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,000.00	3,520,000.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>4,000.00</b>	3,520,000.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		15,925.00	49,363.15
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>15,925.00</b>	49,363.15
<b>Net cash flows from investing activities</b>		<b>-11,925.00</b>	3,470,636.85
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments			
Cash received from borrowings			49,999,000.00
Cash received relating to other financing activities			8,400,875.00
<b>Sub-total of cash inflows from financing activities</b>			58,399,875.00
Cash paid for repayment of borrowings		4,671,350.29	149,383,119.11
Cash paid for distribution of dividends and profits or payment of interest		3,786,456.87	11,178,695.99
Cash paid relating to other financing activities		19,394.55	303,480.70
<b>Sub-total of cash outflows from financing activities</b>		<b>8,477,201.71</b>	160,865,295.80
<b>Net cash flows from financing activities</b>		<b>-8,477,201.71</b>	-102,465,420.80
<b>4. Effect of changes in exchange rate on cash and cash equivalents</b>		<b>1,010.37</b>	-177.97
<b>5. Net increase in cash and cash equivalents</b>		<b>-3,187,790.43</b>	-78,317,137.91
Add: Beginning balance of cash and cash equivalents		3,442,529.19	110,417,403.31
<b>6. Closing balance of cash and cash equivalents</b>		<b>254,738.76</b>	32,100,265.40

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
Mr. YE Yujing

Financial controller:  
Ms. Chen Yan

Head of the financial department:  
Mr. Xue Zhiyong

# CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Current Period													Minority interest	Total owners' equity
	Equity attributable to parent company											Subtotal			
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit				
Preference shares		Perpetual bond	Others												
<b>I. Closing balance at the preceding year</b>	240,930,645.00				323,069,734.88			131,626.07	80,126,247.00			-300,592,088.81	343,666,164.14		343,666,164.14
Add: Changes in accounting policies															
Correction of accounting errors in prior periods												1,038,278.64	1,038,278.64		1,038,278.64
Business combination under common control															
Others															
<b>II. Opening balance for the year</b>	240,930,645.00				323,069,734.88			131,626.07	80,126,247.00			-299,553,810.17	344,704,442.78		344,704,442.78
<b>III. Movements in the Current Period (decrease is represented by "-")</b>															
(I) Total comprehensive income								1,591,648.72				-91,764,250.80	-90,172,602.08		-90,172,602.08
(II) Capital contribution and reduced by owners												-91,764,250.80	-91,764,250.80		-91,764,250.80
1. Ordinary shares contribution from owners															
2. Capital contribution from owners of other equity instruments															
3. Amount of share-based payment recognized in shareholders' equity															
4. Others															
(III) Profit distribution															
1. Appropriations of surplus reserve															
2. Appropriations of general risk reserve															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Internal transfer of owners' equity															
1. Transfer to capital (or share capital) from capital reserve															
2. Transfer to capital (or share capital) from surplus reserve															
3. Surplus reserves offsetting losses															
4. Changes in defined benefit plans transferred to undistributed profit															
5. Other comprehensive income transferred to undistributed profit															
6. Others															
(V) Special reserve								1,591,648.72					1,591,648.72		1,591,648.72
1. Appropriations in the Current Period								2,020,462.02					2,020,462.02		2,020,462.02
2. Utilization in the Current Period								428,813.30					428,813.30		428,813.30
(VI) Others															
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,069,734.88			1,723,274.79	80,126,247.00			-391,318,060.97	254,531,840.70		254,531,840.70

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**



# CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (Continued)

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Preceding Period													
	Equity attributable to parent company												Minority interest	Total owners' equity
	Share capital	Other equity instrument				Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
Preference shares		Perpetual bond	Others	Others										
<b>I. Balance at the end of last year</b>	240,930,645.00				323,069,734.88			28,479,818.00	80,126,247.00		277,522,079.16	950,128,524.04		950,128,524.04
Add: Changes in accounting policies														
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
<b>II. Opening balance for the year</b>	240,930,645.00				323,069,734.88			28,479,818.00	80,126,247.00		277,522,079.16	950,128,524.04		950,128,524.04
<b>III. Movements in the Current Period (decrease is represented by "-")</b>								-28,348,191.93			-578,114,167.97	-606,462,359.90		-606,462,359.90
(I) Total comprehensive income											-578,114,167.97	-578,114,167.97		-578,114,167.97
(II) Capital contribution and reduced by owners														
1. Ordinary shares contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment recognized in owners' equity														
4. Others														
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriations of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Internal transfer of owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves offsetting losses														
4. Changes in defined benefit plans transferred to undistributed profit														
5. Other comprehensive income transferred to undistributed profit														
6. Others														
(V) Special reserve								-28,348,191.93				-28,348,191.93		-28,348,191.93
1. Appropriations in the Current Period								14,861,459.45				14,861,459.45		14,861,459.45
2. Utilization in the Current Period								43,209,651.38				43,209,651.38		43,209,651.38
(VI) Others														
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,069,734.88			131,626.07	80,126,247.00		-300,592,088.81	343,666,164.14		343,666,164.14

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# PARENT COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Current Period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Others							
<b>1. Balance at the end of last year</b>	240,930,645.00				323,049,734.88			131,626.07	80,133,123.00	-297,479,286.30	346,765,842.65
Add: Changes in accounting policies											
Correction of accounting errors in prior periods										1,038,278.64	1,038,278.64
Other											
<b>II. Opening balance for the year</b>	240,930,645.00				323,049,734.88			131,626.07	80,133,123.00	-296,441,007.66	347,804,121.29
<b>III. Movements in the Current Period (decrease is represented by "-")</b>								1,591,648.72		-91,633,423.85	-90,041,775.13
(I) Total comprehensive income										-91,633,423.85	-91,633,423.85
(II) Capital contribution and reduced by owners											
1. Ordinary shares contribution from owners											
2. Capital contribution from owners of other equity instruments											
3. Amount of share-based payment recognized in owners' equity											
4. Other											
(III) Profit distribution											
1. Appropriations of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Other											
(IV) Internal transfer of owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves offsetting losses											
4. Changes in defined benefit plans transferred to undistributed profit											
5. Other comprehensive income transferred to undistributed profit											
6. Other											
(V) Special reserve								1,591,648.72			1,591,648.72
1. Appropriations in the Current Period								2,020,462.02			2,020,462.02
2. Utilization in the Current Period								428,813.30			428,813.30
(VI) Others											
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,049,734.88			1,723,274.79	80,133,123.00	-388,074,431.51	257,762,346.16

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# PARENT COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY (Continued)

January-June 2022 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Preceding Period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
		Preference shares	Perpetual bond	Other							
<b>1. Balance at the end of last year</b>	240,930,645.00				323,049,734.88			28,479,818.00	80,133,123.00	280,627,420.22	953,220,741.10
Add: Changes in accounting policies											
Correction of accounting errors in prior periods											
Other											
<b>II. Opening balance for the year</b>	240,930,645.00				323,049,734.88			28,479,818.00	80,133,123.00	280,627,420.22	953,220,741.10
<b>III. Movements in the Current Period (decrease is represented by "-")</b>											
(I) Total comprehensive income								-28,348,191.93		-578,106,706.52	-606,454,898.45
(II) Capital contribution and reduced by owners										-578,106,706.52	-578,106,706.52
1. Ordinary shares contribution from owners											
2. Capital contribution from owners of other equity instruments											
3. Amount of share-based payment recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Appropriations of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal transfer of owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves offsetting losses											
4. Changes in defined benefit plans transferred to undistributed profit											
5. Other comprehensive income transferred to undistributed profit											
6. Others											
(V) Special reserve								-28,348,191.93			-28,348,191.93
1. Appropriations in the Current Period								14,861,459.45			14,861,459.45
2. Utilization in the Current Period								43,209,651.38			43,209,651.38
(VI) Others											
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,049,734.88			131,626.07	80,133,123.00	-297,479,286.30	346,765,842.65

The accompanying notes to the financial statements shall be an integral part of the financial statements.

Legal Representative:  
**Mr. YE Yujing**

Financial controller:  
**Ms. Chen Yan**

Head of the financial department:  
**Mr. Xue Zhiyong**

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## 1. INFORMATION ABOUT THE COMPANY

### (I) Company profile

Guangdong Adway Construction (Group) Holdings Company Limited (the “Company”, “our Company”, “Adway”, the “Group”) was established under the name of Guangdong Yahe Decoration Construction Company Limited (廣東雅和裝飾工程有限公司) in the People’s Republic of China on 18 December 1996. On 3 December 2007, upon the resolution of the meeting of the shareholders, the Company was fully converted into a joint stock company with limited liability in compliance with Company Law. The Company became listed on Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016. The registered capital of the company was RMB240,930.6 thousand. As of 30 June 2022, the share capital of the company is RMB240,930.6 thousand.

Unified social credit code: 91440300617421139M.

The registration address of the Company is 3rd Floor, Pengyi Garden Building 1, Bagua No. 1 Road, Futian District, Shenzhen.

The Company’s scope of business includes Grade I Professional Contractor Of Building Renovation and Decoration Engineering, Grade I Professional Contractor of Curtain Wall Engineering, Grade I Professional Contractor Of Fire Safety Equipment Engineering, Grade I Professional Contractor of Building Intelligent Engineering, Grade II Professional Contractor of Steel Structure Engineering, Grade III General Contractor of Municipal Engineering, Grade III General Contractor of Construction Engineering, Grade A Professional Building Decoration Engineering and Design, Grade A Professional Curtain Wall Engineering and Design, Grade B Professional Fire Safety Equipment Engineering and Design, design, installation and maintenance of security prevention systems (the aforesaid scopes of business shall not operate prior to obtaining qualification certificate); development and application in computer software and hardware product technology, intelligence engineering system, solar energy construction technology, energy-saving product technology, fire and security equipment technology, green environmental friendly materials, and construction intelligence products, development, production, manufacture, application and sale of construction and decoration materials, mechanical and electrical equipment, fire safety equipment, environmental-friendly filtration system; sale of air conditioner; consulting service on design, engineering and advertising; design, installation and management of the clean (ultra-clean) engineering projects; lease of self-owned properties; operation of medical equipment business and production of medical equipment.

The controlling shareholders and actual controllers of the Company: Mr. Ye Yujing and Ms. Ye Xiujin (together, “Mr. & Mrs. Ye”).

### (II) Scope of consolidated financial statements

As of 30 June 2022, the subsidiaries in the company scope of consolidated financial statements are as follows:

#### **Name of companies**

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Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Huidong Yip’s Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (I) Preparation of basis

The financial statements were prepared in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (together referred to as the “**Accounting Standards for Business Enterprises**”). In addition, the financial statements complied with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the applicable disclosure requirements of the Hong Kong Companies Ordinance.

### (II) Going concern

Adway recorded substantial losses in the year of 2020 and 2021. As at 30 June 2022, the book balance of cash and cash equivalents on the consolidated balance sheet of Adway was RMB2,011,600 and the book balance of short-term borrowings was RMB229,390,400, of which RMB129,398,900 was overdue. As stated in the “Note XII. COMMITMENTS AND CONTINGENCIES” to the financial statements, Adway was involved in a number of lawsuits due to overdue debts and other reasons, and some bank accounts were judicially frozen. These cases indicated that there were a number of significant uncertainties that may lead to significant doubts about the Adway’s sustainable capability of going concern. The Group has taken or will take the following plans and measures to alleviate the Group’s liquidity pressure and improve cash flow, including but not limited to:

1. Actively communicating with banks about the renewal of loans, and providing more adequate asset collateral and related parties guarantees for loans. For the loans that have been due and outstanding, the Company has communicated with the bank and repaid them gradually, and the bank also anticipated that the Company can maintain regular business operations, and had no intention of taking any extreme measures against the Company to require the Group to repay the loan immediately.
2. Strengthening the settlement and collection of contract assets and accounts receivable related to customers and engineering projects to accelerate cash inflow.
3. Adopting a number of measures to control the administrative costs and save money.
4. Actively consulting with a number of financial institutions to obtain new sources of financing or to restructure cash loans.
5. Improving operational profitability, adapting to market changes, and developing businesses with lower risks and higher technology.

Notwithstanding the foregoing, there are significant uncertainties of whether the Group will implement the above-mentioned plans and measures. The Group’s on-going operations still depend on the capacity to obtain financing and improve cash flow through the following channels:

1. Successfully persuading loan banks not to take extreme measures to demand immediate repayment of overdue loans.
2. Successfully expediting the settlement and collection of contract assets and accounts receivable related to customers and engineering projects.
3. Securing new sources of financing promptly and successfully.

If the Group fails to achieve the desired effects of the above plans and measures, it may not be able to operate as a going concern and adjustments will be made to reduce the book amount of the Group’s assets to recoverable amounts, to make provision for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities into current assets and current liabilities. The impact of these adjustments is not reflected in the consolidated financial statements.

# NOTES TO FINANCIAL STATEMENTS

*(Unless otherwise stated, all amounts are denominated in RMB)*

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

### (I) Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting both consolidated and the parent company's financial position as at 30 June 2022, and both consolidated and the parent company's operating results and cash flows for the period from January-June 2022 on a true and complete basis.

### (II) Accounting period

Accounting year is the calendar year from 1 January to 31 December.

### (III) Operating cycle

The Company takes 12 months as its operating cycle.

### (IV) Functional currency

The functional currency of the Company is Renminbi (RMB).

### (V) Accounting treatment of business combinations under common control and not under common control

Business combinations under common control: The assets and liabilities acquired by acquirer through business combination shall be measured at the carrying value of the assets, liabilities (including goodwill arising from the acquisition of the acquiree by ultimate controlling party) of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against undistributed profit.

Business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquirer in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. Each of the identifiable assets, liabilities and contingent liabilities of the acquiree, which are acquired in the combination and meet the criteria for recognition, shall be measured at fair value on the date of acquisition.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (VI) Preparation method of consolidated financial statements

#### 1. *Scope of consolidation*

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and the scope of consolidation comprises the Company and all of its subsidiaries. Control refers to the power of a company over the investee, the rights to enjoy variable returns from its involvement in relevant activities of the investee, and the ability to use its power over the investee to affect the amount of its returns.

#### 2. *Consolidation procedures*

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on the consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

Owners' equity, net profit or loss of the current period and comprehensive income attributable to minority shareholders of the current period of subsidiaries are stated separately under owners' equity in the consolidated balance sheet, net profit in the consolidated income statement and total comprehensive income respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

##### (1) *Addition of subsidiary or business*

During the reporting period, if there is an addition of subsidiary or business due to business combination under common control, the operating results and cash flow of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated financial statements, and the amounts at the beginning of the period in the consolidated financial statements and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

Where control over the investee under common control is obtained due to reasons such as increase in investments, for equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree are placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

During the reporting period, if there is an addition of subsidiary or business due to business combination not under common control, it shall be included, from the date of purchase, in the consolidated financial statements based on the fair value of each of the identifiable assets, liabilities or contingent liabilities determined on the date of purchase.

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity interest in the acquiree held before the date of purchase are transferred to investment gains of the period to which the date of purchase belongs.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (VI) Preparation method of consolidated financial statements (Continued)

#### 2. Consolidation procedures (Continued)

##### (2) Disposal of subsidiary

###### ① General treatment for disposal

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company re-measures the remaining equity investment after the disposal at fair value as at the date on which control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity interest and the sum of the net assets of the subsidiary proportionate to the original shareholding accumulated from the date of purchase or combination and goodwill is included in investment gains of the period during which the control is lost. Other comprehensive income that will be reclassified into losses and profits and other changes in owners' equity under equity accounting with respect to the equity investment in the original subsidiary are transferred to investment gains of the period during which the control is lost.

###### ② Stepwise disposal of subsidiary

In respect of stepwise disposal of equity investment in a subsidiary through multiple transactions until control is lost, if the terms, conditions and economic effects of the transactions of equity investment in the subsidiary satisfy one or more of the following conditions, the transactions are normally accounted for as a package of transactions:

- i. these transactions are entered into simultaneously or after considering the effects of each other;
- ii. these transactions constitute a complete commercial result as a whole;
- iii. one transaction is conditional upon at least one of the other transactions;
- iv. one transaction is not economical on its own but is economical when considering together with other transactions.

Where the transactions constitute a package of transactions, the Company accounts for the transactions as a transaction of disposal of a subsidiary resulting in the loss of control; the difference between the amount received each time for disposal before control is lost and the net assets of such subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and upon loss of control, is transferred to profit or loss of the period during which control is lost.

Where the transactions do not constitute a package of transactions, before the loss of control, the transactions are accounted for based on partial disposal of equity investment in a subsidiary that does not involve loss of control; when control is lost, they are accounted for using the general method for disposal of subsidiaries.

##### (3) Purchase of minority interests in subsidiary

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests and the share of net assets of the subsidiary that the Company is entitled to calculated according to the new shareholding accumulated from the date of purchase or date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.



# NOTES TO FINANCIAL STATEMENTS

*(Unless otherwise stated, all amounts are denominated in RMB)*

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (VI) Preparation method of consolidated financial statements *(Continued)*

#### 2. Consolidation procedures *(Continued)*

##### (4) Partial disposal of equity investment in subsidiary without loss of control

For the difference between the consideration received from disposal and the net assets of the subsidiary that the Company is entitled to corresponding to the long-term equity investment disposed accumulated from the date of purchase of date of combination, share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

### (VII) Classification of joint arrangements and accounting treatment for joint operations

Joint arrangements can be classified into joint operations and joint ventures.

Joint operations represent the joint arrangement that a party to a joint arrangement has rights to the assets, and obligations for the liabilities, relating to such arrangement.

The Company recognises the following items in relation to its share of benefits in joint operations:

- (1) the assets held solely by the Company and those jointly held on a prorata basis;
- (2) the liabilities assumed solely by the Company and those jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Company;
- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) the expenses incurred solely by the Company and those incurred by the joint operation on a pro-rata basis.

The Company's investment in joint ventures are accounted for using equity method, please refer to the long-term equity investment.

### (VIII) Recognition standard for cash and cash equivalents

Cash represents the Company's cash on hand and deposits that can be used readily for payments. Cash equivalents represent investments that satisfy four conditions, namely short-term, highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (IX) Foreign currency transactions and translation of financial statements denominated in foreign currency

#### 1. *Foreign currency transactions*

Foreign currency transactions shall be translated into RMB at the spot Exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting Exchange difference are recognised in profit or loss for the current period, except for those differences related to a specific-purpose Borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

#### 2. *Translation of financial statements denominated in foreign currency*

For the translation of financial statements of foreign operation denominated in foreign currency, the assets and liabilities in the balance sheets are translated at the spot exchange rates on the balance sheet date; except for "undistributed profits" items, all items under owner's equity are translated at the spot exchange rates when incurred. The income and expense items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of foreign operations, exchange differences in financial statements denominated in foreign currencies related to the foreign operation shall be transferred from owner's equity items to profit or loss to profit or loss from disposal for the current period.

### (X) Financial instruments

One of the financial asset, financial liabilities or equity instrument is recognized when the Company becomes a party to the contract of the financial instruments.

#### 1. *Classification of financial instruments*

According to the business model of the Company for management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as financial assets measured at amortized cost, or financial assets measured at fair value through other comprehensive income, or other financial assets that are measured at fair value through current profit or loss.

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets measured at amortized cost:

- the objective of the business model is to collect contractual cash flows;
- the contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount.

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets (debt instruments) measured at fair value through other comprehensive income:

- The objective of the business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets;
- The contractual cash flows are solely payment of the principal and the interest based on the outstanding principal amount.

For an investment in equity instruments not held for trading purposes, the Company may irrevocably designate it as financial assets (equity Instruments) measured at fair value through other comprehensive Income at the initial recognition. This designation is made on an investment-by-investment basis and the relevant investment meets the definition of equity instrument from the perspective of the issuer.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (X) Financial instruments (Continued)

#### 1. Classification of financial instruments (Continued)

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through current profit or loss.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income.

As at fair value through current profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise financial liabilities, at initial recognition, are classified into financial liabilities at fair value through current profit or loss and financial liabilities measured at amortized cost.

When meeting any of the following criteria, the Company may, at initial recognition, designate a financial liability as measured at fair value through current profit or loss:

- (1) Such designation would eliminate or significantly reduce a measurement or recognition inconsistency.
- (2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- (3) The financial liabilities include embedded derivatives which can be split separately.

#### 2. Recognition basis and measurement method of financial instruments

##### (1) Financial assets measured at amortized cost

Financial assets measured at amortized cost, including notes receivable and accounts receivable, other receivables, long-term receivables, and debt investments, are initially measured at fair value plus relevant transaction costs. Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated under the effective interest method during the period of holding is included in current profit or loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in current profit or loss.

##### (2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income, including financing receivables and other debt investments, are initially measured at fair value plus relevant transaction costs. These financial assets are subsequently measured at fair value, with changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method.

On derecognition, the accumulated gain or loss previously recognized in other comprehensive income is transferred out from other comprehensive income and recognized in current profit or loss.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (X) Financial instruments (Continued)

#### 2. Recognition basis and measurement method of financial instruments (Continued)

##### (3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured by fair value through other comprehensive income, including other equity instruments, are initially measured at fair value plus relevant transaction costs, and subsequently measured at fair value through other comprehensive income. The dividends received are included in current profit or loss.

When derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to undistributed profit.

##### (4) Financial assets at fair value through current profit or loss

Financial assets measured at fair value through current profit or loss, including held-for-trading financial assets, derivative financial assets and other non-current financial assets, are initially measured at fair value with relevant transaction costs included in current profit or loss. Such financial assets are subsequently measured at fair value and subsequently measured at fair value through current profit or loss.

##### (5) Financial liabilities measured at fair value through current profit or loss

Financial liabilities measured at fair value through current profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value with relevant transaction costs recognized in current profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value are recognized in current profit or loss.

On derecognition, the difference between the carrying amount and the consideration paid is recognized in current profit or loss.

##### (6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term loans, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value plus relevant transaction costs.

Interest calculated under the effective interest method during the period of holding is included in current profit or loss.

On derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in current profit or loss.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (X) Financial instruments (Continued)

#### 3. Derecognition of financial asset and financial asset transfers

The Company derecognize a financial asset if it meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire;
- the financial asset has been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, but did not retain its control over the said financial assets.

When transferring a financial asset, if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such asset.

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied.

The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two included in current profit or loss:

- (1) the book value of the financial asset transferred;
- (2) the sum of the consideration received from the transfer and the total amount of the fair value changes that is directly charged or credited to owners' equity (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

When the partial transfer of a financial asset meets the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognized and the part to be recognized based on their respective fair value, with the difference between the following two included in current profit or loss:

- (1) The book value of the part that is derecognized;
- (2) The sum of the consideration attributable to the part derecognized and the total amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognized (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

If the transfer of a financial asset does not meet the criteria for derecognition, the financial asset shall continue to be recognized and the consideration received is recognized as a financial liability.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (X) Financial instruments *(Continued)*

#### 4. *Derecognition of financial liabilities*

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be derecognized; if the Company signs an agreement with the creditor to replace the existing financial liability with new financial liability of substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

If substantial changes are made to the contractual terms (in whole or in part) of the existing financial liability, the existing financial liability (or part of it) shall be derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the book value of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

If the Company repurchases part of a financial liability, the book value of the entire financial liability is allocated between the part that continues to be recognized and the part that is derecognized on the repurchase date based on their respective relative fair value. The difference between the book value assigned to the part derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in current profit or loss.

#### 5. *Determination of fair value of financial assets and financial liabilities*

As for financial instruments with an active market, their fair values are determined by quoted prices in the active market. As for financial instruments without an active market, their fair values are determined by using valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable in the current circumstances and sufficiently supported by available data and other information, and selects inputs that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transactions of the relevant assets or liabilities, and prioritizes the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are unavailable or not reasonably available.

#### 6. *Test and accounting methods for impairment of financial assets*

The Company estimates financial assets measured at amortized cost by way of single or combination, or the expected credit losses of financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

The probability-weighted amount of the difference in present value between the contractual cash flow of receivable from contracts and the cash flow expected to be received, weighted with the risk of default, will be measured by taking into account of reasonable and valid information on, among other things, past events, current status and the forecast of future economic conditions to recognize the expected credit losses.

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in current profit or loss as impairment losses or gains.

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (X) Financial instruments (Continued)

#### 6. Test and accounting methods for impairment of financial assets (Continued)

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk on a financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that a financial asset has been credit impaired, the Company shall make individual provision for the impairment of the financial asset.

For account receivables and contract asset formed by the transactions regulated in the Accounting Standards for Business Enterprises No.14-Revenue (2017) whether contain significant financing components or otherwise, the Company always measures the loss provision at the lifetime expected credit loss.

For lease receivables, the Company chooses to always measures the loss provisions at the lifetime expected credit loss.

Where the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is directly written down.

### (XI) Inventories

#### 1. Classification and costs for inventories

Inventories are classified into raw materials and goods in stock.

Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

#### 2. Measurement for inventories delivered

Upon delivery, inventories are measured with the weighted average method.

#### 3. Basis for the determination of net realisable value of different type of inventories

On the balance sheet date, inventories are stated at the lower of cost and net realisable value. When the cost of inventories was higher than their net realisable value, the provision decline in value of inventories shall be made. Net realisable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes.

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less related selling costs and taxes; the net realizable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling costs and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the excess part shall be calculated on the ground of general selling price. After the provision decline in value of inventories, if the factors resulting in the previously recorded inventory impairment disappeared, as a result of which the net realisable value of the inventories became higher than its book value, it would be written back to the extent of the original provision decline in value of inventories made, and such written-back amounts would be charged to the current profit or loss.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XI) Inventories (Continued)

#### 4. Inventory system

The perpetual inventory system is adopted.

#### 5. Amortisation of low-value consumables and packaging materials

- (1) Low-value consumables are mortised using the immediate write off method.
- (2) packaging materials are mortised using the immediate write-off method.

### (XII) Contract assets

#### 1. Recognition and standard of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Company has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as a contract asset. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The right of the Company to charge the customer unconditionally (only depends on the passage of time) is listed as a receivable individually.

#### 2. Method of determination of expected credit loss of contract assets

And accounting treatment methods for the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to testing of impairment of financial assets and accounting treatment methods.

### (XIII) Assets classified as held-for-sale

A non-current asset or disposal group is classified as asset held-for-sale when the book amount of the asset is recovered principally through a disposal (including an exchange of non-monetary assets with commercial substance) rather than through continuing use.

The Company recognises non-current assets or disposal groups which meet the following conditions as assets held for sale:

- (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions;
- (2) The assets are highly likely to be sold, namely, the Company has been offered a resolution with one disposition of the assets and obtained a firm purchase commitment and the disposition will be completed within 1 year. If regulation needs to be approved by the relevant authorities or supervision department of the Company, such approval has been obtained.

When non-current asset (excluding financial asset, deferred income tax asset and asset formed by employee benefits) or disposal group which are classified as held-for-sale, if the book value of the non-current asset or disposal group is higher than the net amount after deducting the disposal cost from its fair value, the book value is reduced to the net amount after deducting the disposal cost from its fair value. The reduced amount is recognized as an asset impairment loss and accounted for as profit and loss for the current period, with provision for impairment loss on held-for-sale assets.



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XIV) Long-term equity investments

#### 1. *Joint control or significant influence criterion*

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over an investee, the investee is an associate of the Company.

#### 2. *Determination of initial investment cost*

##### (1) *Long-term equity investments acquired through business combination*

For a long-term equity investment in subsidiaries resulting from a business combination involving entities under common control, the initial investment cost of long-term equity investments are its share of the book value of the own' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. The difference between initial investment cost of long-term equity investment and the carrying value of paid consideration is to adjust share premium in the capital reserve. If the balance of share premium in the capital reserve is insufficient, any excess is adjusted to undistributed profit. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons the difference between initial investment cost of long-term equity investment according to the aforesaid principle, and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to undistributed profit.

For a long-term equity investment in subsidiaries resulting from a business combination involving entities not under common control, the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

##### (2) *Long-term equity investments acquired by other means other than business combination*

The initial investment cost of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial investment cost of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

#### 3. *Subsequent measurement and recognition of profit or loss*

##### (1) *Long-term equity investment accounted for by cost method*

Long-term equity investments in subsidiaries are accounted for using cost method unless the investments meet the conditions of held-for-sale. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognized as the Company' share of the cash dividends or profits declared by the investee.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XIV) Long-term equity investments *(Continued)*

#### 3. **Subsequent measurement and recognition of profit or loss** *(Continued)*

##### (2) *Long-term equity investment accounted for by equity method*

Long-term equity investments in associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to current profit or loss and the cost for long-term equity investment shall be adjusted.

The Company recognizes the investment income and other comprehensive income according to its shares of net profit or loss and other comprehensive income realized by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity (the "Other Changes of Owner's Equity") except for net profits and losses, other comprehensive income and profit distribution of the investee, the carrying value of long-term equity investment shall be adjusted and included in owner's equity.

The Company's share of net profit or loss, other comprehensive income and Other Changes of Owner's Equity of an investee is determined based on the fair value of identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee after the adjustment and other comprehensive income, etc.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized, except for the disposal of assets that consist of operations.

The Company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Company has an obligation to assume additional losses. Where net profits are subsequently made by the associate or joint venture, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XIV) Long-term equity investments *(Continued)*

#### 3. **Subsequent measurement and recognition of profit or loss** *(Continued)*

##### (3) *Disposal of long-term equity investments*

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to current profit or loss.

For the certain long-term equity investment treated under the equity method, where the remaining equity continues to be accounted for using the equity method, the other comprehensive income previously recognised under the equity method shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes of Owner's Equity shall be transferred in proportion into current profit or loss.

When the Group loses the control or material influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. Other Changes of Owner's Equity shall be transferred into the current profit or loss when ceasing to use the equity method.

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. The other comprehensive income previously recognised before obtaining the control over the investee shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Changes in other owner's equity recognized as a result of the adoption of the equity method shall be transferred to the current profit or loss on pro rata basis. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be recognised as financial asset, and the difference between fair value and the carrying value on the date of losing control shall be included in current profit or loss. All the other comprehensive income and Other Changes of Owner's Equity recognised before obtaining the control over the investee shall be transferred.

For disposal of the equity investment in a subsidiary in stages by multiple transactions resulting in the loss of control, where the Company accounts for a package deals, accounting treatment shall be conducted for all transactions as the equity investment for disposal of a subsidiary and the transaction in the loss of control. In the individual consolidated financial statements, the differences between the consideration disposed and the corresponding carrying value of long-term equity investment of the disposed equity in each transaction prior to the loss of control shall be recognised in other comprehensive income first and transferred to the current profit or loss when the parent eventually loses control over the subsidiary. Where the no package deal is accounted for, accounting treatment shall be conducted for each transaction individually.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XV) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

Subsequent expenses related to the investment property shall be included in the cost of the investment property, if the related economic benefits are likely to flow into the enterprise, and the cost can be reliably measured. Otherwise, they should be included in the current profit and loss upon occurrence.

The Company's existing investment property is measured at cost. The Investment property measured at cost — buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

### (XVI) Fixed assets

#### 1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) its cost can be reliably measured.

Fixed assets are initially measured at cost (and taking into account the effect of estimated costs of disposal).

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognized. All other subsequent expenses are included in current profit or loss upon occurrence.

#### 2. Methods for depreciation

Fixed assets of the Company are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For fixed assets that have made provision for the impairment, the amount of depreciation of it is determined by carrying value after deducting the provision for the impairment based on useful life during the future period. Where different components of a fixed asset have different useful lives or generate economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each component is depreciated separately.

The depreciation methods, useful life of depreciation, residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation methods	Useful life (year)	Residual value rate (%)	Annual depreciation rate (%)
House and buildings	Straight-line method	30	5.00	3.17
Machine and equipment	Straight-line method	5	5.00	19.00
Vehicles	Straight-line method	5	5.00	19.00
Office equipment and others	Straight-line method	5	5.00	19.00

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XVI) Fixed assets (Continued)

#### 3. Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from using or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in current profit or loss.

### (XVII) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

### (XVIII) Borrowing costs

#### 1. Criteria for recognition of capitalised borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit or loss in the period in which they are incurred.

Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

#### 2. Capitalisation period of borrowing costs

The capitalisation period refers to the period beginning from the commencement of capitalising borrowing costs to the date of ceasing capitalisation, excluding the period of suspension of capitalisation.

Capitalisation of borrowing costs begins when the following conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, non-currency assets transferred or interest-bearing liabilities assumed for the acquisition, construction or production of qualifying assets) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset get ready for their intended use or sale have commenced.

Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production gets ready for intended use or sale.

#### 3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, and the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition, construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such period of interruption shall be recognized in current profit or loss. When the acquisition, construction or production of the asset resumes, the capitalisation of borrowing costs continues.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XVIII) Borrowing costs (Continued)

#### 4. Capitalisation rate and calculation of capitalisation amount of borrowing costs

As to specific borrowings for the acquisition, construction or production of qualifying assets, borrowing costs from the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or the investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalisation.

As to general borrowings for the acquisition, construction or production of qualifying assets, the to-be-capitalized amount of borrowing costs on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specific borrowings and the capitalisation rate of the said general borrowings. The capitalisation rate shall be calculated and determined according to the weighted average actual interest rate of general borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are included in the current profits and losses when incurred.

### (XIX) Intangible assets

#### 1. Measurement of intangible assets

(1) Intangible assets are initially measured at cost upon acquisition by the Company

The costs of an externally purchased intangible asset include the purchase price, relevant tax expenses, and other expenditures directly attributable to bringing the asset ready for its intended use.

(2) Subsequent measurement

The Company shall analysis and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortized over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortized.

#### 2. Estimate of useful life for the intangible assets with finite useful life

Items	Estimated useful years (Years)	Amortization method basis	Residue value	Basis
Land use right	40	Straight-line method	0.00	Duration of the certificate
Software	5	Straight-line method	0.00	Expected useful life

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XIX) Intangible assets *(Continued)*

#### 3. *Specific criteria for the division of research phase and development phase*

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: a phase in which innovative and scheduled investigations and research activities are conducted to obtain and understand new scientific or technological knowledge.

Development phase: a phase in which the research outcomes or other knowledge are applied for a plan or a design prior to the commercial production or use in order to produce new or substantially improved materials, devices, products, etc.

#### 4. *Specific conditions for capitalisation of expenditure incurred in development phase*

Expenditures incurred in the research stage are recognised in profit or loss for the period. Expenditures incurred in the development stage are recognised as intangible assets only when all of the following conditions are satisfied, and the expenditures in the development stage that does not meet all of the following conditions are recognized in profit or loss for the period:

- (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale;
- (2) the intention to complete the intangible asset for use or for sale;
- (3) the ways in which the intangible asset generate 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, or if the intangible asset is for internal use, there is evidence that proves its usefulness;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditures attributable to the development phase of the intangible asset could be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, all of which should be included in the current profit or loss.

# NOTES TO FINANCIAL STATEMENTS

*(Unless otherwise stated, all amounts are denominated in RMB)*

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### **(XX) Impairment of long-term assets**

Long-term assets such as long-term equity investments, investment property measured under cost method, fixed assets, construction in progress, right-to-use assets, use of intangible assets and oil and gas assets with a finite useful life are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill formed by business merger, intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment at least at the end of each year regardless of whether there is any sign of impairment.

When the Company performs impairment test on goodwill, the Company shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the set of asset groups. The related asset groups or the set of asset groups refers to these ones that can benefit from the synergies of a business combination.

For the purpose of impairment test on the relevant asset groups or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then, the Company will conduct impairment tests on the asset groups or set of asset groups that includes goodwill and compare its carrying value against its recoverable amount. If the recoverable amount is lower than its carrying value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset groups or set of asset groups, then, based on the proportion of the carrying value of other assets in the asset groups or set of asset groups other than goodwill, offset against the carrying value of other assets proportionally. Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

### **(XXI) Long-term deferred expenses**

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods.

### **(XXII) Contract liabilities**

The Company has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XXIII) Employee benefits

#### 1. **Accounting treatment methods of short-term benefits**

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognized as liabilities and charged to current profit or loss or cost of relevant assets.

With regard to the social insurance and housing provident funds contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-currency welfare expenses are measured at fair value.

#### 2. **Accounting for post-employment benefits**

##### (1) *Defined contribution plan*

The Company will pay basic pension insurance and unemployment insurance for the staff in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profit or loss or costs of relevant assets.

In addition, the Company will participate in the corporate annuity scheme or supplementary pension insurance approved by the local government. And the Company will make annuity contributions in proportion to its employees' total salaries to the annuity scheme or local social institutes. The payment would be charged into current profit or loss or costs of relevant assets.

##### (2) *Defined benefit plan*

In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in profit and loss for the current period or costs of related assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets of a defined benefit scheme. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, are discounted based on the market yield of government bonds matching the term and currency of defined benefit plan obligations or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by the defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged to current profit or loss or relevant costs of assets. The changes arising from the remeasurement of the net liabilities or net assets of the defined benefit scheme would be included in other comprehensive income and are not reversed to profit or loss in a subsequent accounting period; when the previously defined benefits plan is terminated, such amount previously included in other comprehensive income shall be transferred to undistributed profit.

When the defined benefit scheme is settled, the gain or loss is recognized based on the difference between the present value of obligations under the defined benefit scheme and the settlement price at the balance sheet date.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXIII) Employee benefits (Continued)

#### 3. Accounting treatment of termination benefits

When the Company provides employees with termination benefits, the staff remuneration liabilities arising from termination benefits are recognized and recorded in current profit or loss whichever of the following is earlier: when the Company cannot unilaterally revoke such termination benefits provided due to dissolution of labour relationship plan or layoff proposal; when the Company recognizes such cost or expenses associated with the restructuring involving the payment of termination benefits.

### (XXIV) Estimated liabilities

The Company shall recognize it as the estimated liability, when all of the following conditions are satisfied:

- (1) such obligation is the present obligation of the Company;
- (2) the performance of such obligation is likely to lead to an outflow of economic benefits of the Company;
- (3) the amount of such obligation can be reliably measured.

The estimated liabilities are initially measured at the best estimate of expenditure required for the performance of relevant present obligations.

The Company shall take into consideration the risks, uncertainties, time value of money and other factors relating to the contingencies in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is a successive range of the required expenditure, and the likelihood of occurrence of various results within the range is the same, the best estimate is determined by the intermediate value. In other cases, the best estimate is handled as follows:

- Where the contingency is related to individual item, the best estimate should be determined as the most likely amount.
- Where the contingency is related to a number of items, the best estimate should be calculated and determined according to the various possible results and the relevant probabilities.

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

The Company reviews the carrying amount of estimated liabilities on balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXV) Revenue

#### 1. General principles for revenue recognition

The Company recognizes revenue when the performance obligation in a contract is fulfilled, namely the customer obtains control of relevant goods or services. Control of a good or service refers to the ability to direct the use of the good or service, and obtain substantially all of the benefits from the goods or services.

If a contract contains two or more performance obligations, at the commencement of the contract, the Company allocates the transaction price into each individual performance obligation according to the relative proportion of each individual selling price of goods or services committed by individual performance obligation, and recognizes the revenue according to the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer. The Company considers the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Company considers the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer. The Company determines the transaction price that includes variable considerations based on the amount not exceeding the revenue accumulatively recognized which is not likely to be significantly reversed when the relevant uncertainty disappears. Where there are significant financing elements in the contract, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the amount of contract consideration is amortised using an effective interest method over the contract term.

When one of the following conditions is satisfied, the Company is considered to have fulfilled an obligation within a certain period of time. Otherwise, the Company is considered to have fulfilled an obligation at a certain point in time:

- At the same time when the Company fulfills the obligation, the customer immediately obtains and consumes the economic benefits brought about by the Company's performance.
- The customers can control the goods under construction in the course of the Company's performance.
- Goods produced in the course of the Company's performance are irreplaceable. In addition, during the entire contract period, the Company has the right to collect the payments for the cumulatively completed parts of performance.

Where performance of a single service contract takes place over a certain period of time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the fulfillment progress of the performance cannot be determined reasonably, but is expected to recover the costs incurred, the Company should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXV) Revenue (Continued)

#### 1. General principles for revenue recognition (Continued)

For a performance obligation satisfied at a point in time, the Company shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Company considers the following indications:

- The Company enjoys the right to collect cash on the goods or services, that is, the customer has the obligation to pay for the goods or services at the present time.
- The Company has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity.
- The Company has transferred the goods in kind to the customers, that is, the customers have actually taken possession of the goods.
- The Company has transferred the main risks and rewards in the ownership of the commodity to its customers, that is, the customers have acquired the main risks and rewards in the ownership of the commodity.
- The customer has accepted the goods or services.

### (XXVI) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract which does not fall under the scope of the standards relating to inventories, fixed assets and intangible assets are recognized as an asset as contract performance costs when the following conditions are met:

- This cost is directly related to a current or expected contract.
- This cost increases the resources of the Company to fulfill its performance obligations in the future.
- The cost is expected to be recovered.

If the incremental cost incurred by the Company in obtaining the contract can be expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will include it into the current profit or loss when it incurs.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost expected to be incurred for the transfer of the relevant goods or services.

If the above-mentioned excess is higher than the book value of such assets as a result of any subsequent change of impairment factors in the previous period, the provision for impairment of assets previously made shall be reversed and included in profit or loss for the period as incurred to the extent the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXVII) Government grants

#### 1. Types

Government grants are monetary assets and non-monetary assets obtained by the Company from the government for free, and are divided into government grants related to assets and government grants related to income.

Government grants related to assets are those obtained by the Company for the purposes of acquisition, construction or other project that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

The Company classified government grants obtained for acquisition or construction of long-term assets or formation of long-term asset in other forms as government grants related to assets.

Government grants other than those related to assets are classified as government grants related to revenue.

If related government documents do not specify the objective of the grants, the grants are classified as related to revenue.

#### 2. Timing for recognition

Government grants are recognised when the Company can comply with the conditions attached to it and when it can be received.

#### 3. Accounting treatment

Asset-related government grants shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income).

Government grants related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in current profit or loss when such costs and losses are recognized (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses; and the grants used to compensate relevant costs or losses that have incurred by the Company are recorded directly in current profit or loss (government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income) or offset relevant costs or losses.

### (XXVIII) Deferred income tax assets and deferred income tax liabilities

Income tax comprises current and deferred income tax. Current tax and deferred income tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Deferred income tax assets and deferred income tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred income tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save for exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XXVIII) **Deferred income tax assets and deferred income tax liabilities** *(Continued)*

The exceptions for not recognition of deferred income tax assets and liabilities include:

- the initial recognition of the goodwill;
- other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

Deferred income tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred income tax assets are recognised.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

When the Company has a legally enforceable right to set-off and intends either to settle on a net basis or to acquire the income tax asset and settle the income tax liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are offset if all of the following conditions are met:

- When the taxable entity has the legal right to set off current income tax assets and current income tax liabilities on a net basis;
- When the deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax authority, or related to different entities liable to pay tax but the relevant entities intend to settle on a net basis or to acquire the income tax assets and settle the income tax liabilities simultaneously in the future period in which significant deferred income tax assets and liabilities would be reversed.

### (XXIX) **Lease**

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

For a contract that contains multiple separate lease, the Company separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separate the lease and non-lease components.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE *(Continued)*

### (XXIX) Lease *(Continued)*

#### 1. The Company as a lessee

##### (1) Right-of-use assets

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises:

- the amount of the initial measurement of lease liability;
- lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive);
- initial direct costs incurred by the Company;
- the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease, except those incurred for the production of inventories.

The Company adopts straight-line method to depreciate the right-of-use assets. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the impairment of long-term assets and conducts accounting treatment for impairment loss identified.

##### (2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payment includes:

- fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under the guaranteed residual value provided by the Company;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined reasonably, the Company's incremental borrowing rate is used.

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period or cost of relevant assets in which they actually arise.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXIX) Lease (Continued)

#### 1. The Company as a lessee (Continued)

##### (2) Lease liabilities (Continued)

After the commencement date of lease term, if the following circumstances occur, the Company re-measures the lease liability and adjusts the carrying value of the right-of-use asset accordingly. If the carrying value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced. The Company accounts for the difference in the current profit or loss:

- when the assessment results of the purchase, extension or termination option changes or the actual exercise condition of the foregoing options is different from the original assessment results, the Company re-measures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the revised discount rate;
- when in-substance fixed payments, the amount expected to be payable under the guaranteed residual value or the index or rate arising from the confirmation of lease payments changed, the Company re-measures the lease liabilities in accordance with the lease payments after changes and the present value calculated using the initial discount rate. However, if the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.

##### (3) Short-term leases and leases of low-value assets

The right-of-use asset and lease liability are not recognized by the Company for short-term leases and leases of low-value assets, and the relevant lease payments are included in profit or loss in the period or costs of relevant assets in each period of the lease term on a straight-line basis. Short-term leases are defined as leases with a lease term of not more than 12 months from the commencement date and excluding a purchase option. Leases of low-value assets are defined as leases with underlying low value when new. Where the Company subleases or expects to sublease a leased asset, the original lease shall not belong to a lease of low value asset.

##### (4) Lease change

The Company will account for the lease change as a separate lease if the lease changes and meets the following conditions:

- The lease change expands the scope of lease by increasing the rights to use one or more leased assets;
- The increased consideration and the individual price of the expanded part of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Company shall re-allocate the consideration of a changed contract, re-determine the lease term, and remeasure the lease liabilities by the present value calculated from the changed lease payments and revised discount rate on the effective date of the lease change.

If the lease change results in a narrower lease or a shorter lease term, the Company reduces the carrying value of the right-of-use asset accordingly, and recognises the related gains or losses that partially terminate or completely terminate the leases into the current profit and loss. For other lease changes that cause the lease liabilities to be remeasured, the Company adjusts the carrying value of the right-of-use assets accordingly.



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXIX) Lease (Continued)

#### 1. The Company as a lessee (Continued)

##### (5) COVID-19 related rent concessions

For the rent concessions such as rent reductions and deferred payment directly caused by the COVID-19 pandemic and agreed in respect of the existing leases, and met the following conditions, the Company applies the simplified approach to all lease options and does not assess whether a lease change has occurred or whether a lease classification has been re-evaluated:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, where the consideration for the lease is either undiscounted or discounted at the pre-assignment discount rate;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022, the increase in lease payments payable after 30 June 2022 does not affect the fulfillment of this condition, and the decrease in lease payments payable after 30 June 2022 does not meet this condition; and
- there is no substantive change to other terms and conditions of the lease after considering both qualitative and quantitative factors.

For the simplified method of rent reduction related to the COVID-19 pandemic, the Company does not assess whether there is a lease modification, continues to calculate the interest expenses of the lease liabilities based on the discount rate consistent with that before the concession and recognized in profit or loss for the current period, and continues to make provision for the depreciation of the right-of-use assets based on the method consistent with that before the concession. For the recognized rent concessions, the rent concessions shall be treated as variable lease payments by the Company. If original rent payment obligation released when the concession agreement has been fulfilled, the relevant assets costs or expenses shall be offset by the undiscounted amounts or the discounted amounts discounted at the discount rate before the concession and the lease liabilities shall be adjusted accordingly. For the deferred rental payment, the previously recognized lease liabilities will be offset by the Company when the actual payment occurs.

For short-term leases and low value leases, the Company will continue to include the rent of the previous agreement into relevant asset costs or expenses based on the method consistent with that before the concession. For the recognized rent concessions, the rent concessions shall be treated as variable lease payments by the Company to offset the relevant asset costs or expenses occurred during the concession period. If the payment of rent is delayed, the Company recognized the lease payment payable during the original payment period as accounts payable to offset the accounts payable recognized in previous period before the actual payment is made.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXIX) Lease (Continued)

#### 2. The Company as a lessor

At the commencement date of lease term, the Company classifies leases as financing leases and operating leases. A financing lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset, irrespective of whether the ownership of the asset is eventually transferred. An operating lease is a lease other than a finance lease. As a sub-leasing lessor, the Company classifies the sub-leases based on the right-of-use assets of the original leases.

##### (1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognised as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognised in profit or loss in the period in which they are occurred. If the operating lease has changed, the Company will treat it as a new lease for accounting treatment, effective from the date of change. The amount of advance receipts or lease receivables related to the lease prior to the change shall be deemed as the receipts of the new lease.

##### (2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes financing lease receivable and derecognizes the underlying assets. The Company initially measures financing lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the commencement date of lease term, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income in each period during the lease term, based on a constant periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with financial instruments.

Variable lease payments not included in the measurement of the net investment in the lease are included in profit or loss in the period in which they are occurred.

Accounting treatment of lease changes when a financial lease is changed and the following conditions are simultaneously met, the Company accounts for the lease change as a separate lease:

- The change expands the scope of lease by adding the right to use one or more leased assets;
- The consideration and the separate price of the expanded scope of lease are equivalent to the amount adjusted according to the contract.

Where a change in a financial lease is not accounted for as a separate lease, the Company deals with the lease after the change according to the following situation:

- In case where the lease would have been classified as an operating lease assuming the modification became effective at the commencement date of the lease, the Company accounts for it as a new lease from the effective date of the modification and the net investment in the lease prior to the effective date of the modification is taken as the carrying amount of the leased assets;
- In case where the lease would have been classified as a finance lease assuming the modification became effective at the commencement date of the lease, the Company conducts accounting treatment in accordance with the policy regarding the modification or renegotiation of contracts described in financial instruments.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE (Continued)

### (XXIX) Lease (Continued)

#### 3. After-sale and leaseback transactions

The Company determines whether the asset transfer in the after-sale and leaseback transaction is a sale in accordance with principles described in note "III. (XXV) Revenue".

##### (1) As a lessee

If the asset transfer in the after-sale and leaseback transaction is a sale, the Company, as a lessee, measures the right-of-use assets formed by the after-sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognize relevant gains or losses only for the right to transfer to the lessor; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income.

##### (2) As a lessor

If the transfer of assets in the after-sale and leaseback transaction is a sale, the Company, as a lessor, accounts for asset purchase, and accounts for asset lease in accordance with policies in the aforementioned "2. The Company as a lessor"; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

### (XXX) Discontinued operations

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

- (1) represents a separate major line of business or geographical area of operations;
- (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- (3) is a subsidiary acquired exclusively with a view to resale.

The profits or losses from continuing operations and discontinued operations are presented in the income statement, respectively. The profits or losses from discontinued operations such as impairment losses and reversed amounts, and the profits or losses of disposal shall be presented as the profits or losses from discontinued operations. For discontinued operations presented in the current period, the information originally presented as the profits or losses from continuing operations in the current financial statements shall be presented as the profits or losses from discontinued operations during comparable accounting periods again.

### (XXXI) Changes in significant accounting policies and accounting estimates

#### 1. Changes in significant accounting policies

No significant changes to accounting policies occurred during the reporting period.

#### 2. Changes in significant accounting estimates

No significant changes to accounting estimates occurred during the reporting period.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## IV. TAXATION

### (I) Main tax types and tax rates

Tax Types	Tax Basis	Tax Rate
Value-added Tax	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	13%, 9%, 6%, 5%, 3%
City maintenance and construction tax	Based on value-added tax and consumption duty paid	7%, 5%
Enterprise income tax	Based on taxable profits	25%, 8.25%, 16.5%, 15%

Companies subject to different income tax rates:

Taxpayers	Income Tax Rate
Guangdong Adway Construction (Group) Holdings Company Limited	15%
Jingdi Industrial (Shenzhen) Company Limited	25%
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	25%
Huidong Yip's Development Company Limited	25%
Adway Construction (Hong Kong) Limited	8.25%, 16.5%

### (II) Tax preference

Science and Technology Department of Guangdong Province, Finance Department of Guangdong Province, Guangdong Provincial Office of State Administration of Taxation and Guangdong Provincial Local Taxation Bureau granted the Company its High and New Technology Enterprise Certificate which was issued on 9 December 2019 with certificate number GR201944206234, valid for three years. In accordance with the national preferential tax policies related to the hi-tech enterprise, if being certified as a hi-tech enterprise, an enterprise will enjoy the national preferential policies for hi-tech enterprises, namely, being levied enterprise income tax at 15.00% for the term of three years since the year of the certification.

Hong Kong profits tax is levied on profits arising in or derived from Hong Kong from any trade, profession, or business. The first HK\$2 million of the corporation's profits are taxed at 8.25%. Subsequent profits are taxed at 16.5%.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (I) Monetary Capital

Items	Closing balance	Closing balance at the preceding year
Cash on hand	22,361.90	26,562.90
Bank deposit	1,989,214.93	8,569,328.99
Other monetary funds	12,094,201.04	24,617,084.60
<b>Total</b>	<b>14,105,777.87</b>	<b>33,212,976.49</b>
Of which: Total amount of deposits aboard	31,346.12	32,398.67

The restricted monetary capital is as following:

Items	Closing balance	Closing balance at the preceding year
Deposit for the issuance of bank acceptance bills		279,125.00
Deposits for the issuance of letter of guarantee		817,219.90
Deposits for the issuance of letter of credit		10,000,000.00
Judiciary freeze or restricted for settlement of exchange	12,094,201.04	13,520,739.70
<b>Total</b>	<b>12,094,201.04</b>	<b>24,617,084.60</b>

### (II) Notes receivable

#### 1. Notes receivable shown as classification

Items	Closing balance	Closing balance at the preceding year
Bank acceptance bills		
Commercial acceptance bills		100,000.00
<b>Total</b>		<b>100,000.00</b>

#### 2. Classification of notes receivable by basis of bad debt provisions made

Type	Amount of the current period	Amount of the preceding period
Accounts receivable with bad debt provision based on an individual basis	1,699,170.30	1,699,170.30
Accounts receivable with bad debt provision based on a collective basis		
<b>Total</b>	<b>1,699,170.30</b>	<b>1,699,170.30</b>

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable

#### 1. Aging analysis of accounts receivables based on invoice date is as follow

Aging	Closing balance	Closing balance at the preceding year
Within 1 year	360,767,457.04	513,804,647.04
1-2 years	272,631,381.45	78,199,284.39
2-3 years	263,008,778.57	448,249,260.28
3-4 years	164,670,798.89	38,081,647.12
4-5 years	29,031,130.05	40,698,955.58
Over 5 years	32,749,416.40	29,312,500.72
Subtotal	1,122,858,962.40	1,148,346,295.13
Less: provision for bad debts	627,540,681.02	501,340,558.20
Total	495,318,281.38	647,005,736.93

#### 2. Accounts receivable shown by classification of bad debt provisions

Type	Closing balance					Balance at the end of last year				
	Balance of carrying amount		Bad debt provision		Net carrying amount	Balance of carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Percent of provision (%)		Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for the bad debt based on an individual basis	528,901,345.85	47.10	528,901,345.85	100.00			352,377,202.04	30.69	352,377,202.04	100.00
Accounts receivable with the provision for bad debt based on a collective basis	593,957,616.55	52.90	98,639,335.17	16.61	495,318,281.38	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94
Inc: aging portfolio	593,957,616.55	52.90	98,639,335.17	16.61	495,318,281.38	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94
Total	1,122,858,962.40	100.00	627,540,681.02	55.89	495,318,281.38	1,148,346,295.13	100.00	501,340,558.19	43.66	647,005,736.94

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Account receivable with provision for the bad debt of more than RMB10 million based on an individual basis:

Name	Closing balance			Reason for provision
	Balance of carrying amount	Bad debt provision	Proportion of provision (%)	
Linyi Dongfang Xinjiyuan Property Co., Ltd.	178,844,211.80	178,844,211.80	100.00	Expected to be unrecoverable
Zhong Jian Installation Engineering Co., Ltd.	45,579,490.00	45,579,490.00	100.00	Expected to be unrecoverable
Nanyang Zhongtai Property Development Ltd.	35,234,449.68	35,234,449.68	100.00	Expected to be unrecoverable
Chongqing Nengtou Property Ltd.	28,050,269.24	28,050,269.24	100.00	Expected to be unrecoverable
Qinghai Xinhua Merchandise Commercial Ltd.	22,735,710.64	22,735,710.64	100.00	Expected to be unrecoverable
Liupanshui Kangcheng Investment Real Estate Co., Ltd. (六盤水康成投資置業有限公司)	22,584,936.22	22,584,936.22	100.00	Expected to be unrecoverable
Shenzhou Great Wall International Engineering Ltd.	17,340,677.41	17,340,677.41	100.00	Expected to be unrecoverable
Gansu Jincheng 5th Tourism Investment Ltd.	15,846,867.15	15,846,867.15	100.00	Expected to be unrecoverable
Chengde Dadi Construction Real Estate Development Co., Ltd. (承德大地營造房地產開發有限公司)	13,547,529.65	13,547,529.65	100.00	Expected to be unrecoverable
Zunyi Xin Ao Property Development Co., Ltd.	12,104,831.46	12,104,831.46	100.00	Expected to be unrecoverable
Renhua County Hexing Industry investment Ltd.	11,566,618.94	11,566,618.94	100.00	Expected to be unrecoverable
Shenzhen Pengcheng Construction Group Co., Ltd.	11,556,955.72	11,556,955.72	100.00	Expected to be unrecoverable
Total	414,992,547.91	414,992,547.91	100.00	

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (III) Accounts receivable (Continued)

#### 2. Accounts receivable shown by classification of bad debt provisions (Continued)

Provision for bad debt on a collective basis:

Provision for bad debts made on an aging portfolio basis based on the accounts date

Aging	Closing balance		
	Account receivable	Bad debt provision	Provision (%)
Within 1 year	199,206,968.35	9,960,348.42	5.00
1-2 years	264,872,570.96	26,487,257.10	10.00
2-3 years	41,894,049.44	12,568,214.83	30.00
3-4 years	73,848,487.27	36,924,243.64	50.00
4-5 years	7,181,346.77	5,745,077.42	80.00
Above 5 years	6,954,193.76	6,954,193.76	100.00
<b>Total</b>	<b>593,957,616.55</b>	<b>98,639,335.17</b>	

#### 3. Accrued, reverse and recovery of provision for bad debts in the current period

Type	Closing balance at preceding year	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	352,377,202.04	176,524,143.81			528,901,345.85
Provision for bad debts on a collective basis	148,963,356.15		50,324,020.98		98,639,335.17
<b>Total</b>	<b>501,340,558.19</b>	<b>176,524,143.81</b>	<b>50,324,020.98</b>		<b>627,540,681.02</b>

#### 4. The top five debtors of accounts receivable at the end of the period

Debtors	Closing balance		
	Account receivable	Proportion of account receivable (%)	Bad debt provision
Linyi Dongfang Xinjiyuan Property Co., Ltd.	178,844,211.80	15.93	178,844,211.80
Zhong Jian Installation Engineering Co., Ltd.	45,579,490.00	4.06	45,579,490.00
Shenzhen Xinrunyuan Property Development Co., Ltd.	36,627,669.88	3.26	18,313,834.94
Nanyang Zhongtai Property Development Ltd.	35,234,449.68	3.14	35,234,449.68
Yitai Real Estate (Chengdu) Co., Ltd. (伊泰置業(成都)有限公司)	33,986,402.93	3.03	3,398,640.29
<b>Total</b>	<b>330,272,224.29</b>	<b>29.41</b>	<b>281,370,626.71</b>



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (IV) Prepayments

#### 1. Prepayments presented by aging based on the accounts date

Aging	Closing balance		Closing balance at preceding year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	111,726,596.71	89.98	106,488,851.62	100.00
1-2 years	12,442,116.38	10.02		
Total	124,168,713.09	100.00	106,488,851.62	100.00

#### 2. Classification of prepayment by basis of bad debt provisions made

Type	Closing balance				Net carrying amount
	Balance of carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision for the bad debt based on an individual basis	147,945,888.53	100.00	23,777,175.44	16.07	124,168,713.09
Provision for bad debt based on a collective basis					
Total	147,945,888.53	100.00	23,777,175.44	16.07	124,168,713.09

#### 3. Top 5 debtors of prepayment at the end of the period

Receivers of advances	Closing balance	Percentage in total closing balance of prepayments (%)
Shenzhen Antai Construction Labor Co., Ltd.	21,160,803.44	14.30
Shenzhen Zhongfu Construction Service Co., Ltd.	7,394,213.49	5.00
Shenzhen Heshun Construction Labor Co., Ltd.	6,857,478.13	4.64
Shenzhen Greentown Construction Labor Service Subcontracting Co., Ltd. (深圳市綠之城建築勞務分包有限公司)	6,474,711.08	4.38
Shenzhen Hengfeng Construction Labor Co., Ltd. (深圳市恒豐建築勞務有限公司)	5,776,633.39	3.90
Total	47,663,839.53	32.22

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (V) Other receivables

Items	Closing balance	Closing balance at preceding year
Interest receivable		
Dividend receivable		
Other receivables	31,404,752.70	26,520,344.90
<b>Total</b>	<b>31,404,752.70</b>	<b>26,520,344.90</b>

#### 1. Other receivables

(1) Other receivables shown by aging based on the accounts date

Aging	Closing balance	Closing balance at preceding year
Within 1 year	21,026,043.10	14,829,347.56
1–2 years	6,718,757.94	15,509,143.64
2–3 years	5,952,941.35	3,121,790.42
3–4 years	2,903,478.00	2,028,926.28
4–5 years	7,153,721.34	2,231,770.06
Over 5 years	7,033,780.30	7,039,288.34
Sub-total	50,788,722.03	44,760,266.30
Less: Bad debt provision	19,383,969.33	18,239,921.40
<b>Total</b>	<b>31,404,752.70</b>	<b>26,520,344.90</b>

(2) Classification of other receivables by basis of bad debt provisions made

Type	Closing balance					Closing balance at preceding year				
	Balance of carrying amount		Bad debt provision		Net carrying amount	Balance of carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion of provisions (%)		Amount	Proportion (%)	Amount	Proportion of provisions (%)	
Provision for the bad debt based on an individual basis	11,724,588.00	23.09	11,724,588.00	100.00			11,724,588.00	100.00		
Provision for bad debt based on a collective basis	39,064,134.03	76.91	7,659,381.33	19.61	31,404,752.70	33,035,678.30	73.81	6,515,333.40	19.72	26,520,344.90
Inc: aging portfolio	31,694,034.03	62.40	7,659,381.33	24.17	24,034,652.70	26,020,201.57	78.76	6,515,333.40	25.04	19,504,868.17
<b>Total</b>	<b>50,788,722.03</b>	<b>100.00</b>	<b>19,383,969.33</b>	<b>38.17</b>	<b>31,404,752.70</b>	<b>44,760,266.30</b>	<b>100.00</b>	<b>18,239,921.40</b>	<b>40.75</b>	<b>26,520,344.90</b>

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (V) Other receivables (Continued)

#### 1. Other receivables (Continued)

##### (2) Classification of other receivables by basis of bad debt provisions made (Continued)

Provision for the bad debt based on an individual basis:

Name	Closing balance			Reason for provision
	Balance of carrying amount	Bad debt provision	Provided ratio (%)	
Sanya Zhongtie Property Co., Ltd.	4,424,588.00	4,424,588.00	100.00	Expected to be unrecoverable
Chongqing Henggao Property Co., Ltd.	3,000,000.00	3,000,000.00	100.00	Expected to be unrecoverable
Shenzhen Pengcheng Construction Group Co., Ltd.	2,000,000.00	2,000,000.00	100.00	Expected to be unrecoverable
Qinghai Xinhua Merchandise Business Group Co., Ltd.	1,500,000.00	1,500,000.00	100.00	Expected to be unrecoverable
Henan Ouan Elderly Medical Care Management Service Co., Ltd. (河南歐安樂齡醫療養老管理服務有限公司)	800,000.00	800,000.00	100.00	Expected to be unrecoverable
<b>Total</b>	<b>11,724,588.00</b>	<b>11,724,588.00</b>	<b>100.00</b>	

##### (3) Details of accrued bad debt provision

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss over the duration (no credit impairment occurred)	Third stage Expected credit loss over the duration (credit impairment occurred)	Total
Closing balance of the preceding year	6,515,333.40		11,724,588.00	18,239,921.40
Opening balance in the current period				
— transfer to second stage				
— transfer to third stage				
— transfer back to second stage				
— transfer back to first stage				
Accrued in current period	1,144,047.93			1,144,047.93
Reversal in current period				
Charged off in current period				
Written off in current period				
Other changes				
Closing balance	7,659,381.33		11,724,588.00	19,383,969.33

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (V) Other receivables (Continued)

#### 1. Other receivables (Continued)

(4) Bad debt provision accrued, reversed and recovered in the current period

Types	Closing balance at preceding year	Movement in the period		Closing balance
		Provision made	Recovered or reversed	
Provision for bad debts on an individual basis	11,724,588.00			11,724,588.00
Provision for bad debts on a collective basis	6,515,333.40	1,144,047.93		7,659,381.33
Total	18,239,921.40	1,144,047.93		19,383,969.33

(5) Classification of other receivables by nature

Nature of receivables	Balance of carrying amount at the end of the current period	Balance of carrying amount at the end of the preceding year
Deposit	39,872,770.54	31,841,133.46
Reserve fund	606,858.34	668,015.16
Current account	9,925,168.62	9,781,279.86
Others	383,924.53	2,469,837.82
Total	50,788,722.03	44,760,266.30

(6) The top 5 debtors of the other receivables at the end of the period

Name of debtor	Nature of the amount	Closing balance	Aging	Proportion of the closing balance of other receivables (%)	Closing balance of impairment provision
Xinxiang Holdings (Shenzhen) Co., Ltd. (心象控股(深圳)有限公司)	Current account	7,370,100.00	Within 1 year	14.51	
Sanya Zhongtie Property Co., Ltd.	Guarantee monies	4,424,588.00	4-5 years	8.71	4,424,588.00
Chongqing Henggao Property Co., Ltd.	Guarantee monies	3,000,000.00	More than 5 years	5.91	3,000,000.00
Shenzhen Pengcheng Construction Group Co., Ltd.	Guarantee monies	2,000,000.00	4-5 years	3.94	2,000,000.00
Qinghai Xinhua Merchandise Business Group Co., Ltd.	Guarantee monies	1,500,000.00	2-3 years	2.95	1,500,000.00
Total		18,294,688.00		36.02	10,924,588.00

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Contract assets

#### 1. Particulars of contract assets

Items	Closing balance			Closing balance at preceding year		
	Balance of carrying amount	Impairment provision	Net carrying amount	Balance of carrying amount	Impairment provision	Net carrying amount
Contract assets related to building decoration projects	832,237,879.68	504,888,669.52	327,349,210.16	951,892,377.12	539,840,206.61	412,052,170.51
Quality assurance deposit of which warranty period within one year	4,033,660.53	207,501.67	3,826,158.86	3,817,865.20	207,501.67	3,610,363.53
Total	836,271,540.21	505,096,171.19	331,175,369.02	955,710,242.32	540,047,708.28	415,662,534.04

#### 2. Classification by the methods for making impairment provision

Type	Closing balance					Closing balance at preceding year				
	Balance of carrying amount		Impairment provision		Net carrying amount	Balance of carrying amount		Impairment provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Contract assets with the provision for impairment based on an individual basis	326,078,528.44	38.99	326,078,528.44	100.00		351,142,902.63	36.74	351,142,902.63	100.00	
Contract assets with the provision for impairment based on a collective basis	510,193,011.77	61.01	179,017,642.75	35.09	331,175,369.02	604,567,339.69	63.26	188,904,805.65	31.25	415,662,534.04
Including: aging portfolio	510,193,011.77	61.01	179,017,642.75	35.09	331,175,369.02	604,567,339.69	63.26	188,904,805.65	31.25	415,662,534.04
Total	836,271,540.21	100.00	505,096,171.19	60.40	331,175,369.02	955,710,242.32	100	540,047,708.28	56.51	415,662,534.04

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Contract assets (Continued)

#### 2. Classification by the methods for making impairment provision (Continued)

Contract assets with the provision for impairment of more than RMB10 million based on an individual basis:

Name	Closing balance			Reason for provision
	Balance of carrying amount	Impairment of provision	Provided ratio (%)	
Shenzhen Fule Tourism Culture Co., Ltd. (深圳市富樂旅遊文化股份有限公司)	32,176,980.33	32,176,980.33	100.00	The cost is expected to be unrecoverable
Shenzhen Construction Engineering Company Limited (深圳市建築工程股份有限公司)	28,106,500.45	28,106,500.45	100.00	The cost is expected to be unrecoverable
Shanxi Lu'an Engineering Co., Ltd.	23,422,578.72	23,422,578.72	100.00	The cost is expected to be unrecoverable
Guangzhou Jishi Construction Group Co., Ltd.	18,306,698.19	18,306,698.19	100.00	The cost is expected to be unrecoverable
Shenzhen Zhongrun City Investment Development Co., Ltd. (深圳市中潤城投資發展有限公司)	15,639,331.42	15,639,331.42	100.00	The cost is expected to be unrecoverable
Shenzhen Antai Construction Labor Co., Ltd. (Chengdu) Beverage Co., Ltd. (百歲山(成都)飲料有限公司)	14,336,028.14	14,336,028.14	100.00	The cost is expected to be unrecoverable
CITIC Guoan Industrial Development Co., Ltd. (北海中信國安實業發展有限公司)	13,120,381.09	13,120,381.09	100.00	The cost is expected to be unrecoverable
CITIC Guoan Industrial Development Co., Ltd. (北海中信國安實業發展有限公司)	10,787,171.53	10,787,171.53	100.00	The cost is expected to be unrecoverable
Total	155,895,669.87	155,895,669.87	100.00	

Contract assets with the provision for impairment based on a collective basis:

Impairment provision made on an aging portfolio basis based on the accounts date

Aging	Closing balance		
	Contract asset	Impairment provision	Provided ratio (%)
Within 1 year	18,502,077.30	924,853.87	5.00
1-2 years	169,339,685.25	16,933,968.53	10.00
2-3 years	112,415,341.25	33,724,602.38	30.00
3-4 years	148,963,812.82	74,481,906.41	50.00
4-5 years	40,098,917.93	32,079,134.34	80.00
Above 5 years	20,873,177.22	20,873,177.22	100.00
Total	510,193,011.77	179,017,642.75	35.09

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VI) Contract assets (Continued)

#### 3. Particulars of impairment provision for contract assets in current period

Items	Closing balance at preceding year	Provision made in current period	Reversal in current period	Charged off/ written off in current period	Closing balance	Reason
Provision for bad debts on an individual basis	351,142,902.63		25,064,374.19		326,078,528.44	
Provision for bad debts on a collective basis	188,904,805.65		9,887,162.90		179,017,642.75	
Total	540,047,708.28		34,951,537.09		505,096,171.19	

### (VII) Investment properties

#### 1. Investment properties measured by cost

Items	House and building	Total
1. Original carrying amount		
(1) Closing balance at preceding year	1,373,919.00	1,373,919.00
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Closing balance	1,373,919.00	1,373,919.00
2. Accumulated depreciation and accumulated amortization		
(1) Closing balance at preceding year	771,919.75	771,919.75
(2) Increase in the current period	21,725.70	21,725.70
— Depreciation or amortization	21,725.70	21,725.70
(3) Decrease in the current period		
(4) Closing balance	793,645.45	793,645.45
3. Provision for impairment		
(1) Closing balance at preceding year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Closing balance		
4. Net carrying amount		
(1) Closing value at the end of the year	580,273.55	580,273.55
(2) Closing value at preceding year	601,999.25	601,999.25

Note: The carrying amount of Daqing Building (大慶大廈) 24G/H of RMB580,273.55 is mortgaged to Bank of China, Shenzhen Changcheng Subbranch (中國銀行深圳長城支行).

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (VIII) Fixed assets

#### 1. Fixed assets and disposal of fixed assets

Items	Closing balance	Closing balance at preceding year
Fixed assets	<b>47,944,639.11</b>	49,163,420.12
Fixed assets in liquidation		
Total	<b>47,944,639.11</b>	49,163,420.12

#### 2. Details of fixed assets

Items	House and building	Mechanical equipment	Vehicle	Office equipment and others	Total
1. Original carrying amount					
(1) Closing balance at preceding year	90,159,815.31	184,759.60	7,513,296.32	5,971,571.70	103,829,442.93
(2) Increase in the current period		54,200.00	1,880.00		56,080.00
— Purchased		54,200.00	1,880.00		56,080.00
(3) Decrease in the current period			95,750.75		95,750.75
— Disposal or scraping			95,750.75		95,750.75
(4) Closing balance	90,159,815.31	238,959.60	7,419,425.57	5,971,571.70	103,789,772.18
2. Accumulated depreciation					
(1) Closing balance at preceding year	42,304,844.43	107,484.62	6,755,001.32	5,498,692.44	54,666,022.81
(2) Increase in the current period	1,033,451.76	40,674.60	134,854.62	61,092.49	1,270,073.47
— Accrued	1,033,451.76	40,674.60	134,854.62	61,092.49	1,270,073.47
(3) Decrease in the current period			90,963.21		90,963.21
— Disposal or scraping			90,963.21		90,963.21
(4) Closing balance	43,338,296.19	148,159.22	6,798,892.73	5,559,784.93	55,845,133.07
3. Provision for impairment					
(1) Closing balance at preceding year					
(2) Increase in the current period					
(3) Decrease in the current period					
(4) Closing balance					
4. Net carrying amount					
(1) Closing value at end of the year	46,821,519.12	90,800.38	620,532.84	411,786.77	47,944,639.11
(2) Closing value at preceding year	47,854,970.88	77,274.98	758,295.00	472,879.26	49,163,420.12

Note: The carrying value of RMB40,930,169.62 of the 3rd floor of Pengyi Garden Building is mortgaged to Bank of China, Shenzhen Changcheng Subbranch (中國銀行深圳長城支行), Bank of Beijing, Shenzhen Luohu Subbranch (北京銀行深圳羅湖支行), Hua Xia Bank, Shenzhen Futian Subbranch (華夏銀行深圳福田支行) and Bank of Shanghai (上海銀行).



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (IX) Right of use asset

Items	House and building	Total
1. Original carrying amount		
(1) Closing balance at preceding year	3,028,238.04	3,028,238.04
(2) Increase in current period		
(3) Decrease in current period	288,110.59	288,110.59
— Disposal	288,110.59	288,110.59
(4) Closing balance	2,740,127.45	2,740,127.45
2. Accumulated depreciation		
(1) Closing balance at preceding year	2,242,111.88	2,242,111.88
(2) Increase in the current period	305,125.52	305,125.52
— Accrued	305,125.52	305,125.52
(3) Decrease in the current period	288,110.59	288,110.59
(4) Closing balance	2,259,126.81	2,259,126.81
3. Provision for impairment		
(1) Closing balance at preceding year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Closing balance		
4. Net carrying amount		
(1) Closing value at the end of the year	481,000.64	481,000.64
(2) Closing value at preceding year	786,126.16	786,126.16

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (X) Intangible assets

#### 1. Details of intangible assets

Items	Software	Land use right	Total
1. Original carrying amount			
(1) Closing balance at preceding year	6,646,762.47	11,242,609.00	17,889,371.47
(2) Increase in the current period — Purchased			
(3) Decrease in the current period			
(4) Closing balance	6,646,762.47	11,242,609.00	17,889,371.47
2. Accumulated amortization			
(1) Closing balance at preceding year	6,626,097.01	2,453,366.24	9,079,463.25
(2) Increase in the current period — Purchased	20,238.48	142,914.54	163,153.02
(3) Decrease in the current period			
(4) Closing balance	6,646,335.49	2,596,280.78	9,242,616.27
3. Provision for impairment			
(1) Closing balance at preceding year			
(2) Increase in the current period			
(3) Decrease in the current period			
(4) Closing balance			
4. Net carrying amount			
(1) Closing value at the end of the year	426.98	8,646,328.22	8,646,755.20
(2) Closing value at preceding year	20,665.46	8,789,242.76	8,809,908.22

Note: The original carrying value of the land use right of Huidong Yip's Development Company Limited, a subsidiary of the Company, was RMB11,242,609.00, which is leased to Huizhou Dongsha Building Materials Co., Ltd. (惠州市東沙建築材料有限公司) from 21 August 2020 to 20 August 2026.

### (XI) Other non-current assets

Items	Closing balance			Closing balance at preceding year		
	Balance of carrying amount	Impairment provision	Net carrying amount	Balance of carrying amount	Impairment provision	Net carrying amount
Project's quality assurance deposit of which warranty period exceeding one year	5,966,411.88	266,474.52	5,699,937.36	5,329,490.38	266,474.52	5,063,015.86
Total	5,966,411.88	266,474.52	5,699,937.36	5,329,490.38	266,474.52	5,063,015.86

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XII) Short-term borrowings

#### 1. Classification of short-term borrowings

Items	Closing balance	Closing balance at preceding year
Borrowings — pledged, secured and guaranteed	175,760,344.78	189,302,821.44
Borrowings — secured and guaranteed	53,630,035.46	56,498,836.59
Total	229,390,380.24	245,801,658.03

#### 2. Overdue and outstanding short-term borrowings

The total amount of short-term borrowings overdue but not repaid at the end of the period was RMB129,398,886.35.

Among them, the overdue and outstanding short-term borrowings are as follows:

Borrower	Closing balance	Borrowing rate	Overdue time	Past due rate
Industrial and Commercial Bank of China, Guocai Subbranch (中國工商銀行國財支行)	14,381,633.68	5.60%	2021/12/17	7.28%
Bank of Beijing, Shenzhen Luohu Subbranch (北京銀行深圳羅湖支行)	18,424,561.84	5.44%	2022/3/16	8.16%
Bank of China, Shenzhen Changcheng Subbranch (中國銀行深圳長城支行)	43,512,690.83	6.09%	2022/4/15	9.14%
Sales Department of Shenzhen Rural Commercial Bank Luohu Sub-branch (深圳農村商業銀行羅湖支行營業部)	30,000,000.00	8.00%	2022/4/22	12.00%
Hua Xia Bank, Shenzhen Futian Subbranch (華夏銀行深圳福田支行)	23,080,000.00	6.90%	2022/4/28	10.35%
Total	129,398,886.35			

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XIII) Account payables

#### 1. Particulars of accounts payables

Items	Closing balance	Closing balance at preceding year
Material expenses payable	242,646,768.80	289,931,646.16
Labor fee payable	66,493,341.41	62,937,755.37
Others	253,544.88	239,088.57
Total	309,393,655.09	353,108,490.10

#### 2. Payables are presented by ageing based on the accounts date

Aging	Closing balance		Closing balance at preceding year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	145,795,843.41	47.12	62,607,826.06	17.73
1-2 years	67,469,052.00	21.81	101,581,004.43	28.77
2-3 years	43,652,913.78	14.11	121,050,462.06	34.28
Above 3 years	52,475,845.90	16.96	67,869,197.55	19.22
Total	309,393,655.09	100.00	353,108,490.10	100.00

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XIV) Contract liabilities

#### 1. Particulars of contract liabilities

Items	Closing balance	Closing balance at preceding year
Construction decoration engineering business	53,005,279.32	148,493,716.73
Design business		2,125,677.32
Total	53,005,279.32	150,619,394.05

#### 2. Revenue recognised relating to contract liabilities

	January-June 2022
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	
Construction decoration engineering business	51,950,493.27
Design business	
Total	51,950,493.27

#### 3. Outstanding contracts relating to construction and design services

	January-June 2022
Total transaction price allocated to part or all of the outstanding construction and design services	
Construction decoration engineering business	57,731,969.92
Design business	2,125,677.32
Total	59,857,647.24

And:

	Within 1 year	1-2 years
Amount expected to be recognised		
Construction decoration engineering business	24,810,615.48	32,921,354.44
Design business	2,125,677.32	
Total	26,936,292.80	32,921,354.44

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XV) Staff remuneration payable

#### 1. Particulars of staff remuneration payable

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Short-term remuneration	4,259,995.63	7,959,998.20	8,557,887.37	<b>3,662,106.46</b>
Post-employment benefit-established withdrawal and deposit scheme	1,578,195.36	702,694.92	702,694.92	<b>1,578,195.36</b>
Total	5,838,190.99	8,662,693.12	9,260,582.29	<b>5,240,301.82</b>

#### 2. Short-term remuneration

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	3,166,424.62	7,084,457.85	7,676,898.57	<b>2,573,983.90</b>
(2) Employee welfare		214,237.19	214,237.19	
(3) Contribution to social insurance fund	630,169.54	283,493.97	283,493.97	<b>630,169.54</b>
Inc.: medical insurance fund	542,331.49	253,694.54	253,694.54	<b>542,331.49</b>
Work injury insurance fund	19,727.42	9,170.35	9,170.35	<b>19,727.42</b>
Maternity insurance fund	68,110.63	20,629.08	20,629.08	<b>68,110.63</b>
(4) Contribution to housing provident fund	425,900.23	226,032.80	226,032.80	<b>425,900.23</b>
(5) Staff union fee and staff training cost	37,501.24	151,776.39	157,224.84	<b>32,052.79</b>
Total	4,259,995.63	7,959,998.20	8,557,887.37	<b>3,662,106.46</b>

#### 3. Presentation of defined contribution plan

The Group has participated in the social insurance program established by government authorities as stipulated. As per the program, the Group will contribute to the program in accordance with relevant regulations of the local government. Besides the contribution above, the Group will not assume any obligations for payment. Corresponding expenditures shall be included in the current profits and losses or related asset cost.

The Group shall pay the fees for endowment insurance, annuity and unemployment insurance in the current period as follows:

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	1,540,901.13	685,051.56	685,051.56	<b>1,540,901.13</b>
Unemployment insurance	37,294.23	17,643.36	17,643.36	<b>37,294.23</b>
Total	1,578,195.36	702,694.92	702,694.92	<b>1,578,195.36</b>

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XVI) Tax payable

<b>Tax items</b>	<b>Closing balance</b>	Closing balance at preceding year
Value-added tax	111,519,078.10	110,018,217.00
Enterprise income tax	1,236,129.89	1,316,684.09
Individual income tax	27,812.83	32,977.50
Urban maintenance and construction tax	5,340,716.58	5,417,035.22
Property tax	494,501.68	494,501.68
Local education and surcharges	94,446.64	117,705.49
Educational surtax	3,831,608.85	3,864,702.51
Land use tax	29,380.89	9,677.76
<b>Total</b>	<b>122,573,675.46</b>	121,271,501.25

### (XVII) Other payable

<b>Items</b>	<b>Closing balance</b>	Closing balance at preceding year
Interest payable	4,488,136.17	270,109.99
Other payables	56,253,684.69	49,077,484.93
<b>Total</b>	<b>60,741,820.86</b>	49,347,594.92

#### 1. Interest payable

<b>Items</b>	<b>Closing balance</b>	Closing balance at preceding year
Interests payable of short-term borrowing	4,488,136.17	270,109.99
<b>Total</b>	<b>4,488,136.17</b>	270,109.99

#### 2. Other payables

(1) Other payables by nature

<b>Items</b>	<b>Closing balance</b>	Closing balance at preceding year
Deposit	682,174.92	689,642.63
Current account	50,053,041.45	35,926,703.89
Others	5,518,468.32	12,461,138.41
<b>Total</b>	<b>56,253,684.69</b>	49,077,484.93

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XVIII) Other current liabilities

Items	Closing balance	Closing balance at preceding year
Output tax to be carried forward	2,720,907.86	6,577,072.84
Total	2,720,907.86	6,577,072.84

### (XIX) Lease liability

Items	Closing balance	Closing balance at preceding year
Lease payment	1,237,750.59	1,257,145.14
Less: unrecognized financial expense	288,844.14	311,381.38
Total	948,906.45	945,763.76

### (XX) Estimated liabilities

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance	Reason
Pending litigation	14,754,573.20	6,103,512.93	1,327,656.72	19,530,429.41	Legal proceeding
Total	14,754,573.20	6,103,512.93	1,327,656.72	19,530,429.41	

### (XXI) Deferred income

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance	Reason
Government grants	1,484,510.31		36,207.60	1,448,302.71	The government grants were related to the assets
Total	1,484,510.31		36,207.60	1,448,302.71	

The item related to government grants:

Items	Closing balance at preceding year	Increase in current period	Recorded in profit or loss in the current period	Other variation	Closing balance	Assets related/ income related
Subsidy for property purchase	1,484,510.31		36,207.60		1,448,302.71	Assets related
Total	1,484,510.31		36,207.60		1,448,302.71	



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXII) Share capital

Items	Closing balance at preceding year	Changes during the period (increase (+), decrease (-))				Total	Closing balance
		Issuance of new shares	Bonus shares	Conversion of the capital reserve into shares	Other		
Total share capital	240,930,645.00					240,930,645.00	

### (XXIII) Capital reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Capital premium (Share premium)	323,069,734.88			323,069,734.88
Total	323,069,734.88			323,069,734.88

### (XXIV) Special reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Safety production fee	131,626.07	2,020,462.02	428,813.30	1,723,274.79
Total	131,626.07	2,020,462.02	428,813.30	1,723,274.79

### (XXV) Surplus reserve

Items	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	80,126,247.00			80,126,247.00
Total	80,126,247.00			80,126,247.00

### (XXVI) Undistributed profit

Items	Amount of the current period	Amount of the preceding period
Undistributed profits at the end of previous period before adjustment	-300,592,088.81	277,522,079.16
Adjustments to undistributed profit as at beginning of the year ("+" for increase, and "-" for decrease)	1,038,278.64	
Undistributed profits at the beginning of the year after adjustment	-299,553,810.17	277,522,079.16
Add: Net profit attributable to owners of the parent company in the current period	-91,764,250.80	-578,114,167.97
Less: Withdrawal of statutory surplus reserve		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserves		
Dividends payable to ordinary shareholders		
Ordinary shares dividends transferred to share capital		
Undistributed profits at the end of the period	-391,318,060.97	-300,592,088.81

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXVII) Operating revenue and operating cost

#### 1. Details of operating revenue and operating cost

Items	Amount of the current period		Amount of the preceding period	
	Revenue	Cost	Revenue	Cost
Primary businesses	104,830,221.39	80,553,471.72	254,184,190.56	210,879,611.40
Other businesses	237,077.82	182,390.52	451,428.54	182,390.52
<b>Total</b>	<b>105,067,299.21</b>	<b>80,735,862.24</b>	254,635,619.10	211,062,001.92

Details of operating income:

Items	Amount of the current period	Amount of the preceding period
Building decoration works	104,404,677.38	244,583,174.38
Design	81,681.50	6,658,230.02
Sales of goods and merchandises		2,423,802.64
Others	580,940.33	970,412.06
<b>Total</b>	<b>105,067,299.21</b>	254,635,619.10

### (XXVIII) Taxes and surcharges

Items	Amount of the current period	Amount of the preceding period
City maintenance and construction tax	32,515.99	439,578.46
Education surcharge	24,278.39	313,984.61
Stamp duty	10,616.90	292,197.61
Travel tax	6,660.00	7,020.00
<b>Total</b>	<b>74,071.28</b>	1,052,780.68

### (XXIX) Selling expenses

Items	Amount of current period	Amount of preceding period
Salary and benefits	757,136.85	3,023,575.91
Bidding fee	87,659.39	129,616.04
Business entertainment fee	121,178.04	91,633.70
Transportation expenses	63,529.52	42,704.95
Advertising and promotion fee		21,892.92
Office expense		47,195.21
Business traveling expense	3,017.12	8,664.15
Depreciation	10,865.15	28,203.49
Others	322,502.50	362,497.77
<b>Total</b>	<b>1,365,888.57</b>	3,755,984.14

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXX) Administrative expenses

Items	Amount of current period	Amount of preceding period
Salary and benefits	4,290,853.77	4,988,438.01
Professional service fee	282,219.95	1,550,639.62
Depreciation and amortization	1,261,696.52	2,666,981.67
Audit fee	62,653.48	1,262,457.44
Business entertainment fee	619,120.95	863,647.25
Insurance fee	149,954.32	210,855.26
Transportation fee	106,226.44	468,668.95
Office expense	88,195.06	361,424.93
Business traveling expense	209,917.11	416,819.39
Others	1,305,749.20	814,616.27
<b>Total</b>	<b>8,376,586.80</b>	<b>13,604,548.79</b>

### (XXXI) Research and development expenses

Items	Amount of current period	Amount of preceding period
Material	2,988,225.95	4,431,769.44
Salary and benefits	3,129,386.81	4,283,304.02
Depreciation and amortization		495,385.78
Others	50,903.19	329,442.10
<b>Total</b>	<b>6,168,515.95</b>	<b>9,539,901.34</b>

### (XXXII) Finance expenses

Items	Amount of the current period	Amount of the preceding period
Interest expenses	8,350,588.21	11,178,695.99
Including: interest expenses of lease liabilities	22,537.24	35,072.65
Less: interest income	64,799.19	658,882.58
Exchange gain and loss	307.47	419.97
Others	22,916.77	330,395.22
<b>Total</b>	<b>8,309,013.26</b>	<b>10,850,628.60</b>

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXIII) Other income

Items	Amount of the current period	Amount of the preceding period
Government grants	89,982.60	599,607.60
Rewards for handling fee of personal income tax	8,496.84	9,710.42
Total	98,479.44	609,318.02

### (XXXIV) Credit impairment losses

Items	Amount of the current period	Amount of the preceding period
Bad debt loss of notes receivable		606,990.04
Bad debt loss of accounts receivable	126,200,122.83	38,373,176.05
Bad debt losses of other receivables	1,144,047.93	1,544,817.80
Impairment loss of prepayment	-8,767,704.80	1,257,630.53
Total	118,576,465.96	41,782,614.42

### (XXXV) Impairment loss of assets

Items	Amount of the current period	Amount of the preceding period
Impairment loss of other non-current assets		-147,502.84
Impairment loss of contract assets	-34,951,537.09	-41,371,404.55
Total	-34,951,537.09	-41,518,907.39

### (XXXVI) Gains on disposal of assets

Items	Amount of the current period	Amount of the preceding period	Amount included in non-recurring profit or loss in the current period
Gain on disposal of the fixed asset	-904.04	860,304.57	-904.04
Total	-904.04	860,304.57	-904.04

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XXXVII) Non-operating income

Items	Amount of the current period	Amount of the preceding period	Amount included in non-recurring profits and losses in the current period
Others	148,165.12	30,827.70	148,165.12
Total	148,165.12	30,827.70	148,165.12

### (XXXVIII) Non-operating expense

Items	Amount of the current period	Amount of the preceding period	Amount included in non-recurring profits and losses in the current period
Litigation	8,422,381.11	590,595.51	8,422,381.11
Loss on debt restructuring		203,939.14	
Others	42.45	19,105.10	42.45
Total	8,422,423.56	813,639.75	8,422,423.56

### (XXXIX) Income tax expenses

#### 1. List of income tax expenses

Items	Amount of the current period	Amount of the preceding period
Current income tax		872,549.08
Deferred income tax		254,028.00
Total		1,126,577.08

### (XL) Earnings per share

#### 1. Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company by the weighted average number of common shares issued by the Company:

Items	Amount of the current period	Amount of the preceding period
Consolidated net profit attributable to common shareholders of the parent company	-91,764,250.80	4,066,300.06
Weighted average number of common shares issued by the Company	240,930,645.00	240,930,645.00
Basic earnings per share	-0.38	0.02
Including: Basic earnings per share of continuing operation	-0.38	0.02
Basic earnings per share of discontinuing operation		

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XL) Earnings per share (Continued)

#### 2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit (diluted) attributable to the common shareholders of the parent company by the weighted average number of the common shares issued by the Company (diluted):

Items	Amount of the current period	Amount of the preceding period
Consolidated net profit attributable to common shareholders of the parent company (diluted)	-91,764,250.80	4,066,300.06
Weighted average number of common shares issued by the Company (diluted)	240,930,645.00	240,930,645.00
Diluted earnings per share	-0.38	0.02
Including: Diluted earnings per share of continuing operation	-0.38	0.02
Diluted earnings per share of discontinuing operation		

### (XLI) Information of cash flow statement

#### 1. Other cash received relating to operating activities

Items	Amount of the current period	Amount of the preceding period
Interest income	64,799.19	658,882.58
Government grants	62,271.84	563,400.00
Current account balance and others	15,996,781.91	81,727,118.48
Total	16,123,852.94	82,949,401.06

#### 2. Other cash paid relating to operating activities

Items	Amount of the current period	Amount of the preceding period
Cash payment of administrative expense	1,903,814.11	5,611,265.94
Cash payment of selling expense	152,756.53	672,317.76
Cash payment of R&D expense	80,588.92	329,442.10
Current account and others	16,952,820.46	50,398,398.47
Total	19,089,980.02	57,011,424.27

#### 3. Other cash receipt related to financing activities

Items	Amount of the current period	Amount of the preceding period
Deposit		3,720,875.00
Cash received from notes discounted		4,680,000.00
Total		8,400,875.00

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLI) Information of cash flow statement (Continued)

#### 4. Other cash paid relating to financing activities

Items	Amount of the current period	Amount of the preceding period
Rent	19,394.55	303,480.70
Total	19,394.55	303,480.70

### (XLII) Supplementary information of cash flow statements

#### 1. Supplementary information of cash flow statements

Supplementary information	Amount of the current period	Amount of the preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	-91,764,250.80	4,066,300.06
Add: Impairment loss of credit	118,576,465.96	41,782,614.42
Provision for impairment of assets	-34,951,537.09	-41,518,907.39
Depreciation of fixed assets	1,291,799.17	1,772,716.69
Depreciation of right of use assets	305,125.52	371,895.11
Amortisation of intangible assets	163,153.02	173,950.57
Amortisation of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gain)	904.04	-860,304.57
Loss on scrapped fixed assets ("-" for gain)		
Loss on change in fair value ("-" for gain)		
Financial expenses ("-" for gain)	8,350,588.21	11,178,695.99
Investment loss ("-" for gain)		
Decrease in deferred tax assets ("-" for increase)		254,028.00
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)		
Decrease of operating receivables ("-" for increase)	10,646,720.33	86,344,433.10
Increase of operating payables ("-" for decrease)	-10,715,656.07	-82,420,472.77
Others		
Net cash flows from operating activities	1,903,312.29	21,144,949.21
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash balance at the end of the period	2,011,576.83	32,751,350.55
Less: cash balance at the beginning of period	33,212,976.49	110,600,765.32
Add: cash equivalents balance at end of the period		
Less: cash equivalents balance at beginning of the period		
Net increase in cash and cash equivalents	-31,201,399.66	-77,849,414.77

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## V. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (XLII) Supplementary information of cash flow statements (Continued)

#### 2. The composition of cash and cash equivalents

Items	Closing balance	Closing balance at preceding year
1. Cash	2,011,576.83	8,595,891.89
Inc.: Cash in hand	22,361.90	26,562.90
Bank deposit available for payment at any time	1,989,214.93	8,569,328.99
Other monetary funds available for payment at any time		
2. Cash equivalents		
Including: Bond investment due in three months		
3. Balance of cash and cash equivalents at the end of the period	2,011,576.83	8,595,891.89
Including: Restricted cash and cash equivalents of the subsidiaries within the parent company or the Group		

### (XLIII) Foreign currency monetary items

#### 1. Foreign currency monetary items

Items	Foreign currency at the end of the period	Exchange rate	Converted into RMB at the end of the period
Cash on hand	37,558.92	0.8606	32,323.21
Inc: HKD	37,558.92	0.8606	32,323.21

## VI. INTERESTS IN OTHER ENTITIES

### (I) Interests in subsidiaries

#### 1. Structure of the Group

Name of the subsidiary	Type of legal person	Registration place	Business nature	Registered capital (RMB000,0)	Shareholding percentage (%)		Way on acquisition
					Direct	Indirect	
Jingdi Industrial (Shenzhen) Company Limited	limited liability	Shenzhen	Trading	1,010.00	100.00		Establishment
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	limited liability	Hui zhou	Trading	50.00	100.00		Establishment
Huidong Yip's Development Company Limited	limited liability	Hui zhou	Decoration	1,210.00	100.00		Establishment
Adway Construction (Hong Kong) Limited	limited liability	Hong Kong	Decoration	0.84	100.00		Establishment



# NOTES TO FINANCIAL STATEMENTS

*(Unless otherwise stated, all amounts are denominated in RMB)*

## VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company faces various financial risks in the course of its business: credit risk, liquidity risk and market (including foreign exchange risk, interest risk and other price risk). The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows:

The board of directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the market environment and changes in the Company's business activities to determine whether to update the risk management policy and system. The Company's risk management is carried out by the risk management committee in accordance with the policies approved by the board of directors. The Risk Management Committee works closely with other business departments of the Company to ensure, evaluate and avoid related risks. The internal audit department of the Company conducts regular audits on risk management control and procedures, and reports the audit results to the audit committee of the Company.

The Company diversifies the risk of financial instruments through appropriate diversified investment and business portfolios, and formulates corresponding risk management policies to reduce the risk of concentration in a single industry, specific region or specific counterparty risk.

### (1) Credit risk

Credit risk refers to the risk that the counterparty would fail to discharge its obligation under the contracts and cause a financial loss to the Group.

Credit risk of the Company mainly arises from monetary funds, notes receivables, accounts receivables, accounts receivable financing, other receivables, debt investment, other debt investment and financial guarantee contract, as well as the debt instruments investment and derivative financial assets at fair value through current profit or loss that are not included in the impairment assessment etc. As at the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

The Group expects that there is no significant credit risk associated with monetary funds since they are deposited at state-owned banks and other medium or large size listed banks with good reputation and high credit rating. The Company does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivables, accounts receivables, receivables financing and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### (2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations settled with cash or other financial assets delivery.

The Company's policy is to ensure it has sufficient cash to settle the debts when they fall due. The Company's finance department centralized control on liquidity risk. Through monitoring cash balance, readily realizable marketable securities and the rolling forecasts of cash flow for the next 12 months, the finance department will ensure it has sufficient fund to settle its debts under all reasonably foreseeable circumstances. It also continuously monitors the Company's compliance with borrowing agreements to obtain commitments from major financial institutions to provide sufficient standby funding to meet the short-term and long-term liquidity requirements.

Financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

Items	Within 1 year	More than 1 year	Total
Trade and other payables	493,461,317.06		493,461,317.06
Bank borrowings	233,878,516.41		233,878,516.41
Lease liabilities		1,237,750.59	1,237,750.59
Total	727,339,833.47	1,237,750.59	728,577,584.06

### (3) Market Risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

#### 1. Interest rate risk

Interest rate risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

Fixed-rate and floating-rate interest-bearing financial instruments make the Company expose to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed-rate instruments to floating-rate instruments based on market conditions and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring. When necessary, the Company uses interest rate swap instruments to hedge interest rate risk. The principal borrowings of the Company are fixed interest rate, with low interest rate risk.

#### 2. Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate. Foreign exchange amounts held by the Company are lower and exposure to exchange rate fluctuations is limited.

#### 3. Other price risks

Other price risks refer to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market price other than foreign exchange rate and interest rate.

There is no other price risk in the Company.

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## VIII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

### (I) Details of the controlling shareholders and actual controllers of the Company

Mr. Ye Yujing and Ms. Ye Xiujin (together, "Mr. & Mrs. Ye") collectively held 34.53% of voting shares capital in the Company, are the controlling shareholders and actual controllers of the Company.

### (II) Details on the Company's subsidiaries

Please refer to note "(VI) Interests in other entities" for details on the Company's subsidiaries.

### (III) Details on other related parties

Name of other related parties	Relation between other related parties and the Company
Ye Guofeng	Executive director
Ye Jiajun	Executive director
Zhuang Liangbin	Non-executive director
Cai Huiming	Independent non-executive director
Sun Changqing	Independent non-executive director
Zhou Wanxiong	Independent non-executive director
Lin Zhiyang	Independent non-executive director
Li Rui	Chairman of Supervisory Committee
Tian Wen	Supervisor
Ye Weizhou	Supervisor

### (IV) Related party transactions

#### 1. Related party guarantees

The Company being the guaranteed party:

Name of guarantor	Guaranteed amount	Guarantee start date	Guarantee due date	Whether guarantee has been fulfilled
Ye Yujing, Ye Xiujin	120,000,000.00	2021/6/5	2023/4/15	No
Ye Yujing, Ye Xiujin, Ye Guofeng, Ye Jiajun	80,000,000.00	2020/7/6	2024/6/17	No
Ye Yujing, Ye Xiujin, Ye Guofeng, Ye Jiajun	150,000,000.00	2021/7/12	2025/7/11	No
Ye Yujing, Ye Xiujin, Ye Guofeng	50,000,000.00	2021/11/1	2024/10/14	No
Ye Yujing, Ye Xiujin, Ye Xian	50,000,000.00	2021/3/16	2025/3/16	No
Ye Yujing, Ye Xiujin	80,000,000.00	2020/12/31	2023/12/17	No
Ye Yujing, Ye Xiujin	24,580,000.00	2021/4/28	2024/4/28	No
Ye Yujing, Ye Xiujin	50,000,000.00	2021/4/22	2024/4/22	No
Ye Yujing, Ye Xiujin, Ye Guofeng	50,000,000.00	2021/12/27	2024/12/27	No

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## IX. COMMITMENTS AND CONTINGENCIES

### (I) Significant commitments

No significant commitments need to be disclosed at the end of the period.

### (II) Contingencies

#### 1. significant contingencies exist in balance sheet date

The overdue short-term borrowings of the Company amounted to RMB129,398,886.35 at the end of the period, and the Company has successively received lawsuit documents from relevant banks.

## X. POST BALANCE SHEET EVENTS

No significant post balance sheet events need to be disclosed as of 30 August 2022. In addition, the Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

## XI. OTHER SIGNIFICANT EVENTS

No other significant events and segment information need to be disclosed as of 30 August 2022.

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

### (I) Note receivable

#### 1. Notes receivable shown as classification

Item	Closing balance	Balance at the end of last year
Bank acceptance bills		
Commercial acceptance bills		100,000.00
Total		100,000.00

#### 2. Classification of account receivables by basis of the bad debt provision made

Type	Amount of the current period	Amount of the preceding period
Accounts receivable with bad debt provision based on an individual basis	1,699,170.30	1,699,170.30
Accounts receivable with bad debt provision based on a collective basis		
Total	1,699,170.30	1,699,170.30

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Account receivable

#### 1. Account receivable shown by aging

Aging	Closing balance	Closing balance at preceding year
Within 1 year	360,767,457.04	513,804,647.04
1–2 years	272,631,381.45	78,199,284.39
2–3 years	263,008,778.57	448,249,260.28
3–4 years	164,670,798.89	38,081,647.12
4–5 years	29,031,130.05	40,698,955.58
Over 5 years	32,749,416.40	29,312,500.72
Sub-total	1,122,858,962.40	1,148,346,295.13
Less: Bad debt provision	627,540,681.02	501,340,558.20
Total	495,318,281.38	647,005,736.93

#### 2. Account receivable shown by classification of bad debt provisions

Type	Closing balance					Closing balance at preceding year				
	Balance of carrying amount		Bad debt provision		Net carrying amount	Balance of carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt based on an individual basis	528,901,345.85	47.10	528,901,345.85	100.00			352,377,202.04	30.69	352,377,202.04	100.00
Provision for bad debt made based on a collective basis	593,957,616.55	52.90	98,639,335.17	16.61	495,318,281.38	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94
Inc: aging portfolio	593,957,616.55	52.90	98,639,335.17	16.61	495,318,281.38	795,969,093.09	69.31	148,963,356.15	18.71	647,005,736.94
Total	1,122,858,962.40	100.00	627,540,681.02	55.89	495,318,281.38	1,148,346,295.13	100.00	501,340,558.19	43.66	647,005,736.94

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Account receivable (Continued)

#### 2. Account receivable shown by classification of bad debt provisions (Continued)

Account receivable with provision for the bad debt of more than RMB10 million based on an individual basis:

Name	Closing balance			Reasons for provision
	Gross carrying amount	Bad debt provision	Proportion of provision (%)	
Linyi Dongfang Xinjiyuan Property, Ltd.	178,844,211.80	178,844,211.80	100.00	Expected to be unrecoverable
Zhong Jian Installation Engineering Co., Ltd.	45,579,490.00	45,579,490.00	100.00	Expected to be unrecoverable
Nanyang Zhongtai Property Development Co., Ltd.	35,234,449.68	35,234,449.68	100.00	Expected to be unrecoverable
Chongqing Nengtou Property Co., Ltd.	28,050,269.24	28,050,269.24	100.00	Expected to be unrecoverable
Qinghai Xinhua Merchandise Commercial Ltd.	22,735,710.64	22,735,710.64	100.00	Expected to be unrecoverable
Liupanshui Kangcheng Investment Real Estate Co., Ltd. (六盤水康成投資置業有限公司)	22,584,936.22	22,584,936.22	100.00	Expected to be unrecoverable
Shenzhou Great Wall International Engineering Ltd.	17,340,677.41	17,340,677.41	100.00	Expected to be unrecoverable
Gansu Jincheng 5th Tourism Investment Co., Ltd.	15,846,867.15	15,846,867.15	100.00	Expected to be unrecoverable
Chengde Dadi Construction Real Estate Development Co., Ltd. (承德大地營造房地產開發有限公司)	13,547,529.65	13,547,529.65	100.00	Expected to be unrecoverable
Zunyi Xin Ao Property Development Co., Ltd.	12,104,831.46	12,104,831.46	100.00	Expected to be unrecoverable
Renhua County Hexing Industry Investment Co., Ltd.	11,566,618.94	11,566,618.94	100.00	Expected to be unrecoverable
Shenzhen Pengcheng Construction Group Co., Ltd.	11,556,955.72	11,556,955.72	100.00	Expected to be unrecoverable
Total	414,992,547.91	414,992,547.91	100.00	

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (II) Account receivable (Continued)

#### 2. Account receivable shown by classification of bad debt provisions (Continued)

Provision for bad debts on a collective basis:

Amount receivable shown by basis of bad debt provisions made by aging portfolio based on the accounts date:

Aging	Closing balance		
	Account receivable	Bad debt provision	Provision (%)
Within 1 year	199,206,968.35	9,960,348.42	5.00
1-2 years	264,872,570.96	26,487,257.10	10.00
2-3 years	41,894,049.44	12,568,214.83	30.00
3-4 years	73,848,487.27	36,924,243.64	50.00
4-5 years	7,181,346.77	5,745,077.42	80.00
Above 5 years	6,954,193.76	6,954,193.76	100.00
Total	593,957,616.55	98,639,335.17	

#### 3. Accrued, reverse and recovery of provision for bad debts in the period

Type	Closing balance at preceding year	Movement during the period			Closing balance
		Provision	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	352,377,202.04	176,524,143.81			528,901,345.85
Provision for bad debts on a collective basis	148,963,356.15		50,324,020.98		98,639,335.17
Total	501,340,558.19	176,524,143.81	50,324,020.98		627,540,681.02

#### 4. The top five debtors of accounts receivable at the end of the period

Debtors	Closing balance		
	Account receivable	Proportion of account receivable (%)	Bad debt provision
Linyi Dongfang Xinjiyuan Property Co., Ltd.	178,844,211.80	15.93	178,844,211.80
Zhong Jian Installation Engineering Co., Ltd.	45,579,490.00	4.06	45,579,490.00
Shenzhen Xinrunyuan Property Development Co., Ltd.	36,627,669.88	3.26	18,313,834.94
Nanyang Zhongtai Property Development Co., Ltd.	35,234,449.68	3.14	35,234,449.68
Yitai Real Estate (Chengdu) Co., Ltd. (伊泰置業(成都)有限公司)	33,986,402.93	3.03	3,398,640.29
Total	330,272,224.29	29.41	281,370,626.71

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (III) Other receivables

Item	Closing balance	Closing balance at preceding year
Other receivables	32,636,983.61	24,425,434.84
Total	32,636,983.61	24,425,434.84

#### 1. Other receivables

(1) Other receivables shown by aging based on the accounts date

Aging	Closing balance	Closing balance at preceding year
Within 1 year	22,258,274.01	21,758,527.46
1-2 years	6,718,757.94	6,485,053.68
2-3 years	5,952,941.35	3,121,790.42
3-4 years	2,903,478.00	2,028,926.28
4-5 years	7,153,721.34	2,231,770.06
Over 5 years	7,033,780.30	7,039,288.34
Sub-total	52,020,952.94	42,665,356.24
Less: Bad debt provision	19,383,969.33	18,239,921.40
Total	32,636,983.61	24,425,434.84

(2) Classification of other receivables by basis of bad debt provisions made

Types	Closing balance					Closing balance at preceding year				
	Balance of carrying amount		Bad debt provision			Balance of carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Net carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Net carrying amount
Provision for the bad debt based on an individual basis	11,724,588.00	22.54	11,724,588.00	100.00		11,724,588.00	27.48	11,724,588.00	100.00	
Provision for bad debt based on a collective basis	40,296,364.94	77.46	7,659,381.33	19.01	32,636,983.61	30,940,768.24	72.52	6,515,333.40	21.06	24,425,434.84
Inc: aging portfolio	31,694,034.03	60.93	7,659,381.33	24.17	24,034,652.70	26,275,678.34	61.59	6,515,333.40	24.80	19,760,344.94
Consolidated related party portfolio	8,602,330.91	16.54			8,602,330.91	4,665,089.90	10.93			4,665,089.90
Total	52,020,952.94	100.00	19,383,969.33	37.26	32,636,983.61	42,665,356.24	100.00	18,239,921.40	42.75	24,425,434.84



# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (III) Other receivables (Continued)

#### 1. Other receivables (Continued)

(3) Details of bad debt provision

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss over the duration (no credit impairment occurred)	Third stage Expected credit loss over the duration (credit impairment occurred)	Total
Closing balance of the preceding year	6,515,333.40		11,724,588.00	18,239,921.40
Opening balance in the current period				
— transfer to second stage				
— transfer to third stage				
— transfer back to second stage				
— transfer back to first stage				
Accrued in current period	1,144,047.93			1,144,047.93
Reversal in current period				
Charged off in current period				
Written-off in current period				
Other changes				
Closing balance	7,659,381.33		11,724,588.00	19,383,969.33

(4) Bad debt provision accrued, reversal and recovery in the current period

Types	Closing balance at preceding year	Movement in the period			Closing balance
		Provision made	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	11,724,588.00				11,724,588.00
Provision for bad debts on a collective basis	6,515,333.40	1,144,047.93			7,659,381.33
Total	18,239,921.40	1,144,047.93			19,383,969.33

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (III) Other receivables (Continued)

#### 1. Other receivables (Continued)

(5) Classification of other receivables by nature

Nature of receivables	Balance of carrying amount at the end of the current period	Balance of carrying amount at the end of the preceding year
Deposit	39,872,770.54	668,015.16
Reserve fund	606,858.34	31,841,133.46
Current account	11,157,399.53	9,781,279.86
Others	383,924.53	374,927.76
Total	52,020,952.94	42,665,356.24

(6) The top 5 debtors of the other receivables at the end of the period

Name of debtor	Nature of the amount	Closing balance	Aging	Proportion of the closing balance of other receivables (%)	Closing balance of impairment provision
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	Current accounts	8,578,321.79	Within 1 year	16.49	
Sanya Zhongtie Property Co., Ltd.	Guarantee monies	4,424,588.00	4-5 years	8.51	4,424,588.00
Chongqing Henggao Property Development Co., Ltd.	Guarantee monies	3,000,000.00	More than 5 years	5.77	3,000,000.00
Shenzhen Pengcheng Construction Group Co., Ltd.	Guarantee monies	2,000,000.00	4-5 years	3.84	2,000,000.00
Qinghai Xinhua Merchandise Business Group Co., Ltd.	Guarantee monies	1,500,000.00	2-3 years	2.88	1,500,000.00
Total		19,502,909.79		37.49	10,924,588.00

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (IV) Long-term equity investment

Item	Closing balance			Closing balance at preceding year		
	Balance of carrying amount	Impairment provision	Net carrying amount	Balance of carrying amount	Impairment provision	Net carrying amount
Investment in subsidiaries	22,708,426.50	931,611.36	21,776,815.14	22,708,426.50	931,611.36	21,776,815.14
Total	22,708,426.50	931,611.36	21,776,815.14	22,708,426.50	931,611.36	21,776,815.14

#### 1. Investment in subsidiaries

Invested entities	Closing balance at preceding year	Increase in the period	Decrease in the period	Closing balance	Impairment provision accrued in the current period	Closing balance of impairment provision
Jingdi Industrial (Shenzhen) Company Limited	10,100,000.00			10,100,000.00		910,407.32
Huidong Yip's Development Company Limited	12,100,000.00			12,100,000.00		
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	500,000.00			500,000.00		12,777.04
Adway Construction (Hong Kong) Limited	8,426.50			8,426.50		8,426.50
Total	22,708,426.50			22,708,426.50		931,610.86

# NOTES TO FINANCIAL STATEMENTS

(Unless otherwise stated, all amounts are denominated in RMB)

## XII. NOTES TO MAIN ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### (V) Operating revenue and operating cost

#### 1. Operating revenue and operating cost

Items	Amount of the current period		Amount of the preceding period	
	Revenue	Cost	Revenue	Cost
Primary business	104,830,221.39	80,553,471.72	254,184,190.56	210,879,611.40
Other businesses	155,828.57	21,725.70	148,571.40	21,725.70
Total	104,986,049.96	80,575,197.42	254,332,761.96	210,901,337.10

Breakdown of operating revenue:

Item	Amount of the current period	Amount of the preceding period
Building decoration business	104,404,677.38	244,583,174.38
Design	81,681.50	6,658,230.02
Sales of goods		2,423,802.64
Information system maintenance and others	499,691.08	667,554.92
Total	104,986,049.96	254,332,761.96