THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shineroad International Holdings Limited, you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Shineroad International Holdings Limited

欣 融 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1587)

MAJOR TRANSACTION

IN RELATION TO THE ACQUISITION OF APPROXIMATELY 11.72% EQUITY INTEREST OF THE TARGET COMPANY

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 14 in this circular.

The transaction being the subject matter of this circular has been approved by written shareholder's approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

25 January 2021

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions under the Share Transfer Agreement
"Board"	the board of Directors
"Company"	Shineroad International Holdings Limited (欣融國際控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (Stock Code: 1587)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement
"connected person(s)"	has the meanings ascribed thereto under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Vendor for the Acquisition
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules

"Latest Practicable Date"	20 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NEEQ"	The National Equities Exchange And Quotations Co., Ltd.
"PRC"	The People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Shanghai Shineroad Food Ingredients Co., Ltd.* (上海欣融食品原料有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency in the PRC
"Sale Shares"	28,125,200 shares held by the Vendor in the Target Company, representing approximately 11.72% equity interest in the Target Company immediately prior to the Completion
"Share(s)"	ordinary share(s) of a nominal value of HK$0.01 each in the share capital of the Company
"Share Transfer Agreement"	the conditional share transfer agreement and supplemental agreement both dated 28 December 2020 entered into among the Vendor and the Purchaser in relation to the Acquisition
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Tianye Innovation Corporation (田野創新股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the NEEQ (stock code: 832023)
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Hefei Fangfu Equity Investment Partnership Enterprise (Limited Partnership)* (合肥方富股權投資合夥企業(有限合夥)), a partnership registered in the PRC with limited liability
"%"	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ using the exchange rate of RMB1 to HK$1.19 unless otherwise indicated. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

*The English transliteration of the Chinese name(s) in this circular, where indicated with *, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Shineroad International Holdings Limited
欣融國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1587)

Executive Directors
Mr. Huang Haixiao *(Chairman)*
Ms. Huang Xin Rong *(Chief Executive Officer)*
Mr. Dai Yihui

Independent Non-executive Directors
Mr. Tan Wee Seng
Mr. Chan Ka Kit
Mr. Meng Yuecheng

Registered Office:
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China

Principal Place of Business in Hong Kong:
Unit 6, 16/F, K. Wah Centre
191 Java Road
Hong Kong

25 January 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

IN RELATION TO THE ACQUISITION OF APPROXIMATELY 11.72% EQUITY INTEREST OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcements of the Company dated 28 December 2020 and the supplemental announcement dated 31 December 2020, in which the Company announced that, after trading hours on 28 December 2020, the Purchaser, a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company and the Vendor entered into the Share Transfer Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent approximately 11.72% of the equity interest of the Target Company at the consideration of RMB78,750,560 (equivalent to approximately HK$93.71 million).

The purpose of this circular is to provide you with, amongst other things, information on the Share Transfer Agreement and the Acquisition and other information as required under the Listing Rules.

THE ACQUISITION

Set out below are the major terms of the Share Transfer Agreement:

Date

28 December 2020

Parties

(i) the Purchaser; and

(ii) the Vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) the Vendor is a limited partnership registered in the PRC and it is principally engaged in equity investment and other investment such as currency fund; and (ii) all the partners of the Vendor and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represents 11.72% of the equity interest of the Target Company. The information regarding the Target Company is set out in the section headed "Information about the Target Company" below.

Consideration

Pursuant to the Share Transfer Agreement, the Consideration is RMB78,750,560 (equivalent to approximately HK$93.71 million), representing an average price of RMB2.8 per share. The Group currently expects to finance the Consideration by internal resources.

Basis of Consideration

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiation with reference to, among other things, (i) the historical financial performance of the Target Company including the net profits after tax of the Target Company for the year ended 31 December 2019; (ii) the preliminary valuation of the per share equity interest of the Target Company compiled by an independent valuer based on the income approach *(Note 1)*; (iii) the prospect of the tropical fruit industry in the PRC; and (iv) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition".

Note:

(1) As at the valuation date, the market value of the per share equity interest as appraised by the independent valuer is RMB3.06. The net asset value per share of the Target Company as at 30 June 2020 is RMB3.15. Based on the market value of the per share equity interest of the Target Company estimated by the independent valuer, the preliminary valuation of the Sale Shares (28,125,200 shares of the Target Company) is approximately RMB86.1 million.

As at the Latest Practicable Date, the closing price of the shares of the Target Company on NEEQ was RMB1.83. However, the closing price is not indicative of the value of the Target Company as the trading volume and turnover of the shares of the Target Company on NEEQ was minimal. Having regard to the factors above in determining the basis of consideration, including but not limited to the preliminary valuation prepared by the independent valuer, the Directors (including the independent non-executive Directors) consider the Consideration is fair and reasonable and on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

Principal assumptions of the valuation

An independent valuer was engaged to perform valuation of the per share equity interest of the Target Company. As the valuation was prepared based on the income approach, which involves the use of the discounted cash flow, the valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The valuation was performed based on the following principal assumptions:

- The Target Company is subject to a going concern assumption.
- The projected business performances can be achieved with the effort of the managements of the Target Company.
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company.
- The operational and contractual terms stipulated in the relevant contracts and agreements of the Target Company will be honoured.
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business of the Target Company and maintain a competitive edge.
- There are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values.
- There will be no change in market conditions after the valuation date.

If any of the assumption above-mentioned changes, generally the valuation will be invalid. Ernst & Young, the reporting accountants of the Company, has reported to the Directors as required by Rule 14.62 of the Listing Rules on the arithmetical accuracy of the calculations of the discounted cash flow forecast used in the valuation. The Board confirms that it has made the profit forecast of the Target Company after due and careful enquiries. A report from Ernst & Young as required under Rule 14.62 of the Listing Rules and the letter from the Board relating to the profit forecast of the Target Company are set out in the Appendix III and Appendix IV to this circular, respectively.

Conditions precedent to Completion

Completion is subject to the following conditions precedent being fulfilled, including but not limited to:

(a) the Purchaser and the Vendor having executed the Share Transfer Agreement;

(b) the Vendor is the beneficial owner of the Sale Shares and the Sale Shares are fully paid;

(c) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition having been obtained, including the approval from its board of directors and shareholders and/or the approval from the Stock Exchange (if required);

(d) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition having been obtained, including the approval from the board of directors and the shareholders of the Target Company, the NEEQ and the China Securities Regulatory Commission (if required);

(e) all representations, warranties and undertakings given by the Vendor remaining true, accurate and not misleading in all material aspects from the date of the Share Transfer Purchase Agreement until the date of Completion;

(f) the Vendor diligently discharging its duties and obligations as a shareholder in accordance with the Company Law of the PRC and the articles of the Target Company without harming the Target Company's interest prior to Completion; and

(g) the Vendor shall not transfer any part or all of the Sale Shares to third party other than the Purchaser or have any encumbrance imposed on the Sale Shares prior to Completion.

Completion

Completion of the Acquisition is conditional upon the fulfilment of all the above conditions precedents and shall take place five business days after the despatch of this circular.

INFORMATION ABOUT THE PARTIES

The Company and the Purchaser

The Group is a distributor in the food industry with a focus on supplying food ingredients and food additives to food manufacturers. The Company acts as an investment holding company. The principal business of the Group is carried out through the Purchaser and its subsidiaries.

The Vendor

The Vendor owns 28,125,200 shares in the Target Company, representing approximately 11.72% equity interest in the Target Company as at the date of this announcement.

The Vendor is a RMB private equity investment fund registered under Asset Management Association of China. Its principal business activities include equity investment in agricultural industry such as high and new technology enterprises and agricultural service companies, and other investment such as currency fund and other investment products. The Vendor is a limited partnership registered in the PRC which is owned as to:

- approximately 54.9% by Beihai Dexingtianxia Investment Co., Ltd.* (北海德行天下投資有限公司) (**"Beihai Investment"**);

- approximately 45.0% by Hubei Nongguchanye Equity Investment Fund Partnership Enterprise (Limited Partnership)* (湖北農穀產業股權投資基金合夥企業) ("**Hubei Fund**"); and

- approximately 0.1% by Beijing FOF Capital Co., Ltd. ("**Beijing FOF**"), respectively.

Beihai Investment and Hubei Fund are the limited partners whereas Beijing FOF is the general partner of the Vendor.

Beihai Investment is a limited company established in the PRC which is owned as to 51% by Lin Youfu and 49% by Chen Shuang.

Hubei Fund is a RMB private equity investment fund registered under Asset Management Association of China. Hubei Fund is owned as to 80% by Hubei Nonggu Modern Agricultural Industry Development Co., Ltd. and 20% by Hubei Nonggu Investment Management Co., Ltd.* (湖北農穀投資管理有限公司), both of which are ultimately owned by the State-owned Assets Supervision and Administration Commission of Jingmen Municipal Government (荊門市人民政府國有資產監督管理委員會) of the PRC.

Beijing FOF is a PRC company listed on the NEEQ (stock code: 833962). According to the 2020 third quarter report of Beijing FOF published on the website of the NEEQ, the three largest shareholders of Beijing FOF were Wang Chao, Yu Suli and He Xiaofeng, holding approximately 24.8%, 24.8% and 15.3% of shareholding respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all the partners of the Vendor and their ultimate beneficial owners are Independent Third Parties and are not connected with any of the Company's connected persons.

The Target Company

The Target Company is a company established in the PRC with limited liability and the shares of which are listed on the NEEQ (stock code: 832023). The Target Company is principally engaged in planting, processing and sales of agricultural food including tropical fruits and vegetables.

As at the date of this announcement, the Target Company is owned by the Vendor as to approximately 11.72%. It is expected that immediately after completion of the Acquisition, the Company will, through the Purchaser, hold approximately 11.72% equity interest of the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the financial information of the Target Group for the three years ended 31 December 2019 and the six months ended 30 June 2020:

	For the year ended 31 December			**For the six months ended 30 June**
	2017	**2018**	**2019**	**2020**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Revenue	203,133,324.85	258,435,753.75	290,342,840.35	106,668,616.97
Net profit before tax	43,181,657.30	27,269,824.34	25,683,840.91	7,860,633.30
Net profit after tax	42,082,668.58	23,941,884.70	24,381,734.95	7,388,220.26

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the distribution of food ingredients and food additives in the PRC. It has been the Company's objective to explore investment opportunities in the food industry in the PRC and other overseas countries, with an aim to deliver returns for Shareholders. The Company considers that the Acquisition is in line with the overall business direction of the Group and is a good investment opportunity to expand into the tropical fruit sector of the food industry in the PRC.

Upon Completion, it is the common understanding between the Company and the Target Company that certain products of the Target Company will be distributed through the Group's established distribution network and thus generating revenue in future. On the other hand, as the operation of the Group in Thailand and Vietnam expands, the Target Company is also one of the potential customers for the Group's import sales of tropical fruits sourced from Southeast Asia to the PRC market.

It is envisaged that the overall competitiveness of the Group will be further enhanced through the synergetic effect resulting from the Acquisition, which will expand channels for the growth of the Group and enhance the market competitiveness of the Group in the PRC.

Having regard to the nature and benefits of the Acquisition and the prospect of the tropical fruit industry in the PRC, the Directors believe that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Share Transfer Agreement are on normal commercial terms, fair and reasonable.

FINANCIAL IMPACT ON THE GROUP

Following the Completion, the Company will, through the Purchaser, hold approximately 11.72% equity interest of the Target Company. As the Target Company will not become a subsidiary of the Company nor its accounts will be consolidated into the accounts of the Group, the approximately 11.72% equity interest of the Target Group will be presented as financial assets at fair value through profit or loss in the Company's financial statement. Hence, there will be no effect on earnings upon Completion. As for assets and liabilities of the Group, the financial assets at fair value will increase by approximately RMB78,751,000 while cash and cash equivalent will decrease by approximately RMB78,751,000. Therefore, there will be no impact on the net assets value.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company, and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and is required to abstain from voting if the Company was to convene an extraordinary general meeting for approval of the Acquisition. In accordance with Rule 14.44 of the Listing Rules, in lieu of holding a general meeting for approving the Acquisition, the Company will obtain an irrevocable and unconditional written approval for the Acquisition from Shineroad Group Limited, which holds 510,000,000 Shares, representing 75.00% of the total issued Shares as at the date of this announcement. As such, no Shareholders' meeting will be convened by the Company to approve the Acquisition after obtaining such approval from Shineroad Group Limited.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.67(6)(a)(i) AND 14.67(7) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on the Target Company in accordance with Chapter 4 of the Listing Rules.

Pursuant to Rule 14.67(7) of the Listing Rules, the Company is also required to include in this circular a discussion and analysis of results of the Target Company covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountants' report must be contained.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

(a) the Vendor is unable to grant and the Target Company refused to grant the Company any access to the financial information and underlying books and accounts of the Target Company. Therefore, without the access to information required for preparation of accountants' report, strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules is impossible and unduly burdensome to the Company;

(b) approximately 11.72% of the shareholding of the Target Company will be acquired by the Company. The Target Company will not become a subsidiary or an associate of the Company and the financial results of the Target Company will not be consolidated in the financial statements of the Group nor be equity accounted for in the Group's consolidated financial statements as an associate. Requiring the Company to arrange for an accountants' report will be out of proportion to the size of the Acquisition in terms of time and costs involved; and

(c) the audited annual financial results and unaudited interim results of the Target Company are publicly available and will be reproduced in this circular as alternative disclosure.

Since the Company is not able to obtain the necessary non-public financial information of the Target Company for the purpose of preparing the required accountants' report for the reasons given above, the Company is similarly unable to obtain the necessary non- public financial information of the Target Company for the purpose of preparing, and itis impracticable and unduly burdensome to require the Company to prepare, the relevant management discussion and analysis. The Company has therefore applied for waiver to dispense with the requirements to comply with Rule 14.67(7) in relation to this circular.

Alternative Disclosure

In order to facilitate the shareholders and potential investors of the Company to evaluate the Acquisition, the Company will include the following in this circular to be issued:

(1) the audited annual financial statements of the Target Company for the year ended 31 December 2017;

(2) the audited annual financial statements of the Target Company for the year ended 31 December 2018;

(3) the audited annual financial statements of the Target Company for the year ended 31 December 2019; and

(4) the unaudited consolidated statement of financial position of the Target Company as at 30 June 2020, the unaudited consolidated statement of profit and loss of the Target Company for the six months ended 30 June 2020, the unaudited consolidated statement of cash flow of the Target Company for the six months ended 30 June 2020, and the notes to the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020,

all of which were prepared in accordance with the China Accounting Standards for Business Enterprises (CASBE).

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) under the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Acquisition and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution. As disclosed above, the Company has obtained the written approval of Shineroad Group Limited for approving the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Shineroad International Holdings Limited
Huang Haixiao
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the information for the last three financial years and the six months ended 30 June 2020 with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group. The financial information of the Group is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (**http://www.hkexnews.hk**) and the Company (**http://www.shineroad.com/**):

— The unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2020 are set out in the interim report of the Company (pages 15-34) published on 8 September 2020. Please also see below link to the Interim Report 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0908/2020090800406.pdf

— The audited consolidated financial statement of the Group for the year ended 31 December 2019 are set out in the annual report of the Company (pages 72-135) published on 14 April 2020. Please also see below link to the Annual Report 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041400822.pdf

— The audited consolidated financial statement of the Group for the year ended 31 December 2018 are set out in the annual report of the Company (pages 73-135) published on 24 April 2019. Please also see below link to the Annual Report 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424550.pdf

— The audited consolidated financial statement of the Group for the year ended 31 December 2017 are set out in the prospectus of the Company (pages I-1-I-58) published on 14 June 2018. Please also see below link to the prospectus of the Company:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0614/ltn20180614041.pdf

2. INDEBTEDNESS

As at the close of business on 30 November 2020, the Group had the following indebtedness:

Bank borrowings

The Group did not have any bank borrowing as at 30 November 2020.

Amount due to related parties

As at 30 November 2020, the Group had outstanding amount due to related parties of approximately RMB3,282,000.

Lease liability

As at 30 November 2020, the Group had outstanding lease liability of approximately RMB1,482,000.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, at the close of business on 30 November 2020, the Group did not have any debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, hire purchases, mortgages, charges, guarantees or material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including cash flows to be generated from the operating activities and the available credit facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The outbreak of Coronavirus Disease 2019 ("**COVID-19**") has caused unprecedented disruptions in economy and business operations on a global scale, including the food industry. The Group was able to swiftly respond to the situation and deployed strategic measures to stabilise the business including the management of our inventory of short life-span products. The Group will stay alert on the development of COVID-19 and continue to assess the impacts on its financial position and operating results. Going forward, it is expected the Group will continue to maintain its leading position in food ingredients and additives distribution in Asia by leveraging on the established operations in China and strong relationships with food suppliers worldwide. Through obtaining new distribution rights of different food ingredients and food additives, the Group will continue its efforts in building a broad product portfolio which in turn enhance the overall competitiveness and reputation of the Group.

Meanwhile, it is also the Group's strategy to look for investment opportunities and business expansions in the food industry in the PRC and other overseas countries. In October 2019, the Group established its first overseas subsidiary in Ho Chi Minh City, Vietnam, a sales office fully equipped with an innovation center for developing new solution and application of food ingredients and additives. The management believes that the Group has a positive future outlook through its efforts to develop its core competitiveness as one of the leaders in the industry, and that the Group will continue to deliver encouraging results to its shareholders.

The followings are the English translations of the texts of (i) audited annual financial statements of the Target Company for the year ended 31 December 2017, which were audited by Zhongxinghua Certified Public Accountants LLP ("Zhongxinghua") in the annual report dated 16 April 2018; (ii) the audited annual financial statements of the Target Company for the year ended 31 December 2018, which were audited by Zhongxinghua in the annual report dated 24 April 2019; (iii) the audited annual financial statements of the Target Company for the year ended 31 December 2019, which were audited by Zhongxinghua in the annual report dated 5 June 2020; (iv) the unaudited consolidated statement of financial position of the Target Company as at 30 June 2020, the unaudited consolidated statement of profit and loss of the Target Company for the six months ended 30 June 2020, the unaudited consolidated statement of cash flow of the Target Company for the six months ended 30 June 2020 and the notes to the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2020 ((i) to (iv) above together, the "Financial Information on the Target Group"). For the avoidance of doubt, references in the Financial Information on the Target Group in this Appendix II to "the Company" are to Tianye Innovation Corporation and not to the Company.

The Financial Information on the Target Group was originally prepared in Chinese. The English version in this Appendix appears for information purposes only. In case of any discrepancy or inconsistency between the Chinese version and its English translation, the Chinese version shall prevail.

The Financial Information on the Target Group was not prepared for the Company or its shareholders, nor for the purpose of incorporation in this circular. Neither the Target Group nor Zhongxinghua shall take or assume any responsibility or liability for the contents of the Financial Information on the Target Group as reproduced in this circular towards the Company, its Shareholders or any other persons making use of this circular.

The contents of the Financial Information on the Target Group has also not been independently verified by the Group or any of its affiliates, advisers, agents, directors, employees, officers or representatives. Neither the Group nor any of its affiliates, advisers, agents, directors, employees, officers or representatives make any representation as to the accuracy, completeness or fairness of the contents of the Financial Information on the Target Group, nor shall take or assume any responsibility for the contents of the Financial Information on the Target Group.

TIANYE INNOVATION CORPORATION
CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
AUDITOR'S REPORT

ZXHSZ (2018) No. 010736

To all shareholders of Tianye Innovation Corporation:

I. Audit Opinions

We have audited the accompanying financial statements of Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), which comprise the consolidated and the parent company's balance sheet as at December 31, 2017, the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in shareholders' equity for the year 2017 and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at December 31, 2017, and its consolidated and the company's financial performance and cash flows for the year 2017 in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. Basis for Formation of Audit Opinions

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

III. Other Information

The management of Tianye Innovation (hereinafter referred to as the management) is responsible for the other information. The other information comprises all the information included in 2017 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

IV. Responsibilities of the Management and the Governance for Financial Statements

The Management is responsible for preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial report process of the Company.

V. Responsibilities of CPAs for the Audit of Financial Statements

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

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

(1) Identify and assess the risks of material misstatement of financial statements, whether due to fraud or errors, design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of the audit, and assume full responsibility for the audit opinions.

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

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP	CPA:
Beijing, China	CPA:

April 16, 2018

CONSOLIDATED BALANCE SHEET
December 31, 2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Assets	*Notes*	**Closing balance**	**Opening balance**
Current assets:			
Monetary funds	*Note 1*	211,052,482.61	325,379,442.47
Financial assets measured at fair value with changes included in the current profits and losses			
Derivative financial assets			
Notes receivable	*Note 2*	217,100.00	
Accounts receivable	*Note 3*	54,959,777.56	55,869,238.59
Prepayments	*Note 4*	471,162.74	1,653,216.96
Interests receivable			
Dividends receivable			
Other receivables	*Note 5*	1,002,578.02	2,968,451.98
Inventories	*Note 6*	53,427,074.26	45,632,174.54
Held-for-sale assets			
Non-current assets due within one year	*Note 7*		1,056,600.00
Other current assets	*Note 8*	3,694,120.69	2,003,865.53
Total current assets		324,824,295.88	434,562,990.07
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables	*Note 9*	318,000.00	318,000.00
Long-term equity investment	*Note 10*	39,617,867.46	47,594,736.95
Investment properties			
Fixed assets	*Note 11*	158,804,567.36	171,294,650.87
Construction in progress	*Note 12*	157,284,035.29	40,037,696.21
Engineering materials			
Liquidation of fixed assets			
Productive biological assets	*Note 13*	24,704,959.31	24,049,639.04
Oil & gas assets			
Intangible assets	*Note 14*	89,193,588.31	91,423,212.07
Development expenses			
Goodwill	*Note 15*	14,857,682.84	17,607,521.44
Long-term deferred expenses	*Note 16*	17,307,344.06	3,888,609.02
Deferred income tax assets	*Note 17*	1,136,731.45	2,019,280.17
Other non-current assets	*Note 18*	53,423,153.57	8,736,533.77
Total non-current assets		556,647,929.65	406,969,879.54
Total assets		881,472,225.53	841,532,869.61

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED BALANCE SHEET (CONT.)
December 31, 2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Liabilities and shareholders' equity	*Notes*	**Closing balance**	**Opening balance**
Current liabilities:			
Short-term loans	*Note 19*	66,000,000.00	81,000,000.00
Financial liabilities measured at fair value with changes included in the current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable	*Note 20*	28,325,710.25	18,099,982.61
Advances from customers	*Note 21*	4,088,193.01	1,967,071.92
Payroll and employee benefits payable	*Note 22*	3,041,876.87	2,365,223.96
Taxes payable	*Note 23*	2,927,898.18	6,176,547.33
Interest payable			
Dividends payable			
Other payables	*Note 24*	2,705,266.75	1,885,584.43
Holding-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities		107,088,945.06	111,494,410.25
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred stocks			
Including: perpetual bonds			
Long-term accounts payable			
Long-term employee compensation			
Special payables			
Estimated liabilities			
Deferred income	*Note 25*	67,690,400.23	67,868,597.70
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		67,690,400.23	67,868,597.70
Total liabilities		174,779,345.29	179,363,007.95

Liabilities and shareholders' equity	*Notes*	Closing balance	Opening balance
Shareholders' equity:			
Share Capital	*Note 26*	240,000,000.00	240,000,000.00
Other equity instruments			
Including: preferred stocks			
Including: perpetual bonds			
Capital reserves	*Note 27*	246,300,093.95	246,300,093.95
Less: Treasury shares			
Other comprehensive income	*Note 28*		-2,440,350.00
Special reserve			
Surplus reserve	*Note 29*	10,523,286.40	9,869,750.20
Undistributed profits	*Note 30*	209,869,499.89	168,440,367.51
Total shareholders' equities attributable to parent company		706,692,880.24	662,169,861.66
Minority shareholders' equity			
Total shareholders' equities		706,692,880.24	662,169,861.66
Total liabilities and shareholders' equities		881,472,225.53	841,532,869.61

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED PROFIT STATEMENT
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	**Amount of current period**	**Amount of last period**
I. Operating revenue	*Note 31*	203,133,324.85	220,930,657.77
Less: operating cost	*Note 31*	127,117,026.05	132,649,169.53
Taxes and surcharges	*Note 32*	2,202,858.90	1,602,529.25
Selling expenses	*Note 33*	8,901,681.64	7,404,044.01
General and administrative expenses	*Note 34*	26,811,043.61	28,804,975.89
Financial expenses	*Note 35*	2,539,651.74	2,475,147.33
Assets impairment loss	*Note 36*	2,666,168.59	1,183,667.34
Add: income from changes in fair value			
Investment income	*Note 37*	1,152,130.51	2,727,513.27
Including: investment income from affiliates and joint ventures			573,569.35
Assets disposal income	*Note 38*	69,133.72	-779,705.06
Other income	*Note 39*	9,774,455.20	
II. Operating profit		43,890,613.75	48,758,932.63
Add: non-operating income	*Note 40*	33.98	8,167,002.36
Minus: non-operating expenses	*Note 41*	708,990.43	3,240,354.45
III. Total profits		43,181,657.30	53,685,580.54
Less: income tax expense	*Note 42*	1,098,988.72	5,536,908.68
IV. Net profit		42,082,668.58	48,148,671.86
(I) Classified by operation continuity			
Including: net profit of continuing operation		42,082,668.58	48,148,671.86
Net profits from discontinuing operation			
(II) Classified by ownership			
Including: net profit attributable to the owner of parent company		42,082,668.58	48,148,671.86
Minority gains and losses			

Item	*Notes*	Amount of current period	Amount of last period
V. After-tax net amount of other comprehensive income		2,440,350.00	-3,726,162.00
After-tax net amount of other comprehensive income attributable to the owners of parent company		2,440,350.00	-3,726,162.00
(I) Other comprehensive income not allowed to be re-classified into profits and losses in the future		2,440,350.00	-3,726,162.00
1. Changes from remeasuring the net liabilities or net assets of defined benefit plans			
2. Share of other comprehensive income not allowed to be re-classified into profit and loss of the invested company as per equity laws		2,440,350.00	-3,726,162.00
3. ……			
(II) Other comprehensive income allowed to be re-classified into profit and loss in the future			
1. Share of other comprehensive income to be re-classified into profit and loss of the invested company as per equity laws			
2. Gains and losses from changes in fair value of available-for-sale financial assets			
3. Profits and losses of salable financial asset re-classified from the investments which will be held to their maturity			
4. Losses and profits of cash flow hedging in force			
5. Balance arising from the translation of foreign currency financial statements			
6. Package deal disposal of income from equity investment to subsidiaries before the loss of control right			
7. ……			
Net amount of other comprehensive income after tax attributable to minority shareholders			
VI. Total comprehensive incomes			
Total comprehensive income attributable to owners of parent company		44,523,018.58	44,422,509.86
Total comprehensive income attributable to minority shareholders		44,523,018.58	44,422,509.86
VII. Earnings per share:			
(I) Basic EPS		0.18	0.20
(II) Diluted EPS		0.18	0.20

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CASH FLOW
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Cash flows from operating activities:			
Cash received from the sale of goods or rendering of services		231,918,464.19	232,458,985.93
Tax refunds received		818,491.93	1,200,310.94
Other cash received relating to business activities	*Note 43*	2,470,935.31	2,895,297.38
Subtotal of cash inflow from operating activities		235,207,891.43	236,554,594.25
Cash paid for purchase of goods and services		110,174,204.06	107,710,462.59
Cash paid to and on behalf of employee		29,232,449.13	26,809,068.38
Cash paid for taxes		15,338,998.87	14,275,590.40
Cash paid related to other operating activities	*Note 43*	14,847,878.44	18,895,146.27
Subtotal of cash outflow from operating activities		169,593,530.50	167,690,267.64
Net cash flows from operating activities		65,614,360.93	68,864,326.61
II. Cash flows from investing activities:			
Cash received from disposal of investment		12,000,000.00	210,000,000.00
Cash received from return on investment			2,153,943.92
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		454,530.00	
Net cash received from disposal of subsidiaries and other operating units			
Other cash received in connection with investing activities	*Note 43*		3,000,000.00
Subtotal of cash inflow from investing activities		12,454,530.00	215,153,943.92
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		180,485,800.61	107,869,890.13
Cash paid for investments			219,200,000.00
Cash Paid for disposal of subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflow from investing activities		180,485,800.61	327,069,890.13
Net cash flows from investing activities		-168,031,270.61	-111,915,946.21

Item	Notes	Amount of current period	Amount of last period
III. Cash flows from financing activities:			
Cash received from introducing investment			
Include: cash received by subsidiaries from absorbing minority shareholder's investment			
Cash received for obtaining loans		96,000,000.00	81,000,000.00
Cash paid related to other financing activities	*Note 43*	8,856,278.00	23,620,020.00
Subtotal of cash inflow from financing activities		104,856,278.00	104,620,020.00
Cash paid for repayment of debts		111,000,000.00	45,200,000.00
Cash paid for distribution of dividends or profits, or repayment of interest		3,471,919.98	15,406,617.24
Include: dividend and profit paid by subsidiaries to minority shareholders			
Other paid cash related to financing activities	*Note 43*	2,253,547.26	1,562,126.00
Subtotal of cash outflows from financial activities		116,725,467.24	62,168,743.24
Net cash flows from financing activities		-11,869,189.24	42,451,276.76
IV. Effect of exchange rate changes on cash and cash equivalents		-40,860.94	144,125.17
V. Net increase of cash and cash equivalents		-114,326,959.86	-456,217.67
Plus: Cash and cash equivalents at beginning of year		325,379,442.47	325,835,660.14
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR		211,052,482.61	325,379,442.47

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	Notes	Amount of current period									
		Shareholder's equity attributable to the parent company									
		Share capital	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year		240,000,000.00		246,300,093.95		-2,440,350.00		9,869,750.20	168,440,367.51		662,169,861.66
Add: accounting policy changes											
Correction of previous errors											
Business combination under the same control											
MISCELLANEOUS											
II. Opening balance of current year		240,000,000.00		246,300,093.95		-2,440,350.00		9,869,750.20	168,440,367.51		662,169,861.66
III. Increase and decrease of current year						2,440,350.00		653,536.20	41,429,132.38		44,523,018.58
(I) Total comprehensive profits						2,440,350.00			42,082,668.58		44,523,018.58
(II) Capital paid in and reduced by shareholders											
1. Ordinary shares paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits								653,536.20	-653,536.20		
1. Withdrawal of surplus reserves								653,536.20	-653,536.20		
2. Distribution to shareholders											
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capital reserve converted into capital stock											
2. Surplus reserve converted into capital stock											
3. Surplus reserves for making up losses											
4. Changes of net liabilities or net assets in defined benefit plan of carry-over and re-measurement.											
5. Others											
(V) Reasonable reserves											
1. Withdraw of current period											
2. Amount used in the current period											
(VI) Others											
IV. Closing balance of current year		240,000,000.00		246,300,093.95				10,523,286.40	209,869,499.89		706,692,880.24

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES

2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of last period Shareholder's equity attributable to the parent company									
		Share capital	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year		120,000,000.00		366,042,102.87		1,285,812.00		7,103,583.07	135,057,862.78		629,489,360.72
Add: accounting policy changes											
Correction of previous errors											
Business combination under the same control											
MISCELLANEOUS											
II. Opening balance of current year		120,000,000.00		366,042,102.87		1,285,812.00		7,103,583.07	135,057,862.78		629,489,360.72
III. Increase and decrease of current year		120,000,000.00		-119,742,008.92		-3,726,162.00		2,766,167.13	33,382,504.73		32,680,500.94
(I) Total comprehensive profits						-3,726,162.00			48,148,671.86		44,422,509.86
(II) Capital paid in and reduced by shareholders											
1. Ordinary shares paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits								2,766,167.13	-14,766,167.13		-12,000,000.00
1. Withdrawal of surplus reserves								2,766,167.13	-2,766,167.13		
2. Distribution to shareholders									-12,000,000.00		-12,000,000.00
3. Others											
(IV) Internal carry-forward of shareholders' equity		120,000,000.00		-120,000,000.00							
1. Capital reserve converted into capital stock		120,000,000.00		-120,000,000.00							
2. Surplus reserve converted into capital stock											
3. Surplus reserves for making up losses											
4. Changes of net liabilities or net assets in defined benefit plan of carry-over and re-measurement.											
5. Others											
(V) Reasonable reserves											
1. Withdraw of current period											
2. Amount used in the current period											
(VI) Others				257,991.08							257,991.08
IV. Closing balance of current year		240,000,000.00		246,300,093.95		-2,440,350.00		9,869,750.20	168,440,367.51		662,169,861.66

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET OF THE PARENT COMPANY
December 31, 2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Assets	*Notes*	**Closing balance**	**Opening balance**
Current assets:			
Monetary funds		102,001,263.28	258,000,049.91
Financial assets measured at fair value with changes included in the current profits and losses			
Derivative financial assets			
Notes receivable			
Accounts receivable	*Note 1*	22,893,672.26	22,035,480.09
Prepayments		176,078.72	696,759.59
Interests receivable			
Dividends receivable			
Other receivables	*Note 2*	284,122,869.33	91,103,811.34
Inventories		27,562,352.76	25,194,973.06
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		3,292.57	188,506.33
Total current assets		436,759,528.92	397,219,580.32
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	*Note 3*	143,125,234.72	156,332,379.78
Investment properties			
Fixed assets		83,174,647.73	88,354,827.97
Construction in progress			1,635,208.24
Engineering materials			
Liquidation of fixed assets			
Productive biological assets			
Oil & gas assets			
Intangible assets		11,214,729.35	11,504,766.07
Development expenses			
Goodwill			
Long-term expenses to be amortized			
Long-term deferred expenses		355,870.51	607,557.05
Other non-current assets		2,315,563.50	1,562,126.00
Total non-current assets		240,186,045.81	259,996,865.11
Total assets		676,945,574.73	657,216,445.43

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET OF THE PARENT COMPANY (CONT.)

December 31, 2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Liabilities and shareholders' equity	Notes	Closing balance	Opening balance
Current liabilities:			
Short-term loans		36,000,000.00	36,000,000.00
Financial liabilities measured at fair value with changes included in the current profits and losses			
Derivative financial liabilities			
Notes payable			
Accounts payable		13,166,447.80	7,418,922.19
Advances from customers		2,757,385.21	1,623,531.46
Payroll and employee benefits payable		1,377,141.48	1,067,773.20
Taxes payable		1,279,890.09	2,117,979.98
Interest payable			
Dividends payable			
Other payables		43,454,490.58	40,161,359.92
Holding-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities		98,035,355.16	88,389,566.75
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred stocks			
Including: perpetual bonds			
Long-term accounts payable			
Long-term employee compensation			
Special payables			
Estimated liabilities			
Deferred income		1,567,628.87	460,000.00
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,567,628.87	460,000.00
Total liabilities		99,602,984.03	88,849,566.75
Shareholders' equity:			
Share capital		240,000,000.00	240,000,000.00
Other equity instruments			
Include: preferred stocks			
Including: perpetual bonds			
Capital reserves		244,109,726.71	244,109,726.71
Less: Treasury shares			
Other comprehensive income			-2,440,350.00
Special reserve			
Surplus reserve		10,523,286.40	9,869,750.20
Undistributed profits		82,709,577.59	76,827,751.77
Total shareholders' equities		577,342,590.70	568,366,878.68
Total liabilities and shareholders' equities		676,945,574.73	657,216,445.43

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

INCOME STATEMENT OF THE PARENT COMPANY

2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Operating revenue	*Note 4*	93,159,791.94	103,999,173.41
Less: operating cost	*Note 4*	62,035,114.85	71,347,955.68
Taxes and surcharges		1,222,651.51	978,319.64
Selling expenses		3,043,515.89	2,271,725.21
General and administrative expenses		9,911,686.56	11,898,899.34
Financial expenses		905,197.02	873,777.33
Assets impairment loss		10,288,676.83	-11,322,606.51
Add: income from changes in fair value			
Investment income	*Note 5*	1,152,130.51	2,693,485.87
Include: investment income from affiliates and joint ventures			573,569.35
Assets disposal income			
Other income		1,338,913.13	
II. Operating profit		8,243,992.92	30,644,588.59
Add: Non-operating income			596,268.50
Less: non-operating expenses		550,502.99	54,636.24
III. Total profits		7,693,489.93	31,186,220.85
Less: Income tax expense		1,158,127.91	3,524,549.57
IV. Net profit		6,535,362.02	27,661,671.28
Including: net profit of continuing operation		6,535,362.02	27,661,671.28
Net profits from discontinuing operation			
V. After-tax net amount of other comprehensive income		2,440,350.00	-3,726,162.00
(I) Other comprehensive income not allowed to be re-classified into profits and losses in the future		2,440,350.00	-3,726,162.00
1. Changes from remeasuring the net liabilities or net assets of defined benefit plans			
2. Share of other comprehensive income not allowed to be re-classified into profit and loss of the invested company as per equity laws		2,440,350.00	-3,726,162.00
3. ……			
(II) Other comprehensive income allowed to be re-classified into profit and loss in the future			
1. Share of other comprehensive income to be re-classified into profit and loss of the invested company as per equity laws			
2. Gains and losses from changes in fair value of available-for-sale financial assets			
3. Profits and losses of salable financial asset re-classified from the investments which will be held to their maturity			
4. Losses and profits of cash flow hedging in force			
5. Balance arising from the translation of foreign currency financial statements			
6. Package deal disposal of income from equity investment to subsidiaries before the loss of control right			
7. ……			
VI. Total comprehensive incomes		8,975,712.02	23,935,509.28

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

CASH FLOW STATEMENT OF THE PARENT COMPANY
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Cash flows from operating activities:			
Cash received from the sale of goods or rendering of services		108,069,283.49	112,490,776.66
Taxes refunds received		818,491.93	1,200,310.94
Other cash received relating to business activities		23,577,937.92	119,809,201.61
Subtotal of cash inflow from operating activities		132,465,713.34	233,500,289.21
Cash paid for purchase of goods and services		50,565,706.44	54,911,000.86
Cash paid to and on behalf of employee		12,980,570.78	11,106,090.72
Cash paid for taxes		9,758,387.14	7,465,730.82
Cash paid related to other operating activities		218,429,538.62	108,975,349.32
Subtotal of cash outflow from operating activities		291,734,202.98	182,458,171.72
Net cash flows from operating activities		-159,268,489.64	51,042,117.49
II. Cash flows from investing activities:			
Cash received from disposal of investment		12,000,000.00	190,000,000.00
Cash received from return on investment			2,119,916.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating units			
Other cash received in connection with investing activities			3,000,000.00
Subtotal of cash inflow from investing activities		12,000,000.00	195,119,916.52
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,052,056.04	3,720,628.38
Cash paid for investments		5,000,000.00	263,700,000.00
Cash Paid for disposal of subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflow from investing activities		6,052,056.04	267,420,628.38
Net cash flows from investing activities		5,947,943.96	-72,300,711.86
III. Cash flows from financing activities:			
Cash received from introducing investment			
Cash received for obtaining loans		36,000,000.00	36,000,000.00
Cash paid related to other financing activities		1,200,000.00	
Subtotal of cash inflow from financing activities		37,200,000.00	36,000,000.00
Cash paid for repayment of debts		36,000,000.00	30,000,000.00
Cash paid for distribution of dividends or profits, or repayment of interest		1,593,795.00	13,635,331.25
Other paid cash related to financing activities		2,253,547.26	1,562,126.00
Subtotal of cash outflows from financial activities		39,847,342.26	45,197,457.25
Net cash flows from financing activities		-2,647,342.26	-9,197,457.25
IV. Effect of exchange rate changes on cash and cash equivalents		-30,898.69	89,441.41
V. Net increase of cash and cash equivalents		-155,998,786.63	-30,366,610.21
Plus: Cash and cash equivalents at beginning of year		258,000,049.91	288,366,660.12
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR		102,001,263.28	258,000,049.91

(Notes to financial statements below are an integral part of the Consolidated Financial Statements)

Legal representative: Chief Accountant: Head of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

		Amount of current period								
Item	*Notes*	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: Treasury shares**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equities**
I. Closing balance of last year		240,000,000.00		244,109,726.71		-2,440,350.00		9,869,750.20	76,827,751.77	568,366,878.68
Add: accounting policy changes										
Correction of previous errors										
MISCELLANEOUS										
II. Opening balance of current year		240,000,000.00		244,109,726.71		-2,440,350.00		9,869,750.20	76,827,751.77	568,366,878.68
III. Increase and decrease of current year						2,440,350.00		653,536.20	5,881,825.82	8,975,712.02
(I) Total comprehensive profits						2,440,350.00			6,535,362.02	8,975,712.02
(II) Capital paid in and reduced by shareholders										
1. Ordinary shares paid in by shareholders										
2. Capital paid in by holders of other equity instruments										
3. Amounts of share-based payments recognized in shareholders' equity										
4. Others										
(III) Distribution of profits								653,536.20	-653,536.20	
1. Withdrawal of surplus reserves								653,536.20	-653,536.20	
2. Distribution to shareholders										
3. Others										
(IV) Internal carry-forward of shareholders' equity										
1. Capital reserve converted into capital stock										
2. Surplus reserve converted into capital stock										
3. Surplus reserves for making up losses										
4. Changes of net liabilities or net assets in defined benefit plan of carry-over and re-measurement.										
5. Others										
(V) Reasonable reserves										
1. Withdraw of current period										
2. Amount used in the current period										
(VI) Others										
IV. Closing balance of current year		240,000,000.00		244,109,726.71				10,523,286.40	82,709,577.59	577,342,590.70

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY
2017

Prepared by: Tianye Innovation Corporation *Unit: RMB*

		Amount of last period								
Item	*Notes*	**Share capital**	**Other equity instruments**	**Capital reserves**	**Less: Treasury shares**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Undistributed profits**	**Total shareholders' equities**
I. Closing balance of last year		120,000,000.00		364,109,726.71		1,285,812.00		7,103,583.07	63,932,247.62	556,431,369.40
Add: accounting policy changes										
Correction of previous errors										
MISCELLANEOUS										
II. Opening balance of current year		120,000,000.00		364,109,726.71		1,285,812.00		7,103,583.07	63,932,247.62	556,431,369.40
III. Increase and decrease of current year		120,000,000.00		-120,000,000.00		-3,726,162.00		2,766,167.13	12,895,504.15	11,935,509.28
(I) Total comprehensive profits						-3,726,162.00			27,661,671.28	23,935,509.28
(II) Capital paid in and reduced by shareholders										
1. Ordinary shares paid in by shareholders										
2. Capital paid in by holders of other equity instruments										
3. Amounts of share-based payments recognized in shareholders' equity										
4. Others										
(III) Distribution of profits								2,766,167.13	-14,766,167.13	-12,000,000.00
1. Withdrawal of surplus reserves								2,766,167.13	-2,766,167.13	
2. Distribution to shareholders									-12,000,000.00	-12,000,000.00
3. Others										
(IV) Internal carry-forward of shareholders' equity		120,000,000.00		-120,000,000.00						0.00
1. Capital reserve converted into capital stock		120,000,000.00		-120,000,000.00						
2. Surplus reserve converted into capital stock										
3. Surplus reserves for making up losses										
4. Changes of net liabilities or net assets in defined benefit plan of carry-over and re-measurement.										
5. Others										
(V) Reasonable reserves										
1. Withdraw of current period										
2. Amount used in the current period										
(VI) Others										
IV. Closing balance of current year		240,000,000.00		244,109,726.71		-2,440,350.00		9,869,750.20	76,827,751.77	568,366,878.68

TIANYE INNOVATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. GENERAL INFORMATION OF THE COMPANY

(I) Company profile

1. Limited company stage

Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), formerly Beihai Tianye Food Co., Ltd., was jointly established by Guangxi Tianye Science and Technology Seed Industry Co., Ltd., Yao Jiuzhi, Huo Weidong and Liu Youqiang. On January 23, 2007, the Company obtained the *Business License of Enterprise Legal Person* (Q) No. 450500000005715 issued by Beihai Administration for Industry and Commerce. The registered capital is RMB2 million, and all shareholders contributed RMB2 million, accounting for 100.00% of the registered capital. The capital contribution has been verified by the Capital Verification Report (BZKYZ [2007] No. 006) issued by Beihai Zhucheng (Joint) Accounting Firm. The shareholding status of each shareholder is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	170.00	85.00
Huo Weidong	10.00	5.00
Liu Youqiang	10.00	5.00
Yao Jiuzhi	10.00	5.00
Total	200.00	100.00

On April 15, 2009, the Company's Board of Shareholders resolved to increase the registered capital by RMB8 million, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. increased the capital by RMB8 million in cash; this capital increase has been verified by the Capital Verification Report (ZHYZ [2009] No. 210) issued by Qinzhou Zhongheng Joint Accounting Firm. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	970.00	97.00
Huo Weidong	10.00	1.00
Liu Youqiang	10.00	1.00
Yao Jiuzhi	10.00	1.00
Total	1,000.00	100.00

On May 6, 2009, the Company's Board of Shareholders resolved that Guangxi Tianye Science and Technology Seed Industry Co., Ltd. accepted all the equities of the Company held by Yao Jiuzhi, Huo Weidong and Liu Youqiang. The shareholding status of each shareholder after the change is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,000.00	100.00
Total	1,000.00	100.00

On August 11, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB32.6 million, with Guangxi Tianye Science and Technology Seed Industry Co., Ltd. contributing RMB25 million in kind and Yao Jiuzhi contributing RMB7.6 million in cash. Among them, Yao Jiuzhi contributed RMB7.6 million in cash for the first capital increase, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. completed the capital contribution within 2 years. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 046) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The above-mentioned in-kind capital contribution has been appraised by the Assets Appraisal Report (ZLPBZ [2011] No. 493) issued by China United Assets Appraisal Group Co., Ltd., and as of October 28, 2011, the property rights procedures had been changed; after that, in order to confirm the change of property rights of the in-kind contribution assets, the Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the Capital Verification Report (ZXSYZ [2012] No. 003). After the capital increase is completed, the registered capital of the industrially and commercially registered company is RMB42.6 million, and the shareholding status of each shareholder is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	82.16
Yao Jiuzhi	760.00	17.84
Total	4,260.00	100.00

On September 2, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB12.4 million, which was contributed in cash by natural persons Cheng Cheng, Wu Zhonglin, Guo Shanjie, Zhang Pei, Chen Yu, Li Zhenghua, Zhang Jinfeng, Zhao Yongli, Han Kaifeng, Lv Lingling, Huang Huiqiong, Li Junli, Rao Guizhong, Zhao Fagui, Wu Dongfeng, Wu Yanping and Wu Qingwen, Chen Junrong, Zhu Rong, Wang Jianxin, Zhao Fayu, Nong Xiancheng, Wang Jianfeng; this capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 051) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	63.64
Yao Jiuzhi	760.00	13.82
Cheng Cheng	230.00	4.18

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Wu Zhonglin	160.00	2.91
Chen Yu	150.00	2.73
Huang Huiqiong	120.00	2.18
Lv Lingling	100.00	1.82
Han Kaifeng	80.00	1.45
Li Zhenghua	60.00	1.09
Zhang Jinfeng	60.00	1.09
Zhao Yongli	60.00	1.09
Li Junli	50.00	0.91
Guo Shanjie	20.00	0.36
Wu Dongfeng	20.00	0.36
Rao Guizhong	19.00	0.35
Zhao Fagui	19.00	0.35
Wang Jianfeng	19.00	0.35
Wu Qingwen	11.00	0.20
Wang Jianxin	11.00	0.20
Zhang Pei	10.00	0.18
Wu Yanping	10.00	0.18
Chen Junrong	10.00	0.18
Zhu Rong	10.00	0.18
Zhao Fayu	6.00	0.11
Nong Xiancheng	5.00	0.09
Total	5,500.00	100.00

On September 15, 2011, the Company's Board of Shareholders resolved to approve the transfer of 1.27% equity of the Company held by Yao Jiuzhi to Li Junli, and the transfer of 3.64% equity of the Company held by Yao Jiuzhi to Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.

On October 8, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB5 million, which was contributed in cash by Tongji Huacheng Venture Capital (Beijing) Co., Ltd., Su Songqing and Chen Zuren; this capital increase was verified by the Capital Verification Report (ZXSYZ [2011] No. 055) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	58.33
Yao Jiuzhi	490.00	8.17
Cheng Cheng	230.00	3.83
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	3.33
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	3.33
Wu Zhonglin	160.00	2.67

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Chen Yu	150.00	2.50
Su Songqing	150.00	2.50
Chen Zuren	150.00	2.50
Huang Huiqiong	120.00	2.00
Li Junli	120.00	2.00
Lv Lingling	100.00	1.67
Han Kaifeng	80.00	1.33
Li Zhenghua	60.00	1.00
Zhang Jinfeng	60.00	1.00
Zhao Yongli	60.00	1.00
Guo Shanjie	20.00	0.33
Wu Dongfeng	20.00	0.33
Rao Guizhong	19.00	0.32
Zhao Fagui	19.00	0.32
Wang Jianfeng	19.00	0.32
Wu Qingwen	11.00	0.18
Wang Jianxin	11.00	0.18
Zhang Pei	10.00	0.17
Wu Yanping	10.00	0.17
Chen Junrong	10.00	0.17
Zhu Rong	10.00	0.17
Zhao Fayu	6.00	0.10
Nong Xiancheng	5.00	0.08
Total	6,000.00	100.00

On November 23, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB7 million, in which, RMB5 million was contributed by Beijing Qiuyin Datong Investment Management Center (L.P.) in cash and RMB2 million by Zhang Jun in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 060) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	52.24
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.46
Yao Jiuzhi	490.00	7.31
Cheng Cheng	230.00	3.43

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.99
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.99
Zhang Jun	200.00	2.99
Wu Zhonglin	160.00	2.39
Chen Yu	150.00	2.24
Su Songqing	150.00	2.24
Chen Zuren	150.00	2.24
Huang Huiqiong	120.00	1.79
Li Junli	120.00	1.79
Lv Lingling	100.00	1.49
Han Kaifeng	80.00	1.19
Li Zhenghua	60.00	0.90
Zhang Jinfeng	60.00	0.90
Zhao Yongli	60.00	0.90
Guo Shanjie	20.00	0.30
Wu Dongfeng	20.00	0.30
Rao Guizhong	19.00	0.28
Zhao Fagui	19.00	0.28
Wang Jianfeng	19.00	0.28
Wu Qingwen	11.00	0.16
Wang Jianxin	11.00	0.16
Zhang Pei	10.00	0.15
Wu Yanping	10.00	0.15
Chen Junrong	10.00	0.15
Zhu Rong	10.00	0.15
Zhao Fayu	6.00	0.09
Nong Xiancheng	5.00	0.07
Total	6,700.00	100.00

On December 16, 2011, the Company's Board of Shareholders resolved that shareholder Wu Qingwen transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, Zhao Fayu transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, and Wang Jianxin transferred his 0.01% equity (i.e. RMB10,000) to Wang Jianfeng. It is agreed to increase the registered capital by RMB3 million, and such RMB3 million was contributed by Beijing Haiyan Lifang Venture Capital Center (Limited Partnership) in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 063) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	50.00
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.14
Yao Jiuzhi	490.00	7.00
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	4.29
Cheng Cheng	230.00	3.29
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.86
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.86
Zhang Jun	200.00	2.86
Wu Zhonglin	160.00	2.29
Chen Yu	150.00	2.14
Su Songqing	150.00	2.14
Chen Zuren	150.00	2.14
Huang Huiqiong	120.00	1.71
Li Junli	120.00	1.71
Lv Lingling	100.00	1.43
Han Kaifeng	80.00	1.14
Li Zhenghua	60.00	0.86
Zhang Jinfeng	60.00	0.86
Zhao Yongli	60.00	0.86
Zhao Fagui	21.00	0.30
Guo Shanjie	20.00	0.29
Wu Dongfeng	20.00	0.29
Wang Jianfeng	20.00	0.29
Rao Guizhong	19.00	0.27
Wu Qingwen	10.00	0.14
Wang Jianxin	10.00	0.14
Zhang Pei	10.00	0.14
Wu Yanping	10.00	0.14
Chen Junrong	10.00	0.14
Zhu Rong	10.00	0.14
Zhao Fayu	5.00	0.07
Nong Xiancheng	5.00	0.07
Total	7,000.00	100.00

On June 27, 2012, the Company's Board of Shareholders resolved that Wu Dongfeng transferred his 0.29% equity to Rao Guizhong, Zhao Fayu transferred his 0.07% equity to Rao Guizhong, Wu Yanping transferred his 0.14% equity to Rao Guizhong, Nong Xiancheng transferred his 0.07% equity to Rao Guizhong, Chen Junrong transferred his 0.14% equity to Rao Guizhong, Zhu Rong transferred his 0.14% equity to Rao Guizhong, Wang Jianxin transferred his 0.14%

equity to Rao Guizhong, Wu Qingwen transferred his 0.14% equity to Rao Guizhong, Zhao Fagui transferred his 0.07% equity to Rao Guizhong, Zhao Fagui transferred his 0.23% equity to Lan Haikun, and Cheng Cheng transferred his 3.29% equity to Qi Xiaohong.

On June 27, 2012, the Company's Board of Shareholders resolved to increase the registered capital by RMB15 million, which was contributed by all equities of Hainan Dachuan Food Co., Ltd. held by natural persons Shan Dan, Li Guangjiang, Li Ruiqi, Zhao Ruijun, Fan Jia, Fu Yu, Dong Ailin, Ding Zhulan, Cao Dongmei, Zeng Jun, Zhang Dewei, Wu Kaixiong, He Zhenshu, Zhou Chongyuan, Zheng Dingcheng, Fu Duanyao, Lin Xueyun, Du Jindong, Zhang Yimin, Li Xiaobei, Xiao Jin, Liu Ping, Huang Zenghua, Huang Huifang, Chen Jie and Shi Mingyuan.

The valuable consideration of this capital increase was calculated based on the *Assets Appraisal Report of the Shareholders' Equity Value Assessment Project Involved in the Capital Increase of Beihai Tianye Food Co., Ltd.* (ZLPBZ [2012] No. 391) and the *Assets Appraisal Report of the Proposed Equity Project by Beihai Tianye Food Co., Ltd. for Replacing Hainan Dachuan Food Co., Ltd. by Capital Increase* (ZLPBZ [2012] No. 392) issued by China United Assets Appraisal Group Co., Ltd. on June 13, 2012 (the base date of appraisal: March 31, 2012).

This capital increase has been verified by the Capital Verification Report (ZXSYZ [2012] No. 024) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
Yao Jiuzhi	490.00	5.76
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
Zhang Jun	200.00	2.35
Wu Zhonglin	160.00	1.88
Chen Yu	150.00	1.76
Su Songqing	150.00	1.76
Chen Zuren	150.00	1.76
Huang Huiqiong	120.00	1.41
Li Junli	120.00	1.41
Lv Lingling	100.00	1.18
Han Kaifeng	80.00	0.94
Li Zhenghua	60.00	0.71
Zhang Jinfeng	60.00	0.71
Zhao Yongli	60.00	0.71
Guo Shanjie	20.00	0.24
Wang Jianfeng	20.00	0.24
Rao Guizhong	104.00	1.22
Zhang Pei	10.00	0.12
Shan Dan	420.00	4.94
Li Guangjiang	205.00	2.41
Li Ruiqi	200.00	2.35
Xiao Jin	200.00	2.35
Huang Zenghua	102.00	1.20
Zhao Ruijun	100.00	1.18

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Huang Huifang	55.00	0.65
Liu Ping	45.50	0.54
Du Jindong	31.25	0.37
Shi Mingyuan	25.00	0.29
Zhang Yimin	18.75	0.22
Li Xiaobei	12.50	0.15
Fan Jia	10.00	0.12
Fu Yu	10.00	0.12
Chen Jie	10.00	0.12
Dong Ailin	8.00	0.09
He Zhenshu	8.00	0.09
Ding Zhulan	7.00	0.08
Cao Dongmei	5.00	0.06
Zeng Jun	5.00	0.06
Zhou Chongyuan	5.00	0.06
Zheng Dingcheng	5.00	0.06
Fu Duanyao	5.00	0.06
Zhang Dewei	3.00	0.04
Wu Kaixiong	2.00	0.02
Lin Xueyun	2.00	0.02
Lan Haikun	16.00	0.19
Qi Xiaohong	230.00	2.71
Total	8,500.00	100.00

On August 16, 2012, the Company's Board of Shareholders resolved to approve the transfer of 1% equity of the Company held by Rao Guizhong to Yao Jiuzhi.

2. Reform of shareholding system

On September 24, 2012, the founding meeting and the first general meeting of shareholders of Tianye Innovation Corporation passed a resolution: all shareholders of Beihai Tianye Food Co., Ltd., as initiators and according to the audited net assets of RMB186,609,726.71 (i.e. 85,000,000 shares) of Beihai Tianye Food Co., Ltd. as of August 31, 2012, change the company into a joint stock limited company according to law; the term of operation of the company is changed to permanent existence. On September 24, 2012, Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the *Capital Verification Report* (ZXSYZ [2012] No. 043) to verify this overall change of the capital contribution. On September 25, 2012, Tianye Innovation Corporation completed the change of industrial and commercial registration in Beihai Administration for Industry and Commerce, and obtained the *Business License of Enterprise Legal Person* with the registration number of 450500000005715. The shareholding status of each shareholder after the change is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
3	Yao Jiuzhi	575.00	6.76

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Zhang Jun	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41
18	Li Junli	120.00	1.41
19	Rao Guizhong	19.00	0.22
20	Huang Zenghua	102.00	1.20
21	Lv Lingling	100.00	1.18
22	Zhao Ruijun	100.00	1.18
23	Han Kaifeng	80.00	0.94
24	Li Zhenghua	60.00	0.71
25	Zhang Jinfeng	60.00	0.71
26	Zhao Yongli	60.00	0.71
27	Huang Huifang	55.00	0.65
28	Liu Ping	45.50	0.54
29	Du Jindong	31.25	0.37
30	Shi Mingyuan	25.00	0.29
31	Guo Shanjie	20.00	0.24
32	Wang Jianfeng	20.00	0.24
33	Zhang Yimin	18.75	0.22
34	Lan Haikun	16.00	0.19
35	Li Xiaobei	12.50	0.15
36	Zhang Pei	10.00	0.12
37	Fan Jia	10.00	0.12
38	Fu Yu	10.00	0.12
39	Chen Jie	10.00	0.12
40	Dong Ailin	8.00	0.09
41	He Zhenshu	8.00	0.09
42	Ding Zhulan	7.00	0.08
43	Cao Dongmei	5.00	0.06
44	Zeng Jun	5.00	0.06
45	Zhou Chongyuan	5.00	0.06
46	Zheng Dingcheng	5.00	0.06
47	Fu Duanyao	5.00	0.06
48	Zhang Dewei	3.00	0.04
49	Wu Kaixiong	2.00	0.02
50	Lin Xueyun	2.00	0.02
Total		8,500.00	100.00

On November 26, 2013, Yao Jiuzhi signed the *Equity Transfer Contract* with Wu Dongfeng, Wu Qingwen, Zhu Rong, Wang Jianxin, Chen Junrong, Wu Yanping, Zhao Fayu, Nong Xiancheng, Zhao Fagui and Rao Guizhong respectively, and agreed to transfer 200,000 shares to the new shareholder Wu Dongfeng, 100,000 shares to the new shareholder Wu Qingwen, 100,000 shares to the new shareholder Zhu Rong, 100,000 shares to new shareholder Wang Jianxin, 100,000 shares to the new shareholder Chen Junrong, 100,000 shares to the new shareholder Wu Yanping, 50,000 shares to the new shareholder Zhao Fayu, 50,000 shares to the new shareholder Nong Xiancheng, 40,000 shares to the new shareholder Zhao Fagui and 10,000 shares to shareholder Rao Guizhong; the Company changed the Register of Shareholders accordingly.

On December 28, 2013, Guangxi Tianye Science and Technology Seed Industry Co., Ltd. signed the *Equity Transfer Contract* with Yao Yuzhi, Zhao Ying, Guo Nan, Li Xingping, Li Zhiqi, Li Huiyun and Ginkgo Bo Rong (Beijing) Technology Co., Ltd., and agreed to transfer 1.6 million shares to Yao Yuzhi, 1.2 million shares to new shareholder Zhao Ying, 1.1 million shares to new stock Dong Guonan, and 111 shares. 1 million shares were transferred to the new shareholder Yinxing Borong, 1 million shares to the new shareholder Li Zhiqi and 600,000 shares to the new shareholder Li Huiyun. Each transferee completed the payment of the share transfer consideration in January 2014, and the Company changed the Register of Shareholders accordingly. The shareholding status of each shareholder after the change is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Li Ruiqi	200.00	2.35
11	Xiao Jin	200.00	2.35
12	Zhang Jun	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41
18	Li Junli	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.2
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
28	Li Zhenghua	60.00	0.71
29	Zhang Jinfeng	60.00	0.71
30	Zhao Yongli	60.00	0.71
31	Li Huiyun	60.00	0.71
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37
35	Shi Mingyuan	25.00	0.29
36	Guo Shanjie	20.00	0.23
37	Wang Jianfeng	20.00	0.23
38	Wu Dongfeng	20.00	0.23
39	Rao Guizhong	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Chen Jie	10.00	0.12
45	Fan Jia	10.00	0.12
46	Fu Yu	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06
58	Fu Duanyao	5.00	0.06
59	Zeng Jun	5.00	0.06
60	Zhao Fayu	5.00	0.06
61	Nong Xiancheng	5.00	0.06
62	Zhao Fagui	4.00	0.05
63	Zhang Dewei	3.00	0.04
64	Wu Kaixiong	2.00	0.02
65	Lin Xueyun	2.00	0.02
Total		8,500.00	100.00

Zhang Dewei, a shareholder of the Company, unfortunately died of illness in February 2013. After verification by the Company, the successors first in order were only his spouse and son. On May 6, 2014, his spouse Chu Ping issued the *Confirmation Letter on Inheritance of All Shares Held by Zhang Dewei in Tianye Innovation Corporation*, confirming that all the 30,000 shares held by Zhang Dewei before his death were inherited by Zhang Dewei's son Zhang Hangrui.

On June 11, 2014, Zeng Jun signed the *Equity Transfer Contract with* Shan Dan for transferring 50,000 shares of the Company held by him to Shan Dan, and the Company changed the Register of Shareholders accordingly.

As of December 31, 2014, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	425.00	5.00
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
9	Zhang Jun	200.00	2.35
10	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Li Junli	120.00	1.41
18	Huang Huiqiong	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.20
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94
28	Li Zhenghua	60.00	0.71
29	Zhao Yongli	60.00	0.71
30	Zhang Jinfeng	60.00	0.71
31	Li Huiyun	60.00	0.71

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37
35	Shi Mingyuan	25.00	0.29
36	Wang Jianfeng	20.00	0.23
37	Guo Shanjie	20.00	0.23
38	Rao Guizhong	20.00	0.23
39	Wu Dongfeng	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Fu Yu	10.00	0.12
45	Fan Jia	10.00	0.12
46	Chen Jie	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06
58	Fu Duanyao	5.00	0.06
59	Zhao Fayu	5.00	0.06
60	Nong Xiancheng	5.00	0.06
61	Zhao Fagui	4.00	0.05
62	Zhang Hangrui	3.00	0.04
63	Lin Xueyun	2.00	0.02
64	Wu Kaixiong	2.00	0.02
Total		8,500.00	100.00

In May 2015, according to the proposal of the *Stock Issuance Plan of Tianye Innovation Corporation* reviewed and approved at the 2014 Annual General Meeting of Shareholders and the revised Articles of Association, the Company issued RMB ordinary shares with unlimited sales conditions to 43 investors including Li Xingping, Li Junli, Zhang Jun, Guo Nan, Li Guangjiang, Ginkgo Bo Rong (Beijing) Technology Co., Ltd., Caida Securities Co., Ltd. and Fangfu Growth Phase II Investment Fund, totaling 35,000,000.00 shares, with par value of each share of RMB1.00, and the subscription price of each share of RMB8.50. This time, RMB297,500,000.00 was raised, and the registered capital was changed to RMB120,000,000.00. After verification by Dahua Certified Public Accountants (Special General Partnership), as of May 28, 2015, the paid-in amount of the above 43 investors was RMB297,500,000.00, and the actual net fund raised by the Company was RMB297,450,000.00, and the Capital Verification Report (DHYZ [2015] No. 000417) was issued.

As of December 31, 2015, the equity structure of the Company was as follows:

S/N	**Shareholder**	**Number of shares held** *(10,000 shares)*	**Proportion** *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,826.70	15.22
2	Yao Jiuzhi	1,513.10	12.61
3	Li Ruiqi	521.10	4.34
4	Zhang Yimin	518.75	4.32
5	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	4.17
6	Shan Dan	425.00	3.54
7	Huang Zenghua	413.90	3.45
8	Li Qing	380.10	3.17
9	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	2.50
10	Beijing Fangfu Capital Management Co., Ltd.	287.10	2.39
11	Other investors	5,314.25	44.29
Total		12,000.00	100.00

In April 2016, according to the *Company's Profit Distribution Plan for 2015* reviewed and approved at the 2015 Annual General Meeting of Shareholders, the Company distributed cash dividend RMB1 (including tax) for every 10 shares based on the total share capital of 120 million shares as of December 31, 2015, with a total cash dividend of RMB12 million, and the remaining undistributed profits were carried over to the following years. At the same time, the capital reserve was used to increase 10 shares for every 10 shares of all shareholders, and the total increased share capital was 120 million shares. The total share capital of the Company was changed to 240 million shares after the share capital increase.

As of December 31, 2016, the equity structure of the Company was as follows:

S/N	**Shareholder**	**Number of shares held** *(10,000 shares)*	**Proportion** *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,018.40	12.58
2	Yao Jiuzhi	3,016.10	12.57
3	Zhang Yimin	1,000.00	4.17

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
4	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
5	Shan Dan	850.00	3.54
6	Huang Zenghua	800.00	3.33
7	Li Qing	760.20	3.17
8	Gongtou Zhaochen Investment Management Co., Ltd. — Huixin Investment — Quality Modern Agriculture Contractual Type Fund	454.20	1.89
9	Qi Xiaohong	442.00	1.84
10	Beijing Fangfu Capital Management Co., Ltd.	400.00	1.67
11	Other investors	12,259.10	51.07
Total		24,000.00	100.00

As of December 31, 2017, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
1	Yao Jiuzhi	4,252.10	17.72
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
3	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	1,000.00	4.17
4	Zhang Yimin	975.00	4.06
5	Shan Dan	850.00	3.54
6	Yao Linhao	800.00	3.33
7	Li Qing	760.20	3.17
8	Qi Xiaohong	439.00	1.83
9	Huang Zenghua	428.30	1.78
10	Li Ruiqi	421.80	1.76
11	Other investors	13,073.60	54.47
Total		24,000.00	100.00

Unified Social Credit Code: 914505007968370834

Registered address: Chuangye Avenue, Hepu Industrial Park, Beihai City

Legal representative: Yao Jiuzhi

(II) Business scope

The Company's business scope: production and sales of beverages (fruit juice and vegetable juice), quick-frozen foods [quick-frozen other foods (quick-frozen fruit and vegetable products)], dried fruits and vegetables and preserved fruits; acquisition, processing and sales of agricultural and sideline products (which can only be operated after obtaining environmental impact acceptance and fire protection permit); comprehensive development of agricultural products projects; self-management and agent for import and export of various commodities and technologies (except commodities and technologies that are restricted by the state or prohibited from import and export).

(III) The nature of business and main operating activities of the Company

The Company's main products: fruit juice, quick-frozen foods, fresh fruits, etc.

The Company belongs to the "vegetable, fruit and nut processing industry" in the "agricultural and sideline food processing industry".

(IV) Approval of the financial statements

The financial statements have been authorized for issuance by the Board of Directors of the Company on April 16, 2018.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the reporting period, there were 6 subsidiaries included in the scope of consolidated financial statements, including:

Subsidiary	Subsidiary type	Level	Shareholding ratio *(%)*	Ratio of voting right *(%)*
Hainan Dachuan Food Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hainan Tianye Drinks Food Sales Co. Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Iceman Foods Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00

1. Subsidiaries newly incorporated into the scope of consolidation during the reporting period

Title	Reason of changes
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Established through investment

Note: Refer to "Note VII. Change of consolidation scope" for details of the subject of consolidation scope change.

III. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis for the preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* and concrete accounting standards, and *Accounting Standards for Business Enterprises — Application Guidelines*, the Accounting Standards for Business Enterprises–Interpretations issued by the Ministry of Finance and other relevant provisions (hereinafter collectively referred to as –Accounting Standards for Business Enterprises), and as well as *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports* (Rev. 2014) issued by China Securities Regulatory Commission.

(II) Going concern

The Company has assessed its ability to continually operate for the next 12 months from the end of the reporting period. There are no major events that will affect the Company's operational ability, Therefore, the financial statements are prepared on the basis of going-concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company in the reporting period.

(II) Accounting period

The accounting year of the Company begins on January 1 and ends on December 31 of the Gregorian calendar.

(III) Recording currency

The recording currency of the Company is RMB.

(IV) Accounting treatment of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

1. If the terms, conditions and economic impacts of each transaction conform to one or more of the following cases in the business combination step by step, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

2. Business combination under same control

The assets and liabilities that the Company obtains in a business combination shall be measured on the basis of the book value of the combined party in the consolidated financial statement of the final controlling party on the combining date (including the business reputation formed after the final controlling party merges the combined party). As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the stocks issued), the share capital premium in capital reserve shall be adjusted; if the share capital premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If there is contingent consideration and the estimated liabilities or assets should be confirmed, the capital reserve (capital premium or capital stock premium) should be adjusted according to the balance between the amount of estimated liabilities or assets and settled amount of follow-up contingent consideration. If the capital reserve is insufficient, the retained income should be adjusted.

If the business combination is finally realized through various transactions and it is a "package deal", the various transactions should have accounting treatment by regarding it as the one acquired the control right. If it is not a "package deal", on the date of obtaining the control right, the capital reserve shall be adjusted according to the difference between initial investment cost of the long-term equity investment and the sum of the book value of long-term equity investment before combination and the book value of new paid consideration of shares that further acquired on combining date; if capital reserve is not enough for offset, the retained income shall be adjusted. For the equity investment held before the combining date, other comprehensive income calculated with the equity method or calculated and confirmed according to standards for recognition and measurement of financial instruments will not have accounting treatment until the disposal of the investment, when the accounting treatment should be conducted on the basis of same assets or liabilities handled directly by the investee. Other changes in owners' equities in net assets of the investee except from the net profits and losses, other comprehensive income and profits accounted and confirmed with the equity method will not have accounting treatment temporarily until the it will be included in current profits and losses during the disposal of the investment.

3. Business combination not under the same control

The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree, i.e. the date on which the control right over the net assets or operation decisions of the acquiree is transferred to the Company. The Company deems the control right is transferred when following conditions are all met:

① The combination contract or agreement has passed the approval of internal authority of the Company.

② Matters related to business combination that require approval of relevant state authorities have been approved by relevant authorities.

③ Necessary property right transfer formalities have been handled.

④ The Company has paid a large part of the combination expenses it is able to and plans to pay the rest expenses.

⑤ The Company has controlled the financial and operation policies of the acquiree in fact and it enjoys relevant interests and bear relevant risks.

The Company shall measure the assets given and liabilities incurred or assumed by an enterprise for a business combination at the acquisition date based on the fair values, and shall take the balances between the fair values and their book value into the profit and loss of the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The balance between the combination cost and the fair value of the identifiable net assets acquired from the acquiree in the business combination shall be included in the current profits and losses after recheck.

If the business combination not under the same control realized through disposal in steps by transactions is a package deal, the combining party shall conduct accounting treatment on all transactions by regarding it as one transaction that has acquired the control. It is not a package deal and the equity investment before the combining date is accounted with the equity method, the initial investment cost of the investment is the sum of the book value of the equity investment held by the acquiree before the acquisition date and the new investment cost on the acquisition date. For other comprehensive income of the equity investment confirmed before acquisition date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment. For the equity investment held before the combining date that are accounted according to the standards for recognition and measurement of financial instruments, the initial investment cost on the combining date is the sum of the book value of the equity investment on the combining date and the new investment cost. For originally held equities, the difference between the book value and the fair value and the cumulative fair value included in other comprehensive income originally shall be all transferred to current investment profits on the combining date.

4. Expenses related to business combination

Commission fees for audit, legal services, assessment and consultation due to business combination and other directly related expenses shall be included in the current profits and losses when they occur. For the transaction expenses for the issuance of equity securities for the business combination, the part directly attributed to equity transactions can be deducted from equities.

(V) Base of consolidated financial statements

1. Consolidation scope

The scope of consolidated financial statements the Company shall be confirmed based on the control and all subsidiaries (including individual principal controlled by the Company) shall be included in the consolidation range of the consolidated financial statements.

2. Consolidation procedure

The Company shall prepare consolidated financial statements based on its and its subsidiaries' financial statements according to other relevant data. During preparation of consolidated financial statements, the Company shall consider the whole company as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies, reflecting the Company's overall financial status, operating results and cash flows.

The accounting policies or accounting period adopted by the subsidiary included in the consolidation range shall be in line with the Company. If the accounting policies or accounting period adopted by the subsidiary are not in line with the Company, necessary adjustments shall be made according to the Company's accounting policies and period when preparing consolidated financial statements.

When preparing consolidated financial statement, the effects of the offset of internal transactions between the Company and other subsidiary and the offset of internal transactions between subsidiaries to consolidated balance sheet, consolidated profit statement, consolidated statement of cash flow and consolidated statement of change in shareholders' equity shall be recorded. If the recognition on a same transaction with the Company or its subsidiary as the accounting entity is different from the perspective of consolidated financial statement of the Company, the transaction should be adjusted from the perspective of the Company.

The owners' equity of subsidiaries, current net profits and losses and the shares in total comprehensive income attributable to minority shareholders shall be independently listed in the "owners' equity" in consolidated balance sheet, the "net profits" and "total comprehensive income" in consolidated income statements. If current loss shared by minority shareholders in a subsidiary exceeds the share enjoyed by minority shareholders in the subsidiary's owner's equity at the beginning of the period, the balance shall be written down with the minority shareholders' equity.

If the subsidiary is acquired through combinations under common control, the adjustments are made to the consolidated financial statements based on the book value of its assets and liabilities (including the business reputation formed after the final controlling party merges the combined party) in the consolidated financial statement of the final controlling party.

For a subsidiary acquired through business combination not under the same control, its financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

(1) Increase of subsidiary or business

For the subsidiary or business increased under the same control due to business combination in the reporting period, the opening balance of the consolidated balance sheet shall be adjusted, and the subsidiary and the revenues, expenses and profits from the beginning to the closing period of the current business combination are incorporated into the consolidated profit statement, as well as the cash flow of the same period to the consolidated cash flow statement. Meanwhile, relevant items of the comparative statement are adjusted and the consolidated report subject is regarded to exist from the time the final control party begins to control.

If the investee under the same control can be controlled due to additional investment, it shall be deemed that all parties involved in the combination adjusted the current state/existence when the final controller began to control it. For the equity investment held before the control right over the combined party is obtained, the changes in relevant profits and losses, other comprehensive incomes and other net assets recognized from the later one of the date when the original equity is obtained and the date when the combing party and the combined party are under the same control to the combination date shall respectively be used to offset the retained income at the beginning period of the comparative statement or current profits and losses.

In the reporting period, for the added subsidiary companies or businesses caused by business combination under common control, the beginning balance of the consolidated financial statement shall not be adjusted. The incomes, expenses and profits of the subsidiary or business incurred from the acquisition date to the end of reporting period shall be recorded into consolidated profit statement. The cash flow of the subsidiary or business from the acquisition date to the end of reporting period shall be included into consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment, the Company shall measure again its equity owned from the acquiree prior to the acquisition date in accordance with the fair value of the equity at the acquisition date, and the balance between the fair value and the book value shall be taken into the investment income of the current period. For the held equity from the acquiree before the acquisition date which involves other comprehensive income under accounting with equity method, and changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits shall be changed into the current incomes from investment on the acquisition date, except from other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee.

(2) Disposal of subsidiaries or businesses

1) General disposal method

If the Company disposes its subsidiary or the business within the reporting period, the revenues, expenses and profits occurred from the beginning of the business to the disposal date and of the subsidiary are incorporated into the consolidated income statement and the cash flow produced from the beginning of the period to the disposal date of the subsidiary is included into the consolidated cash flow statement.

If it loses the control on the investee because of disposing part of the equity investment or due to other reasons, the disposed remaining equity investment shall be remeasured by the Company as per the fair value on the date of losing the control. The balance obtained by deducting the portion of net assets reckoned continuously since the acquisition or combination date by the original subsidiary that shall be enjoyed according to the original calculated shareholding ratio with the sum of consideration generated from the disposal and the fair value of the residual equity shall be numbered into the investment income of the current period in which the right of control is lost. Other comprehensive incomes or changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits associated with the equity investments of the original subsidiary are turned into the current investment income at the time the right of control is lost. However, other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee is excluded.

2) Disposal of subsidiary in steps

For investment in subsidiary from disposal in steps by transactions to control loss, if the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, it is commonly acknowledged these transactions shall be handled in an accounting way as a package deal:

A. These transactions are concluded simultaneously or after the consideration of the mutual influence;

B. These transactions can lead to a complete commercial result only when they are in their entirety;

C. The occurrence of a transaction relies on the occurrence of at least another transaction;

D. A transaction alone is deemed uneconomic but economic when together with other transactions.

If various transactions from disposal of subsidiary equity investment to control loss belong to package deal, these transactions shall be disposed in an accounting way as a transaction for subsidiary disposal with control loss. However, for each transaction conducted before control loss, the balance between the disposal price and corresponding net asset share of disposed investment over the subsidiary shall be recognized as other comprehensive income in the consolidated financial statement and transferred to current profits and losses at the time of control loss together.

If various transactions from disposal of subsidiary equity investment to control loss do not belong to package deal, accounting treatment shall be conducted for policies related to equity investment of the subsidiary under the condition of no control right loss. If the control right is lost, accounting treatment shall be conducted with general method for disposal of subsidiary.

(3) Purchase of minority equities in subsidiaries

The stock premium in capital reserve in consolidated balance sheet shall be adjusted for the difference between the net asset shares continuously calculated since acquisition date (or combining date) of subsidiary corporation to be enjoyed by long-term equity investment as a result of purchasing minority interest, as well as calculation on the basis of new shareholding ratio. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(4) Disposal of equity investment of subsidiary partially without losing control right

The stock premium in capital reserve in consolidated balance sheet shall be adjusted according to the difference of net assets of subsidiary as result of continuous calculation since the acquisition or combining date enjoyed during disposal of price and long-term equity investment due to the disposal of the long-term equity investment of subsidiary partially without losing its control right. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(VI) Cash and cash equivalents

The Company's cash on hand and deposits available for payment at any time are recognized as cash when the Company prepares its cash flow statement. Any short-term (expires after three months from the purchase date generally) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are confirmed as cash equivalents.

(VII) Foreign operations and foreign currency translation

1. Foreign operations

At the time of initial recognition of a foreign currency transaction, the amount shall be translated into RMB at the spot exchange rate of the transaction date.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date into RMB. The balance of exchange arising from the difference of exchange rate, except from the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets which is capitalized, shall be included into profits and losses of the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The resulting difference shall be recognized as the fair value change in the current profit and loss. The resulting difference belonging to the non-monetary items of available-for-sale foreign currency shall be recognized as other comprehensive incomes.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet shall be translated at spot exchange rate on the balance sheet date. Among the owner's equity items, except items in "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot rate of the transaction date. The translation difference of foreign currency financial statements generated according to the above translation shall be included in other comprehensive income.

When disposing of overseas operations, the translation difference of foreign currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income items to the current profits and losses; when part of the equity investment is disposed of or other reasons lead to a decrease in the proportion of overseas business interests, but the right to control overseas business is not lost, the translation difference of foreign currency statements related to the disposal of the overseas business shall be attributed to minority shareholders' interests and shall not be transferred to the current profits and losses. In case of disposal of part of equity of the associated enterprises or cooperative enterprises in the overseas business, the translation balance related to the overseas business shall be translated into the current profits and losses based on the ratio to dispose overseas business.

(VIII) Financial instruments

The financial instruments are divided into financial assets or financial liabilities and equity instruments.

1. Classification of financial instruments

According to the contract clauses related to the issued financial instruments and the economic nature they reflect rather than the only lawful form as well as the purpose of the obtaining and holding the financial assets and bearing the financial liabilities, the Company classifies the financial assets and financial liabilities at initial recognition into financial assets (or financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, the investments which will be held to their maturity, account receivables, financial assets available for sale, and other financial liabilities.

2. The condition of recognition and measurement method of financial instruments

(1) Financial assets (financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

The financial assets or financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial assets or financial liabilities and the designated financial assets or financial liabilities which are measured at their fair values directly and of which the variation is included in the current profits and losses.

The transactional financial assets or financial liabilities refer to the financial assets or financial liabilities meeting any of the following requirements:

1) The purpose to acquire the said financial assets or financial liabilities is mainly for selling or repurchase of them in short term;

2) Forming a part of the identifiable combination of financial instruments, and for which there are objective evidences proving that the Company may manage the combination by way of short-term profit making in the near future;

3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Only the financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses:

1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

2) The official written documents on risk management or investment strategies of the Company concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel;

3) The mixed instrument containing one or several embedded derivative instruments if the embedded derivative instrument does not significantly change the cash flow of the mixed instrument or the derivative instruments embedded in similar mixed instruments shall obviously not be separated from the relevant mixed instruments;

4) Mixed instrument that should be separated but it is impossible to make an independent measurement for embedded derivative instruments when they are obtained or subsequently on the balance sheet date.

Upon acquiring, according to the fair value (less cash dividends declared but yet to issue or bond interest up to payment period but has not claimed), financial assets or financial liabilities measured at their fair value and with their variation included in the current profits and losses shall be regarded as initial recognition cost and relevant transaction expenses are included in current profits and losses. Interest or cash dividends acquired during holding time shall be recognized as income from investment, and the variation of fair value shall be included into the current profits and losses at the end of the period. During the disposal of such financial assets, the balance between their fair value and original recorded amount shall be recognized as investment income, and meanwhile, the profits and losses of changes in fair value shall be adjusted.

(2) Accounts receivable

"Accounts receivable" refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the recoverable amount is fixed or determinable.

For the creditor's rights receivable formed by the Company's sale of product or provision of labor service, and creditor's rights of other enterprises held by the Company (excluding debt instruments with an offer in the active market), including accounts receivable, other receivables, notes receivable, advance payments and long-term receivables, the Company will take them as the initial recognition amount by means of contract or agreement price receivable by the acquirer; for those with financing nature, initial recognition shall be carried out according to the present value.

During the recovery or disposal, the balance of the price acquired and the book value of the receivable shall be recorded into the profit or loss for the current period.

(3) Held-to-maturity investment

Held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of recoverable price and which the Company holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment, upon acquiring, the sum of fair value (less bond interest up to payment period but has not claimed) and relevant transaction expenses shall be regarded as initial recognition cost. The interest income of held-to-maturity investments acquired during holding time shall be calculated based on the amortized cost and effective interest rate and included in the income from investment. The actual interest is determined upon the receipt and shall be maintained within the predicted term of existence or within a shorter applicable term. During the disposal of held-to-maturity investments, the balance between the acquired price and book value of the investment shall be included in the income from investment.

If the held-to-maturity investment is disposed or reclassified to amount of other types of financial assets and such amount is considerably large as compared with the amount before such investment is sold or re-classified, the surplus of such investment shall be re-classified as a sellable financial asset. The balance between the book of the said investment on the reclassification day and the fair value shall be computed into other comprehensive income, and when the said sellable financial asset is impaired or transferred out when it is terminated from recognizing, it shall be recorded into the profits and losses of the current period. However, the following circumstances shall be excluded:

1) The date of sale or re-classification is quite near to the maturity date or the redemption date of the said investment(e.g., within 3 months prior to maturity) that any change of the market interest rate will produce little impact upon the fair value of the said investment.

2) After almost all the initial principal of the investment has been drawn back by way of repayment according to the provisions of the contract.

3) The sale or re-classification is caused by any independent event that the enterprise cannot control, is predicted not to occur again and is hard to be reasonably predicted.

(4) Available-for-sale financial assets

Financial assets available for sale include the non-derivative financial assets which are designated as sellable when they are initially recognized and other financial assets in addition to these mentioned above.

With regard to the measurement, upon acquiring, the sum of fair value (less cash dividends declared but yet to issue or bond interest up to payment period but has not claimed) and relevant transaction expenses shall be regarded as initial recognition cost. Interest or cash dividends acquired during holding time shall be recognized as income from investment. Gains and losses resulting from the changes of the fair values of the available-for-sale financial assets shall be directly counted into other comprehensive income, excluding impairment losses and the exchange difference resulting from the foreign currency monetary financial assets. During the disposal of financial assets available for sale, the balance between the acquired price and book value of the financial assets shall be included into the investment profit and loss; moreover, the accumulated amount of changes in fair value of the other comprehensive income originally included which corresponds to the amount of disposed part shall be transferred out and recorded into the investment profit and loss.

The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

(5) Other financial liabilities

For such financial assets, the sum of the fair value when obtained and related transaction costs shall be regarded as the initial recognition amount. The Company shall make subsequent measurement on the basis of the post-amortization costs.

3. Recognition basis and measurement method for the transfer of financial assets

For the transfer of financial assets, if the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not derecognizing the financial asset.

For judging whether the financial assets transfer can satisfy the above termination determination condition or not, the "substance over form" principle shall be followed. The Company distinguishes the transfer of financial assets into the whole transfer and partial transfer of financial assets. When the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the following two items is included in the current profits and losses:

(1) Book value of the transferred financial asset;

(2) Sum of the consideration received due to transfer and the accumulated amount of changes in the fair value directly reckoned in the owner's equity (involving the occasion when the transferred financial asset is a financial asset available for sale)

If the transfer of partial financial assets satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the current profits and losses:

(1) Book value of the part whose recognition is terminated;

(2) Sum of the consideration of the part whose recognition is terminated and the accumulated amount of changes in fair value originally included in the owner's equity which corresponds to the amount of the part whose recognition is terminated (involving the occasion when the transferred financial asset is a financial asset available for sale).

If the transferred financial asset does not satisfy the conditions for recognition, it shall continue to recognize the financial asset, and the consideration received shall be recognized as a financial liability.

4. Conditions for derecognition of financial liabilities

When current obligations of a financial liability have been wholly or partly canceled, then the financial liability or part of it shall be wholly or partly de-recognized. When the Company and the creditors sign agreements to take on new ways to replace the existing financial liabilities with new financial liabilities and the contract terms of existing financial liabilities and new financial liabilities are different in essence, recognition of the current financial liabilities shall be terminated and new financial liabilities shall be recognized at the same time.

Where an enterprise makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall be terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after the modification of the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company shall include into the profits and losses of the current period the gap between the book value of financial liabilities which recognition is terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed.

If the Company repurchases some financial liabilities, the overall book value of these financial liabilities will be distributed according to the relative fair value of the part which we will continue to confirm and the part which we have terminated on the repurchasing date. The Company shall include into the profits and losses of the current period the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed.

5. Methods for the determination of the fair value of financial assets and financial liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market include the prices of relevant assets and liabilities that are easily available from the stock exchanges, dealers, brokers, industry associations, pricing service institutions or supervisory institutions, etc. at a fixed term, and that represent the prices which actually and frequently occurred in market transactions under fair conditions.

As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

For those financial assets or liabilities for which there is no active market, the fair value shall be determined by means of valuation technique. During the evaluation, the Company uses the valuation technique which is applicable in the current condition and has enough available data and other information. The input value consistent with the features of assets or liabilities considered in transactions of relevant assets or liabilities with market participants and observable input value should be used with priority as far as possible. Only under the situations of relevant observable input values not obtained or non-feasible, the non-observable input values can be used.

6. Withdrawing of impairment provision for financial assets (excluding receivables)

On the balance sheet date, the Company shall carry out an inspection, on the book value of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

The objective evidences that can prove the impairment of a financial asset shall include but not limited to:

(1) A serious financial difficulty occurs to the issuer or debtor;

(2) The debtor breaches any of the contractual stipulations, for example, it fails to pay or delays the payment of interests or the principal, etc.;

(3) The creditor makes any concession to the debtor which is in financial difficulties for economic or legal factors;

(4) The debtor is likely to become bankrupt or carry out other financial reorganizations;

(5) The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

(6) It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, for example, the payment ability of the debtor of the said combination of financial assets was deteriorated, the unemployment rate of the country of region where the debtor located raised, the price in the region where the collateral located dropped significantly or the collateral industry faced a hard time;

(7) Any seriously disadvantageous change has occurred to technical, market, economic or legal environment, etc. operated by the issuers of the equity instruments, which makes the investor of an equity instrument unable to take back its cost of investment;

(8) Where the fair value of the equity instrument investment drops significantly or not contemporarily;

The specific depreciation method for financial assets is shown below:

(1) Provision for impairment of available-for-sale financial assets

The Company will perform independent test for the investment of various equity instruments available for sale on the balance sheet date. If they fair value on the balance sheet date is equal to or greater than 50% (including 50%) of the cost or this condition lasts for 12 or more than 12 months, it shows that impairment occurs; if their fair value on the balance sheet date is equal to or greater than 20% (including 20%) but less than 50% of the cost, the Company will give overall consideration to other relevant factors such as price fluctuation to judge whether the investment of equity instruments is in impairment.

The cost mentioned above can be determined by deducting the recoverable principle and amortized amount based on the initial cost of available-for-sale equity instruments and the impairment losses originally included in profits and losses. For the available-for-sale equity instrument investment without active market, their fair value shall be determined based on the present value determined according to the market returns of similar financial assets on future cash flow. For the available-for-sale equity instrument investment with active market and quotation, their "fair value" shall be determined according to the closing price at the end of period on stock exchange, unless the available-for-sale equity instrument investment has a restricted stock trade period. For the available-for-sale equity instrument investment with a restricted stock trade period, the impairment shall be conducted after the compensation required by the market participant who will bear the risk of the sales failure of the equity instrument in open market in a specified period is deducted from the closing balance at the end of period on stock exchange.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the Company will transfer out the accumulative losses arising from the decrease of the fair value of the comprehensive income which was directly included and record the same into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period. The impairment-related losses incurred to a sellable equity instrument investment shall be reversed through equities when the value of the equities rises. However, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

(2) Held-to-maturity investments depreciation reserves

Where there is any objective evidence proving that the held-to-maturity investment has been impaired, the impairment loss shall be determined according to the balance between the book value and the current value of expected future cash flow. If there is any objective evidence proving that the value of the said financial asset has been restored after withdrawal, the impairment-related loss as originally recognized shall be reversed and be recorded into the profiles and losses of the current period. However, the reversed carrying amounts shall not be more than the post-amortization costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

7. Offsetting financial assets and financial liabilities

In all other situations they are presented separately in the balance sheet and are not offset. However, the net income offset shall be listed in the balance sheet when they satisfy the requirements below at the same time:

(1) The Company is legally authorized to offset verified amount, and the legal right is executable;

(2) The Company is planned for netting and meanwhile change the financial asset into cash and pay off the financial liability.

(IX) Recognition criteria and withdrawing method of provision for bad debts of receivables

1. Receivables that are individually significant and have bad debts provision separately drawn:

Recognition criteria of receivables with significant single amount and single provision for bad debts: the amount is more than RMB1 million (inclusive).

Withdrawing method for bad-debt provision of receivables with significant single amount: Impairment test shall be carried out independently and bad-debt provision shall be withdrawn according to the balance between present value of expected future cash flow and book value and included in profits and losses of current period. The accounts receivable without impairment shall be tested one by one and they shall be classified in relevant combinations for bad-debt provision withdrawing.

2. Receivables for withdrawing bad-debt provision in combination:

(1) The basis for determining the combination of credit risk characteristics:

For the accounts receivables with non-significant single amounts, they and the accounts receivables with significant single amounts for single test without value impairment shall be divided into several combinations on the basis of credit risk features, and the bad-debt provision that shall be withdrawn shall be determined on the basis of actual loss ratio of previous receivables combinations with similar credit risk features and combining with the current conditions.

Basis for determining combination:

Item	Basis for determining combination
Combination without withdrawing bad debts	Accounts receivable between enterprises included in the consolidation scope of the Company
Combination of aging analysis method	Including receivables other than the above-mentioned combinations, the Company shall make the best estimate of the accrual ratio of receivables based on past historical experience, and classify the credit risk combinations with reference to the aging of receivables

(2) The accrual method determined according to the combination of credit risk characteristics:

Item	Withdrawing method for bad-debt provision
Combination without withdrawing bad debts	Bad-debt provision without withdrawing
Combination of aging analysis method	Aging analysis method

In the combination, withdraw the bad-debt provision by aging analysis method:

Aging	Withdrawing proportion of receivables (%)	Withdrawing proportion of other receivables (%)
Within 1 year (including 1 year)	5	5
1-2 years	10	10
2-3 years	30	30
3-4 years	50	50
4-5 years	80	80
>5 years	100	100

3. Receivables with non-significant single amounts but with a single provision for bad debts

Reasons for single withdrawing of bad-debt provision: there is any objective evidence proving that the Company is about to fail to withdraw the found as per the original articles of accounts receivables.

Withdrawing method for bad-debt provision: withdrawn on the basis of the balance between book value and the estimated present value of future cash flow of receivables.

(X) Inventories

1. Classification of inventories

The term "inventories" refer to finished products or merchandise possessed by the Company for sale in the daily business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. It mainly includes raw materials, turnover materials, entrusted processing materials, in-process products and finished products (inventory goods), etc.

2. Inventory valuation method

After the inventories are obtained, its initial measurement shall be carried out based on their cost, including purchase cost, processing cost and other costs. The method of weighted mean is adopted for valuation of sending inventories.

3. Determination basis of net realizable value of inventories and method of provision for depreciation

After complete check on inventory at the end of the period, inventory falling price reserves shall be withdrawn or adjusted at the lower of inventory cost and net realizable value. For merchandise inventory which is directly for sale like finished products, commodity stocks, and material for sale, during normal production and marketing process, net realizable value of which shall be determined by subtracting estimated selling expenses and relevant taxes from the estimated sale price; for material inventory needs to be processed, during normal production and marketing process, net realizable value of which shall be determined by subtracting the cost going to happen, the estimated marketing expenses and relevant taxes from the estimated sale price of finished products; for inventory held for performing sales contract or labor contract, net realizable value of which shall be determined on the basis of contract price, if the quantity of inventory is more than the quantity purchases by sales contract, net realizable value of the surplus part shall be calculated as per average sales price.

The inventory falling price reserves shall be withdrawn as per the single inventory item at the end of the period generally, and for inventories with large quantity and relatively low unit prices, the inventory falling price reserves shall be withdrawn according to the inventory type. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar there to, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

4. Inventory system for inventories

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and wrappage

(1) One-time amortization method is adopted for the amortization of low priced and easily worn articles;

(2) One-time amortization method is adopted for the amortization of packing materials.

(3) Other turnover materials are amortized by one-time write-off method.

(XI) Held-for-sale assets

1. Determination standards for held-for-sale assets

The non-current assets meeting the following conditions or disposal groups shall be categorized into held-for-sale assets:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the Company has made a resolution on a sale plan and obtained a firm purchase commitment, and it is estimated that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as the transaction price, time, and heavy penalty for breach of contract that lead to the smallest possibility to adjust largely or cancel the agreement.

2. Accounting method for held-for-sale assets

For held-for-sale non-current assets for which depreciation or amortization are not be carried out, if the book value is higher than the net value of fair value minus the sales expense, the book value should be written down to the nut value after the fair value minus the dales expense. The write-down amount shall be recognized as the loss of asset impairment and be recorded as the profits or losses for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly.

For the non-current assets or disposal groups classified as held-for-sale type on the obtaining date, they shall be measured at the lower one of the initially measured value when it is not classified as held-for-sale type and the net value of fair value minus the sales expense.

The principles above are applicable to all non-current assets, excluding the investment real estate adopting fair value pattern for subsequent measurement, the biological assets measured at the net value of fair value minus the sales expense, the assets formed by employee payroll, the deferred income tax assets, financial assets meeting accounting standards for financial instruments and the rights generated from the insurance contract meeting relevant accounting standards for insurance contracts.

(XII) Long-term equity investment

1. Determination of initial investment cost

(1) For the long-term equity investment formed by business combination, please refer to Note IV/(IV) for specific accounting policies Accounting arrangement methods for business combination under and not under the same control.

(2) Long-term equity investment formed by other modes

For long-term equity investment obtained by cash payment, the initial investment cost is the amount actually paid for the purchase. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of long-term equity investment received or surrendered can be reliably measured, the initial investment cost of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the initial investment cost of long-term equity investment.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be determined on the basis of fair value.

2. Subsequent measurement and profit and loss determination

(1) Cost method

The long term equity investment on the invested enterprise shall be accounted by employing the cost method and it shall be evaluated based on its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted.

Except from cost actually paid in investment and cash dividends or profits declared but not distributed included in consideration, the Company will enjoy the investment income recognized in current period according to cash dividends or profits declared to distribute by the invested company.

(2) Equity method

Equity method shall be applied for the accounting of long-term equity investment of associated enterprise and cooperative enterprise. For equity investment of associated enterprise partially and indirectly held by the Company as a result of investment to risk investment organization, mutual fund, trust company or similar entities such as unit-linked fund, the Company shall account the indirect investment as per its fair value and record its variation into the benefits and losses.

If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

After long-term equity investment is acquired, the investor shall determine the return on investment and other consolidated income according to the net profits and losses and other income of the investee in the same year it shall be enjoyed and shared, and adjust the fair value of the long-term equity investment; the investor shall calculate the proportion enjoyed of the profit or cash dividend announced by the investee to be distributed, reduce the fair value of the long-term equity investment accordingly, and adjust the fair value of the long-term equity investment and include it into the owners' equity in terms of other changes to the owners' equity other than net profits and losses, other consolidated income, and profit distribution.

On the ground of the fair value of all identifiable assets of the investee when the Company obtains the investment, the attributable share of the net profits and losses of the investee shall be recognized after the net profits of the investee are adjusted. The Company's entitled part of unrealized profits and losses from internal transaction between the Company and associated enterprises or cooperative enterprises shall be offset according to the Company's entitled proportion. On such basis the investment profits/losses are confirmed.

If Company decides to share the losses of investee, deal with the matter in the following order: firstly, write down the book value of long-term equity investment. If the book value of the long-term equity investment is insufficient for offset, the recognition of the investment losses is continued based on the book value of the long-term equities of the net investment of the investee to offset the book value of long-term receivables. Finally, after the treatment above, if the investment contract or agreement agrees the enterprise shall still bear extra obligations, the accrued liabilities shall be recognized according to obligations to be shouldered and included into current investment losses.

If the investee achieves profitability in the future, Company shall deal with it in the reverse order after deducting the unconfirmed loss sharing amount, write down the book balance of confirmed accrued liabilities, recover the book value of long-term interests of net investment and long-term equity investment constituted on investee substantially and confirm the investment income.

3. Conversion of long-term equity investment by accounting method

(1) Conversion from fair value measurement to accounting by equity method

With regard to the equity investment having accounting treatment according to financial instrument recognition and measurement standard originally held by the Company that does not have control, joint control or significant influence on the invested entity, if the Company is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment or other reasons, the fair value of original equity investment added to new investment cost in accordance with the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* shall be regarded as initial investment cost measured by employing the equity method.

If the original equity investment is categorized as sellable financial assets, the difference between the fair value and the book value, along with the change in the accumulated total fair value originally included in other comprehensive income, shall be transferred to the current profit and loss accounted by the equity method which has been transferred to.

If the initial investment cost calculated with the equity method is smaller than the fair value of the net identifiable assets of the investee enjoyed on the date of increase in investment calculated and determined with the new shareholding ratio, the book value of long-term equity investment shall be adjusted with the balance and included into the current non-operating income.

(2) Conversion from measurement based on fair value or accounting by equity method to accounting by cost method

For the equity investments held by the Company that have no control, joint control, or significant influence on the investee in accordance with the standards for recognition and measurement of financial instruments, or originally held long-term equity investments in cooperative enterprises or associated enterprises that can control the investee not under the same control due to additional investment and other reasons, in individual financial statement, the sum of book value of original equity investment and newly increased investment cost shall be regarded as the initial investment cost measured by employing the cost method.

For other comprehensive income of the equity investment confirmed before purchase date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment.

If the equity investment held prior to the acquisition date is put under accounting treatment in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the accumulated fair value changes previously included in other comprehensive income are transferred to the current profit and loss after the cost method is adopted.

(3) Conversion from accounting by equity method to measurement based on fair value

If significant influence or joint control of the Company is lost due to reasons including the disposal of part of the equity investment, the residual equity after disposal shall be confirmed through financial instrument and accounted according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the difference between the fair value and the book value of the remaining equity on the date of loss shall be included in the current profit and loss.

For other comprehensive income of the original equity investment recognized by the equity method, at the time that the equity method stops being employed, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities.

(4) Conversion from cost method to equity method

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is able to carry out joint control and significant influences to the invested company, the equity method shall be used for accounting, and the surplus equity shall be regarded to be accounted and adjusted by equity method same to the equity originally obtained.

(5) Conversion from measurement with cost method to measurement based on fair value

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is unable to carry out joint control and significant influences to the invested company, it shall be accounted as per *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between fair value and book value on the date when losing the joint control shall be included in the current benefits and losses.

4. Disposal of long-term equity investment

During the disposal of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For long-term equity investments checked by the equity method, when the investments are disposed of, the same basis as the investee's direct disposal of the relevant assets or liabilities shall be used, and the part originally included in other comprehensive income is treated in accordance with the corresponding proportion.

If the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

If the Company losses control over a subsidiary due to partial disposal of equity investment or other reasons and it is not package deal, individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In some financial statements, for disposed equity, the difference between its book value and the actual purchase price shall be included in the current profits and losses. The remaining equity after disposing is recognized and measured by equity method if it is able to have joint control over or significant impact on the investee, and are adjusted also by equity method from the time of obtaining; In case of failing to have joint control or impact on the investee, the remaining equity is recognized according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value when losing the joint control occurring is included in current profits and losses.

(2) During preparation of consolidated financial statement, for transactions before losing the control on subsidiaries, disposal of price and long-term equity investment can enjoy the difference of net assets of subsidiary as result of continuous calculation since the date of purchasing or acquisition, the adjust capital reserve (capital premium) should be adjusted, If the capital reserve is insufficient for offset, adjust retained incomes. When the control over subsidiary is lost, the remaining equity shall be recalculated according to its fair value on control loss date. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the original subsidiary calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost and offset for the business reputation. Other comprehensive income related to equity investment in the subsidiary is transferred to investment gain at the time of control lost.

If the transactions from the disposal of equity investment to the subsidiary till the loss of control belong to package deal, the transactions shall have accounting treatment by taking it as a transaction that disposes the equity investment to the subsidiary and causes control loss. Individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In individual financial statement, the balance between each disposal price and the book value of the long-term equity investment corresponding to the disposed equities is recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

(2) In consolidated financial statement, the balance between each disposal price and corresponding net asset proportion of disposed investment over the subsidiary before the control loss shall be recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

5. Judgment standards of joint control or significant influences

If the Company controls one arrangement with other parties jointly according to regulations and the decisions having significant influences on the return from the arrangement can only exist after consensus from the parties sharing the control right is obtained, it means the arrangement is under joint control of the Company and the other parties and the arrangement is the joint venture arrangement.

If the joint venture arrangement is achieved through an independent entity, the independent entity shall be taken as joint venture when the rights of the Company on the net assets of the independent entity are judged and equity method shall be used for accounting. If it is judged the Company does not have rights on the net assets of the independent entity according to regulations, the independent entity shall confirm items related to profits from joint operation with the Company and have accounting treatment according to Accounting Standards for Business Enterprises.

Significant influence refers to the right of participation in the decisions of financial and operational policies of the investee, not including the right to control, or jointly control with other participants. The Company is judged to have significant influence on the investee through following conditions and after all facts and conditions are considered. (1) The Company has appointed representatives to the board of directors of the investee or such institutions; (2) The Company participates in the preparation of financial and operational policies of the investee; (3) The Company has important transactions with the investee; (4) The Company has appointed management personnel to the investee; and (5) The Company provides key technical data to the investee.

(XIII) Fixed assets

1. Recognition condition of fixed assets

Fixed assets are tangible assets whose service life is in excess of one accounting year and who are held for the sake of producing commodities, rendering labor service, renting or business management. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

(1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes including import tariff, and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) For the fixed assets invested by the investor, their value agreed in the investment contract or agreement shall be ascertained as the entry value. Those assets with unfair value as stipulated in the contract or agreement shall take fair value as the entry value.

(4) If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Fixed assets' depreciation was calculated within estimated service life after reducing estimated net residual value from the entry value of fixed assets. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the carrying amounts less impairment over their remaining useful lives.

Fixed assets that have been fully depreciated but are still in use shall not be depreciated.

According to the nature and use of various fixed assets, the service life and net residual value of fixed assets can be determined. And review the service life and salvage value of fixed asset as well as depreciation method at the end of the year. Make corresponding adjustment if the review results are different from the previously estimated amounts.

The depreciation method, depreciation life and yearly depreciation of various fixed assets are as follows:

Category	**Depreciation method**	**Depreciation Life** *(year)*	**Residuals rate** *(%)*	**Yearly depreciation** *(%)*
Pant and buildings	Straight-line depreciation	20—30	5	3.17—4.75
Machinery and equipment	Straight-line depreciation	5—10	5	9.50—19.00
Vehicles	Straight-line depreciation	10	5	9.50
Office equipment	Straight-line depreciation	3-5	5	19.00-31.67
Others	Straight-line depreciation	3-5	5	19.00-31.67

(2) Subsequent expenses of fixed assets

If the subsequent expenses related to fixed assets conform to the confirmation conditions of the fixed assets, and then such subsequent expenses shall be included in the costs of the fixed assets; If not conforming to the confirmation conditions of these fixed assets, such subsequent expenses shall be included in the current profits and losses while occurred.

(3) Fixed Assets Disposal

The book values of fixed assets are derecognized when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. Disposal consideration amount from sale, transfer, scrap or damage of fixed assets shall be included in current profits and losses after deducting the book value and related taxes.

4. Basis of recognition for fixed assets acquired under financial leases, valuation and depreciation methods

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial lease:

(1) The ownership of the leased asset is transferred to the lessee when the term of lease expires.

(2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.

(3) Even if the ownership of assets is not transferred, the lease term accounts for the largest proportion of the service life of the leased asset.

(4) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

(5) The leased assets are of a specialized nature that only the Company can use them without making major modifications.

With regard to the fixed assets under financing lease, a lessee shall record the lower one from the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account. The balance between the recorded amount of the leased asset and the long-term account payable shall be treated as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charges shall be amortized by effective interest method during the periods within the lease term.

In calculating the depreciation of a leased asset under financial lease, the Company shall adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its service life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XIV) Construction in progress

1. Types of construction in progress

The construction in progress self-constructed by the Company shall be evaluated at its actual cost. The actual cost of it shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use, including the material cost, labor cost, relevant taxes paid, borrowing expenses to be capitalized and indirect expenses to be amortized. The construction in progress of the Company is accounted by project classification.

2. Standards and time point of carrying forward construction in progress as fixed assets

As for construction in progress, all expenses occurred during the construction period before the assets achieve the predetermined serviceable condition shall be recognized as entry value of the fixed assets. Construction of fixed assets in progress whose construction is complete and has achieved the predetermined serviceable condition, but whose final settlement of account has not been processed, shall be transferred to fixed assets by the estimated value according to the project budget, construction cost or the actual cost of the project since the date that they achieved the predetermined serviceable condition. In addition, the depreciation of these fixed assets shall be withdrawn according to the Company's fixed asset depreciation policy. After the final settlement of account is processed, the previously estimated value shall be adjusted according to the actual cost. The previously withdrawn depreciated value shall not be adjusted.

(XV) Borrowing costs

1. Recognition principle for borrowing costs capitalization

Where the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized if they meet the capitalization conditions and included in the relevant asset costs; other borrowing costs, when incurred, shall be recognized as expenses according to the amount incurred, and included in the current profits and losses.

The term "assets eligible for capitalization" refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take a quite long time to get ready for its intended use or for sale.

Capitalization can only be started if the borrowing costs meet the following conditions at the same time:

(1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction for preparing assets eligible for capitalization;

(2) The borrowing costs have already incurred;

(3) Purchase, construction or production activities required for the assets to fulfill the expected serviceable or salable condition have begun.

2. Borrowing costs capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When parts of the project of the qualified asset under acquisition and construction or production is ready for the intended use or sale are complete and used separately, the capitalization of the borrowing costs of these parts shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3. Capitalization suspension period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. Capitalization shall resume after the borrowing costs incurred during such period are recorded into the profits and losses of the current period, and the acquisition and construction or production of the asset restarts.

4. Computation methods of capitalized amount of the borrowing costs

Specifically borrowed loans interest cost (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and auxiliary expenses shall be capitalized before the qualified asset under acquisition and construction or production is ready for the intended use or sale.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be determined according to the weighted average interest rate of the general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(XVI) Biological assets

The Company's biological assets include consumable biological assets and productive biological assets.

1. Recognition conditions of biological assets

No biological asset shall be recognized unless it meets the conditions as follows simultaneously:

(1) The enterprise owns or controls the biological assets due to past transactions or events;

(2) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

(3) The cost of this biological asset can be measured reliably.

2. Initial measurement of biological assets

(1) Consumable biological assets

① The cost of a purchased consumable biological assets consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of the assets.

② For the expendable biological assets invested by investors, the entry value of the expendable biological assets shall be the value agreed in the investment contract or agreement plus the relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ The cost of self-cultivated, propagated or farmed consumable biological assets consists of the necessary expenses such as the cost of materials including seedlings, fertilizers and pesticides consumed before harvest, labor costs and indirect expenses to be shared.

(2) Productive biological assets

① The cost of purchased productive biological assets consists of the purchase price, relevant taxes, transportation fees, insurance premiums and other expenses that may be directly attributable to the purchase of the assets.

② For the productive biological assets invested by investors, the entry value of the productive biological assets shall be the value agreed in the investment contract or agreement plus relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ For the productive biological assets planted by the Company, the cost shall be determined according to the necessary expenses such as seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses consumed before achieving the expected production and business objectives (and before harvest).

Achieving the intended production and operation objectives means that the productive biological assets enter the normal production period, and can continuously and stably produce agricultural products, provide labor services or rent for many years. The specific conditions are as follows: starting to bear fruits and picking them as the standard for turning into maturity.

1) Accounting methods for immature productive biological assets

Necessary expenditures of immature productive biological assets during the immature period, including seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses, shall be directly included in the asset cost. Among them, seedlings costs, direct labor costs, fertilizers costs and land rent costs which can be directly classified into each plot shall be collected in the subject of "productive biological assets-immature productive biological assets", and indirect costs such as material consumption shall be collected in the "manufacturing expenses" first when they occur, and then included in each plot according to the area apportion.

2) Accounting methods for mature productive biological assets

The related expenses incurred after the mature productive biological assets, including labor costs, material costs, fertilizers costs, utilities, land lease costs and other indirect expenses, shall be collected in the subject of "production cost"; the book value of the carried-over mature productive biological assets shall be depreciated according to the depreciation period, and the depreciation expenses shall be also included in the "production cost"; after the fruits are picked, the "production cost" shall be carried over to "inventory goods".

3. Subsequent measurement of productive biological assets

(1) Depreciation of productive biological assets

The Company accrues depreciation for productive biological assets, and the depreciation method adopts the straight-line depreciation. The Company determines the service life and estimated net residual value of productive biological assets according to their nature, usage and expected realization of relevant economic benefits. At the end of the year, the Company reviews the service life, estimated net residual value and depreciation method of productive biological assets, and make corresponding adjustments if there are differences with the original estimates.

The Company's productive biological assets are estimated to have no net residual value, and the estimated service life and annual depreciation rate are as follows:

Asset type	**Estimated service life** *(year)*	**Yearly depreciation** *(%)*
Passion fruit	2	50.00
Mango	10	10.00
Pitaya	4	25.00
Pineapple	2	50.00
Banana	2	50.00
Sugarcane	2	50.00
Papaya	3	33.33
Guava	4	25.00

(2) Disposal of biological assets

When harvesting or selling consumable biological assets, the weighted average method is used to carry over the cost; the cost of biological assets after use conversion is determined according to the book value at the time of use conversion; when the biological assets are sold, damaged or in short supply, the balance of the disposal income after deducting the book value and related taxes and fees shall be included in the current profit and loss.

4. Impairment of biological assets

The Company shall, at least at the end of each year, review the consumptive biological assets and productive biological assets. If any well established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset is lower than its book value as a result of natural disaster, plant diseases and insect pests or change of market demand, the enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in the current profits and losses.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the amount of write down shall be restored and reversed within the amount of the original provision for falling price, and the amount reversed shall be included in the current profits and losses. Once the provision for impairment of a productive biological asset is withdrawn, it shall not be reversed.

On the balance sheet date, the Company measures the productive biological assets according to the lower of book value and recoverable amount, and withdraw the provision for impairment of productive biological assets according to the difference between the recoverable amount of individual assets and book value. Once the impairment loss of productive biological assets is recognized, it will not be reversed in the following accounting period.

(XVII) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Company which have no physical shape. It includes land use right, patent right, trademark right and software, etc.

1. Initial measurement of intangible assets

Cost of the outsourcing intangible assets shall include purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for expected purpose. The price of buying intangible assets exceeds the delayed payment at normal credit condition, which actually has a financing property, the cost of the intangible assets shall be determined based on the present value of the price.

For the intangible assets used for debt payment, the fair value of the intangible assets shall be used as basis for its entry value determination. The balance between the book value and the fair value of the intangible assets used for debt payment shall be included into current loses and gains.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of intangible assets received or surrendered can be reliably measured, the entry value of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the cost of intangible asset and no profits and losses will be recognized.

The entry value of intangible asset obtained by consolidation merger of enterprises under the same control shall be recognized based on the book value of merged enterprise; the entry value of intangible asset obtained by consolidation merger of enterprises not under the same control shall be recognized based on the fair value of merged enterprise.

The costs of internal self-developed intangible assets shall include: the cost of materials consumed, labor cost and registration charges occurred while developing the intangible assets; the amortization charge of other patents and franchises used as well as the interest cost spent to meet the capitalization requirements during the development process; as well as other direct costs attributable to intangible assets for the expected purpose.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when it obtains intangible assets and they are classified as intangible assets with limited service life and intangible assets with limited service life without undetermined service life.

(1) Intangible assets with limited service life

Intangible assets with limited service life shall be amortized by straight-line method in the period in which economic benefits are brought for the Company. Expected service life of intangible assets with limited service life and calculation basis:

Item	Expected useful life	Basis
Land use right	40 years/50 years/70 years	The service life is determined by the contract or by reference to the period that can bring economic benefits to the Company
Patent right	10 years	
Trademark right	10 years	
Software	3-5 years	

At the end of each year, the service life and the amortization method of intangible assets with limited service life shall be rechecked. Make corresponding adjustment if the review results are different from the previously estimated amounts.

According to the review, the service life and amortization method of intangible assets at the end of this period do not differ from previous estimation.

(2) Intangible assets with uncertain service life

During the reporting period, the Company had no intangible assets with uncertain service life.

3. Detailed standards for dividing research and development stages of internal R&D projects:

Research stage: The stage of creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development stage: The stage that the research results or other knowledge is used for a plan or design to produce something new or substantive improved materials, devices and products before commercial production or use.

The expenditure occurred during the research stage of internal R&D project shall be included into the profits and losses of current period when it occurred.

4. Detailed conditions for the capitalization of expenses during the development stage

Expenditures incurred during the development stage of internal research and development project that simultaneously meet the following conditions shall be recognized as intangible assets:

(1) It is feasible technically to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

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

The expenditure not meeting conditions above is included into the profits and losses of current period when it occurs. Development expenses accounted into profits and losses in previous period are no longer re-confirmed as assets. Expenses at the development stage capitalized are listed as development expenses in the balance sheet, and are converted into intangible assets when the Project reaches the estimated usable conditions.

(XVIII) Impairment of long-term assets

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible impairment of long-term assets. If the long-term assets have sign of possible impairment, recoverable amount should be estimated by the Company based on single assets. If it is not possible to estimate the recoverable amount of single assets, the recoverable amount of the asset group to which the asset belongs is recognized.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its book value, the book value of the long-term asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of long-term asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

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

No matter there is any sign of possible assets impairment or not, the business reputation formed by business combination and intangible assets with uncertain service life are subject to impairment test at the end of each year.

In impairment test for business reputation, book value of business reputation shall be amortized to assets groups or combination of assets groups which are expected to benefit from the synergy effect of business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the enterprise shall first make an impairment test on the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the enterprise shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

(XIX) Long-term unamortized expenses

1. Amortization method

Long-term unamortized expenses refer to the Company's various costs that have occurred and are apportioned by the current and future periods which is longer than 1 year. Long-term unamortized expenses shall be amortized within benefit period by method of line.

2. Amortization life (year)

Category	Amortization life (year)	Remarks
Decoration and reconstruction expenditure	3-5	
Land lease expense	Settlement period agreed in the contract	The settlement period of the leased land of the Company has different settlement periods such as 4 years and 5 years

(XX) Employee compensation

Employee compensation refers to the remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees or terminating labor relationships. Employee compensation includes short-term compensation, post-employment benefit, dismission benefit, and other long-term employee benefit.

1. Short-term compensation

Short-term compensation refers to employee compensation that shall be fully paid by the Company within 12 months after annual report period of related services provided by employees, except post-employment welfare, dismission welfare. In the accounting period when the employees provide services to the Company, the short-term compensation payable shall be confirmed as liabilities, and shall be included in related asset costs and fees according to the benefit objects of the service provided by the employees.

2. Post-employment welfare

Post-employment welfare refers to the various forms of remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees after employee retirement or termination of labor relations with the Company, except for short-term compensation and dismission welfare. The Company classifies post-employment welfare plan as defined contribution plan and defined benefit plan.

The defined contribution plan is mainly to participate in social basic endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions; during the accounting period when employees provide services for the Company, the amount of deposit payable calculated according to the defined contribution plan is recognized as a liability and included in the current profits and losses or related asset costs.

After paying the above funds regularly according to the standard specified by the State, the Company will be free of other payment obligations.

3. Termination benefits

Termination benefits refers to the compensation made by the Company to the employees for the termination of the labor relationship with any employee prior to the expiration of the relevant labor contract or for encouraging the employee to accept a layoff. When the Company cannot unilaterally withdraw the dismission welfare stated on labor service relationship termination plan or layoff proposal or the Company is confirming the cost and expense in relation to the restructuring of paying dismission welfare (the earlier one shall be applied), liabilities caused by dismission welfare shall be confirmed and included in current profits and losses.

4. Other long-term employee welfare

Other long-term employee welfare refers to other employee welfare except from short-term salaries, post-employment welfare and dismission welfare.

For other long-term employee welfare conforming to defined contribution plan, within accounting period during which employees provide service for the company, the amount payable shall be determined as liability and included into current profits and losses or relevant asset cost. For other long-term employee welfare except that mentioned above, the amount shall be calculated with the expected cumulative welfare unit method on the balance sheet date and the welfare obligations produced by the defined benefit plan shall be attributed to the period during which employees provide service and be included into current profits and losses or relevant asset cost.

(XXI) Estimated liabilities

1. Recognition principles for estimated liabilities

The obligation pertinent to contingencies shall be recognized as an estimated liability when the following conditions are satisfied simultaneously:

The obligation is the current obligation assumed by the Company;

The performance of this obligation is likely to lead to an outflow of economic interests;

The amount of the obligation can be reliably measured.

2. Measurement methods of accrued liabilities

The estimated liabilities of the Company shall be initially measured in accordance with the liability estimate of the necessary expenses for the performance of the current obligation.

The Company takes into account the contingencies related risk, uncertainty, time value of money, and other factors when determining the best estimate. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations respectively:

If there is a continuous range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, i.e. the average number of the maximum amount and minimum amount.

In the event that there is no continuous range (or interval) or that there is a continuous range but the outcomes within this range are unlikely to occur equally, if single item is involved in the contingencies, the best estimate shall be determined based on the amount most likely to occur; and if several items are involved in the contingencies, the best estimate shall be determined based on various possible outcomes and relevant probability calculation.

If all or some of the expenses necessary for the liquidation of estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset when it is virtually certain that the reimbursement will be obtained and the compensation recognized shall not be in excess of the estimated liability book value.

(XXII) Revenue

1. Standard for determining the time of revenue recognition from goods sales

The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; when relevant cost incurred or to be incurred can be reliably measured, recognize the sales revenue.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

Specific methods to recognize the Company's revenue:

The Company mainly sells fruit juice, quick-frozen products, fresh fruits and other products.

(1) Revenue recognition of domestic products: the products are delivered to the buyer according to the contract, and the Company recognizes the revenue according to the date of the receipt; if there is no receipt, the revenue is recognized after the acceptance objection period determined according to the contract.

(2) Revenue recognition of export products: the export products of the Company are mainly in FOB form, and the delivery place is offshore port, and the bill of lading is obtained as the evidence for collection, and the date of customs declaration, shipment and export is taken as the time point for revenue recognition.

2. Basis of determining revenue from transferring use right of the assets

When the revenue amount can be reliably measured, it is likely that economic benefits relating to trades will flow into the company. The amount of revenue resulting from alienating asset-use right shall be determined respectively in the following situations:

(1) The amount of interest revenue shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the actual interest rate.

(2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3. Basis and method of determining the revenue from providing labor services

If the result of the labor service transaction can be estimated reliably on the balance sheet date, the revenue from the labor service transaction shall be recognized by the completion percentage method, and the completion progress of the labor service transaction shall be determined according to the proportion of the already incurred labor cost to the estimated total cost.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

(1) The revenue amount can be measured reliably;

(2) Relevant economic benefits are likely to flow into the Company;

(3) The completion schedule of the transaction can be reliably determined;

(4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

The Company ascertains the total revenue from the providing of labor services in accordance with the received or to-be-received price as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

(1) If the labor cost incurred is expected to be compensated, the labor service income shall be recognized according to the amount of labor service costs incurred and carried forward at the same amount.

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred shall be included in the current profits and losses, and no revenue from the rendering of service shall be recognized.

Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services. If the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services.

(XXIII) Government grants

1. Type

A government grants refers to the monetary and non-monetary assets obtained by an company from the government free of charge, excluding the capital invested by the government as the owner of the company. Based on the objects regulated by governmental documents, the government grants are classified into government grants related to assets and government grants related to income.

The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants.

2. Recognition of government grants

If the Company meets the financial support policy and receives financial support funds, the government grants shall be recognized according to the actual amount received.

If a government grants is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government grant is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1). The government grants measured at their nominal amounts shall be directly included in the profits and losses of current period.

3. Accounting arrangement method

The government grants pertinent to assets shall be recognized as the deferred income and they shall be included to the profits or losses on a reasonable and systematic basis within the service life of constructed or purchased assets;

The government grants pertinent to income and used for compensating the related future expenses or losses of an enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized. The grants used for compensating the related expenses or losses of the enterprise incurred shall be directly included in the current profits and losses at receiving.

Government grants related to daily activities of the Company are included in other income and others are included in non-operating income.

The received government grants related to preferential policy loans are used to offset related borrowing costs. When the recognized government grant needs to be refunded, if there is related deferred income balance, the book balance of the deferred income shall be written down, while the excessive part shall be included in the current profits and losses; if there is no relevant deferred income, the subsidy shall be directly included in the current profits and losses.

(XXIV) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising from the tax bases of assets and liabilities and their book value. On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis of recognizing deferred tax assets

The Company sets the income tax payable likely to be acquired to offset against the deductible temporary difference and deductible loss and tax credits that can be carried forward to the next year as the deadline to recognize the deferred tax assets generated by the deductible temporary difference. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) business combination; (2) transactions or events directly recognized in owner's equity.

As for the deductible temporary difference of taxable relevant to the investment of associated enterprises, the corresponding deferred tax assets can be recognized when it can simultaneously meet the following the conditions: the temporary difference is likely to turn back, and the amount of the taxable can be obtained to offset the deductible temporary difference at a high possibility in the future.

2. Basis for confirming deferred tax liabilities

The Company confirms the taxable temporary differences payable but unpaid in current period and previous period as the deferred tax liabilities. but excluding:

(1) The temporary differences generated through initial recognition of business reputation;

(2) Transactions formed by business combination or transactions or events directly recognized in owner's equity;

(3) The turning-back time of the temporary difference of taxable relevant to the investment of subsidiaries and associated enterprises can be controlled, or the temporary difference will not turn back at a very high possibility in a foreseeable future.

3. When meeting all the following conditions, the deferred tax assets and liabilities are listed as net amount after offset

(1) The Company is entitled to settle the current income tax assets and current income tax liabilities in net amount;

(2) The deferred tax assets and deferred tax liabilities are associated with the income tax imposed for the same subject of taxation or different subject of taxation by the same tax collection and management department. However, during each important deferred tax assets and liabilities reverse period in the future, the subject of taxation involved is intended to settle the current income tax assets and liabilities or acquiring assets to pay off debts.

(XXV) Operating lease and financing lease

If the leasing clauses transfer in substance all the risks and rewards related to the ownership of an asset to the leasee, it is a financial lease. Otherwise, it is operating lease.

1. Accounting treatment method of operating lease

(1) Assets leased in under operating lease

Lease expense paid by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be included into current expenses. The initial direct costs pertinent to lease transactions paid by the Company are included into current expenses.

If the assets leasor has paid the fees pertinent to leasing that shall be paid by the Company, the Company will deduct the fees from the total rental and amortize the remaining rental within the lease term and include it into current expenses.

(2) Assets leased out under operating lease

Lease expense collected by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be recognized as rental income. Initial direct costs pertinent to lease transactions paid by the Company should be included into current expenses. If the amount is large, the initial direct cost should be capitalized and included into current profits on the basis of basic installation of the equal rental income within the entire lease term.

If the Company has paid the fees pertinent to leasing which shall be paid by the leasee, it will deduct the fees from total rental and amortize the remaining within the lease term.

2. Accounting arrangement method of financial lease

(1) Assets leased in under financial lease: On the lease beginning date, a lessee shall record the lower one between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry value in an account of long-term account payable, and take their difference as unrecognized financing cost. Please see Note IV/(XIII) Fixed Assets for the conditions of recognition, valuation and depreciation methods for assets leased in under financial lease.

For the financing expenses not recognized, the Company adopts the effective interest rate method for amortization in assets leasing period and includes them to financial expenses.

(2) Assets leasing leased out under financial lease: On the beginning date of the lease term, the leasor shall recognize the balance between the sum of receivable financial lease payment and unguaranteed residual value and the current value as unrealized financing income and recognize the rent received in the future as rental income. The initial direct expenses pertinent to leasing transaction should be included into initial measurement of receivable financial lease payment and confirmed amount of revenue received within lease term should be reduced.

(XXVI) Changes in major accounting policies and accounting estimates

1. Change in accounting policy

(1) On May 10, 2017, the Ministry of Finance announced the revised *Accounting Standards for Business Enterprises No. 16-Government Subsidies*, which will be implemented as of June 12, 2017. The company will adopt the future applicable law to deal with the government subsidies existing on January 1, 2017, and adjust the new government subsidies between January 1, 2017 and the implementation date of the standards according to the revised standards.

(2) On April 28, 2017, the Ministry of Finance issued *Accounting Standards for Business Enterprises No. 42 — Non-current Assets Held for Sale and Discontinued Operations*, which was implemented from May 28, 2017. According to the standard and the *Notice on Revising and Printing the Format of General Financial Statements of Enterprises* (CK [2017] No. 30) issued by the Ministry of Finance, the Company added "assets disposal income" item in income statement and had classified listing of net profits according to operation continuity. In accordance with the *Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements* and other relevant regulations, the Company adjusted the comparative data of comparable periods, and the impact on various items of financial statements is as follows:

Item	Amount of current period Before change	 After change	Amount of last period Before change	 After change
Financial expenses		-209,958.00		
Assets disposal income		602,415.03		-779,705.06
Other incomes		9,774,455.20		
Non-operating income	10,586,828.23			
Non-operating expense			-779,705.06	

2. Change in accounting estimates

Contents and causes of change in accounting estimates	Approval procedure	The time point when the change of accounting estimate begins to apply	Remarks
Accounts receivable formed between related parties within the scope of consolidated statements are combined according to aging, and bad debt provision is calculated by aging analysis method, which is changed to separate impairment test. Unless there is conclusive evidence that impairment occurs, bad-debt provision is not withdrawn.	It shall be put into effect as of the date of being adopted by deliberation of the Board of Directors.	December 31, 2016	This change in accounting estimates has no impact on the amount of the Company's consolidated statements

V. TAXES

(I) Main tax categories and tax rates of the Company

Tax type	Taxation basis	Tax rate
VAT *(Note 1)*	Sales of goods	17%, 13%, 11%
Urban maintenance and construction tax	Paid-in turnover tax	5%
Educational surcharges	Paid-in turnover tax	3%
Local educational surcharges	Paid-in turnover tax	2%
Enterprise income tax	Taxable income	15%、25%

Note 1:

(1) According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article 8, (III) In addition to obtaining special VAT invoices or customs import VAT payment books, the input tax shall be calculated according to the purchase price of agricultural products and the deduction rate of 13% indicated on the agricultural product purchase invoices or sales invoices", for the agricultural products purchased by the company and its subsidiaries before July 1, 2017, the input tax shall be calculated at a deduction rate of 13% and deducted from the output tax.

(2) According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Degenerating VAT Rate (CS [2017] No. 37), the input tax of agricultural products purchased by the company and its subsidiaries from July 1, 2017 is calculated at a deduction rate of 11% and deducted from the output tax.

(3) According to the State Administration of Taxation Announcement No. 19, 2017, Annex 3 of the State Administration of Taxation on matters related to adjusting the VAT tax return, regarding the Adjustment of the *VAT Tax Return (Applicable to General Taxpayers)* and its attached information filling description, when the company and its subsidiaries will use the purchased agricultural products for production and sales or entrust the processing of goods with a tax rate of 17% from July 1, 2017, the input tax shall be calculated at a deduction rate of 11% plus 2% and deducted from the output tax.

(4) According to CS [2009] No. 9 Notice of the Ministry of Finance and the State Administration of Taxation on the application of low VAT rate and simple measures to collect VAT policy for some goods, and the *Notice of the Ministry of Finance and the State Administration of Taxation on Printing and Distributing Notes on the Taxation Scope of Agricultural Products* (CSZ [1995] No. 52), the company and its subsidiaries sell frozen products at a VAT rate of 13%.

(II) Description of enterprise income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
Tianye Innovation Corporation	15%
Hainan Dachuan Food Co., Ltd.	25%
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	25%
Hainan Tianye Drinks Food Sales Co. Ltd.	25%
Hubei Iceman Foods Co., Ltd.	25%
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25%
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	25%

(III) Policies and basis of tax preference

1. VAT tax preference

According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article XV (I) Self-produced agricultural products sold by agricultural producers shall be exempted from value-added tax", with the approval of Nanning State Taxation Bureau and Nanning Yongning State Taxation Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, shall be exempted from value-added tax on its own crops and fruits and vegetables, which will be implemented from January 1, 2014.

2. Tax preference for enterprise income tax

(1) Tianye Innovation Corporation

On June 25, 2012, Tianye Innovation Corporation obtained the high-tech enterprise certificate jointly approved by the Science and Technology Department of Guangxi Zhuang Autonomous Region, the Finance Department of Guangxi Zhuang Autonomous Region, the State Taxation Bureau of Guangxi Zhuang Autonomous Region and the Local Taxation Bureau of Guangxi Zhuang Autonomous Region, with the certificate number of GR201245000039, and the validity period of three years; The Company was re-examined in 2015 and obtained the certificate of high-tech enterprise on August 26, 2015, with the certificate number of GF201545000061 and the validity period of three years. From 2015 to 2017, the Company enjoyed preferential enterprise income tax for high-tech enterprises.

According to the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council of the People's Republic of China), the *Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax (Trial)* (CS [2008] No. 149) and the provisions on "primary processing of agricultural products shall be exempted from enterprise income tax", the Company's products (quick-frozen pineapple, corn, mango, papaya, seedless passion fruit puree) belong to the primary processing of agricultural products and are exempt from enterprise income tax. The preferential policies for reducing and exempting enterprise income tax have been audited and filed by the State Taxation Bureau of Hepu County (HGSBZ [2013] No. 201), and the preferential enterprise income tax policy has been implemented from January 1, 2012.

(2) Hainan Dachuan Food Co., Ltd.

1) According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, CS [2011] No. 26, GSBF [2011] No. 132, Announcement of State Administration of Taxation (No. 2 [2010]) and Announcement of State Administration of Taxation Announcement (No. 48 [2011]), the puree juice produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, belongs to the primary processing range of agricultural products and is exempt from enterprise income tax. The preferential reduction and exemption of enterprise income tax has been examined and approved by the State Taxation Bureau of Ding'an County, Hainan Province (DGST [2013] No. 258) and has been implemented from January 1, 2011.

2) According to the *Notice on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax* (CS [2008] No. 149) issued by the Ministry of Finance and the State Administration of Taxation, the fruit and vegetable juice products produced by Hainan Dachuan Food Co., Ltd., a wholly-owned

subsidiary of the Company, are primary processed products of fruits and vegetables, which have been exempted from enterprise income tax as determined by the State Taxation Bureau of Ding'an County, such exemption has been implemented from January 1, 2013.

(3) Guangxi Tianye Innovation Agricultural Technology Co., Ltd.

According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, GSH [2008] No. 890, GSH [2009] No. 779, CS [2011] No. 26 and Announcement of the State Administration of Taxation (No. 8 [2011]), the fruits planted by Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, has been exempted from enterprise income tax. Preferential policies for reducing and exempting enterprise income tax have been audited and filed by Nanning State Taxation Bureau.

3. Tax preference for property tax and urban land use tax

According to the regulations of *Notice of Hubei Local Taxation Bureau on Further Regulating Examination and Approval of Urban Real Estate Tax Exemption* (EDSF [2008] No. 215) and *Notice of Hubei Local Taxation Bureau on Further Regulating Examination and Approval of Difficult Exemption of Urban Land Use Tax* (EDSF [2008] No. 62), Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, enjoyed the tax benefits of reducing and exempting the property tax and urban land use tax in 2015 and 2016, and the local taxation bureau of Qujialing District of Jingmen City issued the Notice on Granting the Reduction and Exemption (QDSJZ [2016] No.15 and QDSJZ [2016] No.16).

VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	17,127.50	34,280.72
Bank deposit	211,035,355.11	325,345,161.75
Total	211,052,482.61	325,379,442.47

Note: As of December 31, 2017, there was no money pledged, frozen or with potential recovery risk.

Note 2. Notes receivable

1. Categories of notes receivable

Type	Closing balance	Opening balance
Trade acceptance	217,100.00	
Total	217,100.00	

2. Notes receivable endorsed by the Company at the end of the period and not yet due on the balance sheet date

Item	Closing derecognized amount	Closing un-derecognized amount
Trade acceptance	462,930.00	
Total	462,930.00	

Note: As of December 31, 2017, the Company had no pledged and discounted notes receivable.

Note 3. Accounts receivable

1. Disclosure of accounts receivable by category

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56
Accounts receivable not withdrawing bad-debt provision					
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56

Category	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	58,810,392.20	100.00	2,941,153.61	5.00	55,869,238.59
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	58,810,392.20	100.00	2,941,153.61	5.00	55,869,238.59
Accounts receivable not withdrawing bad-debt provision					
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	58,810,392.20	100.00	2,941,153.61	5.00	55,869,238.59

(1) Receivables for bad-debt provision by aging analysis method in combination

Aging	Closing balance		
	Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	56,196,638.71	2,809,831.94	5.00
1-2 years	1,747,523.10	174,752.31	10.00
2-3 years			30.00
3-4 years	400.00	200.00	50.00
4-5 years			
>5 years			
Total	57,944,561.81	2,984,784.25	5.15

Aging	Accounts receivable	Opening balance Bad-debt provision	Proportion (%)
<1 year	58,799,792.20	2,939,989.61	5.00
1-2 years	10,080.00	1,008.00	10.00
2-3 years	520.00	156.00	30.00
3-4 years			
4-5 years			
>5 years			
Total	58,810,392.20	2,941,153.61	5.00

2. Provision, recovery or reversal of provision for bad-debt in current period

The provision for bad debt in current period is RMB43,630.64.

3. There is no write-off of accounts receivable in current period.

4. Top five accounts receivable based on debtors

Organization name	Closing balance	Relationship with the Company	Proportion in closing balance of accounts receivable (%)	Bad-debt provision
Dalian Yiheng Import & Export Co., Ltd.	6,241,619.80	Non-affiliated party	10.77	312,080.99
Shandong Yipintang Industrial Co., Ltd.	5,852,007.00	Non-affiliated party	10.10	292,600.35
Guangzhou Pumai Biological Technology Co., Ltd.	3,862,895.50	Non-affiliated party	6.67	193,144.78
Hainan Leye Foods Co., Ltd.	3,015,692.20	Non-affiliated party	5.20	150,784.61
Beijing Boying Tiande Trading Co., Ltd.	2,750,584.00	Non-affiliated party	4.75	137,529.20
Total	21,722,798.50		37.49	1,086,139.93

Note 4. Prepayment

1. Disclosure of prepayments by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	283,001.07	60.07	1,132,725.80	68.52
1-2 years	134,964.26	28.64	460,492.51	27.85
2-3 years	3,198.76	0.68	59,998.65	3.63
>3 years	49,998.65	10.61		
Total	471,162.74	100.00	1,653,216.96	100.00

2. Top five prepayments based on the payers

Organization name	Closing balance	Relationship with the Company	Proportion in total advance payment (%)	Reason for unsettlement
Guangxi Hengrunjia Foods Co., Ltd.	110,079.66	Non-affiliated party	23.36	Transaction pending
Heji Branch of Jingmen Wusan Modern Agriculture Development Co., Ltd.	89,400.00	Non-affiliated party	18.97	Transaction pending
Liu Yulan	49,998.65	Non-affiliated party	10.61	Transaction pending
Pan Shaomin	41,000.00	Non-affiliated party	8.70	Transaction pending
Haikou Longhua Haixindie Management Software Service Center	30,000.00	Non-affiliated party	6.37	Transaction pending
Total	320,478.31		68.01	

Note 5. Other receivables

1. Disclosure of other receivables by category

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02
Other receivables not withdrawing bad-debt provision					
Other receivables without individually significant amount but with individual provision for bad debt					
Total	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02

	Opening balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	3,324,488.55	100.00	356,036.57	10.71	2,968,451.98
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	3,324,488.55	100.00	356,036.57	10.71	2,968,451.98
Other receivables not withdrawing bad-debt provision					
Other receivables without individually significant amount but with individual provision for bad debt					
Total	3,324,488.55	100.00	356,036.57	10.71	2,968,451.98

(1) Other receivables for bad-debt provision by aging analysis method in combination

Aging	Closing balance Other receivables	Bad-debt provision	Proportion (%)
<1 year	888,161.66	44,408.09	5.00
1-2 years	14,380.69	1,438.07	10.00
2-3 years	204,831.19	61,449.36	30.00
3-4 years	5,000.00	2,500.00	50.00
4-5 years			80.00
>5 years	66,000.00	66,000.00	100.00
Total	1,178,373.54	175,795.52	14.92

Aging	Opening balance Other receivables	Bad-debt provision	Proportion (%)
<1 year	514,245.81	25,712.30	5.00
1-2 years	2,729,742.74	272,974.27	10.00
2-3 years	14,500.00	4,350.00	30.00
3-4 years			50.00
4-5 years	65,000.00	52,000.00	80.00
>5 years	1,000.00	1,000.00	100.00
Total	3,324,488.55	356,036.57	10.71

2. Provision, recovery or reversal of provision for bad-debt in current period

The amount of bad-debt provision reversed in current period is RMB180,241.05.

3. There is no write-off of other receivables in current period.

4. Category of other receivables by nature

Nature of payment	Closing balance	Opening balance
Transaction payment	316,611.88	2,996,942.11
Margin	201,000.00	1,000.00
Reserve fund	554,705.48	165,255.87
Withholding social security, etc	102,840.26	97,252.47
Scattered material purchase fund		57,981.75
Others	3,215.92	6,056.35
Total	1,178,373.54	3,324,488.55

5. *Top five other receivables based on debtors*

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Closing balance of bad-debt provision
Zhang Yexiu	Reserve fund	263,064.65	Non-affiliated party	<1 year	22.32	13,153.23
Fang Henghui (former shareholder of Hubei Iceman Foods Co., Ltd.)	Transaction payment	219,211.88	Non-affiliated party	<3 years	18.60	62,887.43
Human Resources and Social Security Bureau of Qujialing Management District, Jingmen City	Margin	200,000.00	Non-affiliated party	<1 year	16.97	10,000.00
Zhan Tao	Reserve fund	134,000.00	Non-affiliated party	<1 year	11.37	6,700.00
Peng Zhiliang	Reserve fund	65,000.00	Non-affiliated party	>5 years	5.52	65,000.00
Total		881,276.53			74.78	157,740.66

Note 6. Inventories

Item	Closing balance Amount	Closing balance Provision for depreciation	Closing balance Book value	Opening balance Amount	Opening balance Provision for depreciation	Opening balance Book value
Raw materials	2,772,567.73		2,772,567.73	3,516,409.75		3,516,409.75
Revolving materials	587,087.97		587,087.97	485,876.03		485,876.03
Finished goods	45,326,124.56		45,326,124.56	37,259,058.72		37,259,058.72
Delivered goods	568,525.55		568,525.55	409,678.91		409,678.91
Outsourced materials	22,446.54		22,446.54			
Goods in process	4,150,321.91		4,150,321.91	3,961,151.13		3,961,151.13
Total	53,427,074.26		53,427,074.26	45,632,174.54		45,632,174.54

Note: During the inventory reporting period, there is no need to make provision for depreciation.

Note 7. Non-current assets maturing within one year

Item	Closing balance	Opening balance
Land lease expense		1,056,600.00
Total		1,056,600.00

Note 8. Other current assets

Item	Closing balance	Opening balance
Added-value tax retained	2,261,266.88	1,534,481.71
Input tax with VAT to be certified	1,432,853.81	469,383.82
Total	3,694,120.69	2,003,865.53

Note 9. Long-term receivables

Nature of payment	Closing balance Book balance	Closing balance Bad-debt provision	Closing balance Book value	Opening balance Book balance	Opening balance Bad-debt provision	Opening balance Book value	Range of discount rate
Finance leases							
Including: unrealized financing income							
Merchandise paid by installment							
Labor services provided on installment							
Others	318,000.00		318,000.00	318,000.00		318,000.00	
Less: long-term receivables due within one year							
Total	318,000.00		318,000.00	318,000.00		318,000.00	

Note: The closing balance of long-term receivables is RMB318,000.00, which is 300 mu of land rented by Guangxi Tianye Innovation Agricultural Technology Co., Ltd. (a wholly-owned subsidiary of the Company) from Zhangchou Village, Qujie Town, Xuwen County, Guangdong Province. The lease term is 10 years, and the lease deposit is RMB318,000.00, which will be returned after the expiration of the contract term.

Note 10. Long-term equity investment

Investee	Opening balance	Increase and decrease of current period: Additional investment	Decrease in investment	Profits and losses on investments recognized under equity method	Adjustment to other comprehensive incomes
Associated enterprise:					
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	47,594,736.95		12,000,000.00	1,152,130.51	2,871,000.00
Total	47,594,736.95		12,000,000.00	1,152,130.51	2,871,000.00

Investee	Increase and decrease of current period: Other equity changes	Declared cash dividend or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Associated enterprise:						
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					39,617,867.46	
Total					39,617,867.46	

Notes:

(1) On August 7, 2015, the Company held the second extraordinary general meeting of shareholders in 2015, and deliberated and approved the *Proposal of Tianye Innovation Corporation on Investment and Establishment of Industrial Investment M&A Parent Fund*. In order to build an industrial integration platform, optimize and upgrade the Company's industrial layout, and enhance the Company's investment ability in modern agriculture, large consumption and mobile internet plus industries, the Company proposed to jointly invest with Beijing Fangfu Capital Management Co., Ltd. to establish an industrial investment M&A parent fund: Tianjin Fangfu Tianye Investment Center (Limited Partnership) (hereinafter referred to as the "**Fund**"). The total capital contribution of the Fund is RMB100 million, of which RMB99 million is subscribed by the Company as a limited partner, accounting for 99.00% of the total capital contribution of the Fund; As the general partner of the fund, Fangfu Capital subscribed for a share of RMB1 million, accounting for 1% of the total capital contribution of the Fund. As of the reporting date, the Company actually contributed RMB50.7 million, accounting for 99.00% of the actual contribution, and Beijing Fangfu Capital Management Co., Ltd. actually contributed RMB512,100, accounting for 1.00% of the actual contribution.

(2) According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2017, it is agreed to refund the Company's investment of RMB12 million.

Note 11. Fixed assets

1. Information about fixed assets

Item	Pant and buildings	Machinery and equipment	Vehicles	Office equipment	Other equipment	Total
I. Total original book value						
1. Opening balance	125,640,433.66	104,498,107.33	4,189,917.86	2,173,015.55	395,677.68	236,897,152.08
2. Increase of the current period	2,314,046.50	837,996.35		327,848.00		3,479,890.85
Acquisition	389,588.26	837,996.35		327,848.00		1,555,432.61
Transfers from construction in progress	1,924,458.24					1,924,458.24
3. Decrease of the current period		957,974.38	107,562.72	110,497.46		1,176,034.56
Disposal or scrapping		957,974.38	107,562.72	110,497.46		1,176,034.56
Other transfer-out						
4. Closing balance	127,954,480.16	104,378,129.30	4,082,355.14	2,390,366.09	395,677.68	239,201,008.37
II. Accumulated depreciation						
1. Opening balance	26,034,840.83	36,181,568.39	1,090,293.15	1,679,925.59	258,962.64	65,245,590.60
2. Increase of the current period	4,840,313.14	9,705,507.09	437,639.38	148,490.57	35,723.06	15,167,673.24
Withdrawal	4,840,313.14	9,705,507.09	437,639.38	148,490.57	35,723.06	15,167,673.24
3. Decrease of the current period		282,530.41	39,170.84	104,972.59		426,673.84
Disposal or scrapping		282,530.41	39,170.84	104,972.59		426,673.84
Other transfer-out						
4. Closing balance	30,875,153.97	45,604,545.07	1,488,761.69	1,723,443.57	294,685.70	79,986,590.00
III. Impairment provision						
1. Opening balance		329,910.73	26,999.88			356,910.61
2. Increase of the current period		52,940.40				52,940.40
Withdrawal		52,940.40				52,940.40
3. Decrease of the current period						
Other transfer-out						
4. Closing balance		382,851.13	26,999.88			409,851.01
IV. Total book value						
1. Closing book value	97,079,326.19	58,390,733.10	2,566,593.57	666,922.52	100,991.98	158,804,567.36
2. Opening book value	99,605,592.83	67,986,628.21	3,072,624.83	493,089.96	136,715.04	171,294,650.87

2. Fixed assets that have not completed the title certificate at the end of the period

Item	Book value	Reasons for incomplete certificates of title
Plant and buildings	6,904,299.39	Coordination in progress
Total	6,904,299.39	

3. Fixed assets for mortgage at the end of the period

See Note 45 for details of the fixed assets for mortgage at the end of the period.

Note 12. Construction in progress

1. Construction in process

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Book value
Tianye Nonggu Science and Technology Park Project Phase I	129,601,596.40		129,601,596.40	33,286,306.68		33,286,306.68
Fermented juice production line	5,318,877.28	265,943.86	5,052,933.42	5,318,877.28	265,943.86	5,052,933.42
Comprehensive Office Building Reconstruction Project				1,635,208.24		1,635,208.24
Supporting facilities of beverage production line				63,247.87		63,247.87
Supporting facilities of characteristic agricultural demonstration area	21,724,100.00		21,724,100.00			
Equipment Installation and Reconstruction Project	795,405.47		795,405.47			
Cold Storage Project	110,000.00		110,000.00			
Total	157,549,979.15	265,943.86	157,284,035.29	40,303,640.07	265,943.86	40,037,696.21

2. Changes in significant construction in progress of the current period

Project name	Opening balance	Increase of current period	Decrease of current period Transferred to productive biological assets	Decrease of current period Transferred to fixed assets	Decrease of current period Others decrease	Closing balance
Tianye Nonggu Science and Technology Park Project Phase I	33,286,306.68	96,315,289.72				129,601,596.40
Fermented juice production line	5,318,877.28					5,318,877.28
Comprehensive Office Building Reconstruction Project	1,635,208.24	289,250.00		1,924,458.24		
Supporting facilities of characteristic agricultural demonstration area		21,724,100.00				21,724,100.00
Total	40,240,392.20	118,328,639.72		1,924,458.24		156,644,573.68

Project name	Budget amount *(RMB10,000)*	Proportion of project investment in budget *(%)*	Construction progress *(%)*	Accumulated amount of capitalization of interest	Include: amount of capitalization of interest of current period	Capitalization rate of interest of current period *(%)*	Source of fund
Tianye Nonggu Science and Technology Park Project Phase I	39,739.33	32.61	32.61				Self-raised
Fermented juice production line	537.26	99.00	99.00				Self-raised
Comprehensive Office Building Decoration Project	192.45	100.00	100.00				Self-raised
Supporting facilities of characteristic agricultural demonstration area	2,568.17	89.95	89.95				Self-raised
Total	43,037.21						

3. Other descriptions of construction in progress

Notes: (1) The Tianye Nonggu Science and Technology Park Project Phase I is funded by the Company, with a total investment of RMB454,899,100, including RMB104,490,400 for civil works, RMB20,362,100 for ancillary facilities and structures, RMB15,270,000 for land purchase and leveling, RMB257,270,800 for equipment and instrument purchase and installation, RMB500,000 for technology and other investment, RMB7,005,800 for preparation cost and RMB50 million for working capital. (2) The budget of Tianye Nonggu Science and Technology Park Project Phase I includes civil works investment, ancillary facilities and structures, land purchase and leveling, equipment and instrument purchase and installation fees.

Note 13. Productive biological assets

1. Productive biological assets measured by cost

	Planting industry						
Item	Passion fruit	Pitaya	Pineapple	Banana	Guava	Mango	Total
I. Total original book value							
1. December 31, 2016	8,366,652.96	3,775,909.46	1,627,102.00	1,195,399.20	3,945,007.64	12,970,177.60	31,880,248.86
2. Increase of current period			601,326.00			5,059,717.86	5,661,043.86
Purchased							
Self-planted			601,326.00			5,059,717.86	5,661,043.86
Increase in corporation merger							
Invested by shareholders							
Other transfer-in							
3. Decrease of current period							
Disposal							

Item	Planting industry Passion fruit	Pitaya	Pineapple	Banana	Guava	Mango	Total
Other transfer-out							
4. December 31, 2017	8,366,652.96	3,775,909.46	2,228,428.00	1,195,399.20	3,945,007.64	18,029,895.46	37,541,292.72
II. Accumulated depreciation							
1. December 31, 2016	4,020,717.68	1,415,966.04		1,195,399.20	1,198,526.90		7,830,609.82
2. Increase of current period	3,075,494.31	943,977.36			986,251.92		5,005,723.59
Withdrawal	3,075,494.31	943,977.36			986,251.92		5,005,723.59
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. December 31, 2017	7,096,211.99	2,359,943.40		1,195,399.20	2,184,778.82		12,836,333.41
III. Impairment provision							
1. December 31, 2016							
2. Increase of current period							
Withdrawal							
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. Balance as of December 31, 2017							
IV. Book value							
1. December 31, 2017	1,270,440.97	1,415,966.06	2,228,428.00		1,760,228.82	18,029,895.46	24,704,959.31
2. December 31, 2016	4,345,935.28	2,359,943.42	1,627,102.00		2,746,480.74	12,970,177.60	24,049,639.04

2. During the reporting period of productive biological assets, there is no need to make provision for impairment.

Note 14. Intangible assets

Item	Land use right	Patent right	Trademark right	Software	Total
I. Original book value					
1. Opening balance	118,854,685.51	15,485.00	10,900.00	30,540.00	118,911,610.51
2. Increase of current period	618,176.00				618,176.00
Acquisition	618,176.00				618,176.00
Internal R&D					
Other transfer-in					
2. Decrease of current period	1,017,520.84				1,017,520.84
Disposal	1,017,520.84				1,017,520.84
Other transfer-out					
3. Ending balance	118,455,340.67	15,485.00	10,900.00	30,540.00	118,512,265.67
II. Accumulated amortisation					
1. Opening balance	7,349,457.94	9,068.40	6,994.17	28,010.00	7,393,530.51
2. Increase of current period	1,842,847.60	770.00	1,090.00	2,530.00	1,847,237.60
Withdrawal	1,842,847.60	770.00	1,090.00	2,530.00	1,847,237.60
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period	16,958.68				16,958.68
Disposal	16,958.68				16,958.68
Other transfer-out					
4. Closing balance	9,175,346.86	9,838.40	8,084.17	30,540.00	9,223,809.43
III. Impairment provision					
1. Opening balance	20,094,867.93				20,094,867.93
2. Increase of current period					
Withdrawal					
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	20,094,867.93				20,094,867.93
IV. Total book value					
1. Book value at end of period	89,185,125.88	5,646.60	2,815.83		89,193,588.31
2. Book value at beginning of period	91,410,359.64	6,416.60	3,905.83	2,530.00	91,423,212.07

Note: See Note 45 for details of intangible assets for mortgage at the end of the period.

Note 15. Goodwill

1. The original book value of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Arising from business combination	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.	17,607,521.44					17,607,521.44
Total	17,607,521.44					17,607,521.44

Calculation process of goodwill: In order to effectively integrate the resources and advantages of both parties, enlarge and strengthen the main business, and form a highly competitive production enterprise of fruit juice and fruit and vegetable products, the Company realized the equity acquisition and business restructuring of Hubei Iceman Foods Co., Ltd. On the purchase date (November 16, 2015); the book value of identifiable net assets of Hubei Iceman Foods Co., Ltd. was RMB-24,361,162.41; the fair value of identifiable net assets based on the purchase date was RMB-17,607,520.44. According to the Equity Merger Agreement signed between the Company and the original shareholders of Hubei Iceman Foods Co., Ltd., the consideration for equity merger was RMB1, so the goodwill formed by this merger was RMB17,607,521.44.

2. Provision for impairment of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Provision	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.		2,749,838.60				2,749,838.60
Total		2,749,838.60				2,749,838.60

Goodwill impairment test process, parameters and recognition method of goodwill impairment loss: Hubei Iceman Foods Co., Ltd. was taken as a separate asset group for impairment test, and the recoverable amount of goodwill impairment test was determined by fair value minus disposal expenses. According to the Appraisal Report KYPBZ [2018] No.204 issued by Kaiyuan Assets Appraisal Co., Ltd. on April 12, 2018, the base date of appraisal for goodwill impairment test was December 31, 2017, and the recoverable amount of the assets was less than the book value of the assets group including goodwill.

Note 16. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization for the current period	Other decrease	Closing balance
Land lease expense	1,780,057.57	18,697,274.00	4,830,121.62		15,647,209.95
Plant Decoration Project	2,108,551.45		448,417.34		1,660,134.11
Total	3,888,609.02	18,697,274.00	5,278,538.96		17,307,344.06

Note 17. Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets before offset

Item	Closing balance Deductible temporary difference	Closing balance Deferred tax assets	Opening balance Deductible temporary difference	Opening balance Deferred tax assets
Provision for impairment of assets	2,963,550.33	622,403.48	3,068,563.82	649,202.94
Offset internal unrealized profits	259,175.18	64,793.80	237,669.77	35,650.47
Deductible losses	572,141.91	143,035.48	875,045.46	218,761.37
Government grants	1,701,046.3	306,498.69	2,740,061.54	685,015.39
Changes in fair value of long-term equity investment			2,871,000.00	430,650.00
Total	5,495,913.72	1,136,731.45	9,792,340.59	2,019,280.17

Note: The deductible loss in 2017 was generated by Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a wholly-owned subsidiary of the Company, and the deductible loss in 2017 was not recognized by tax department.

2. Unrecognized deferred tax assets

Item	Closing balance	Opening balance
Provision for impairment of assets	197,029.44	851,480.83
Deferred income	65,586,133.20	45,652,116.16
Deductible losses	17,412,890.79	10,555,382.66
Total	83,196,053.43	57,058,979.65

Note: The reason why deferred income tax assets have not been recognized for asset impairment provision was that Guangxi Tianye Venture Agricultural Technology Co., Ltd., a subsidiary of the Company, was exempt from enterprise income tax for fruit planting; the reason why deferred income tax assets have not been recognized for deferred revenue was that Hubei Iceman Food Co., Ltd., a subsidiary of the Company, was uncertain whether it could obtain enough taxable income in the future; the reason why deferred income tax assets have not been recognized for deductible losses was that Hainan Hainan Tianye Drinks Food Sales Co. Ltd., Hubei Iceman Food Co., Ltd. and Hubei Tianye Nonggu Biological Technology Co., Ltd., which were subsidiaries of the Company, were uncertain whether they could obtain enough taxable income in the future.

3 Deductible losses for which deferred tax assets are not recognised will be expired in the following year

Year	Closing balance	Opening balance
2018	149,449.48	149,449.48
2019	460,015.88	460,015.88
2020	3,207,535.44	3,207,535.44
2021	6,738,381.86	6,738,381.86
2022	6,857,508.13	
Total	17,412,890.79	10,555,382.66

Note 18. Other non-current assets

Item	Closing balance	Opening balance
Advance payment for Tianye Nonggu Science and Technology Park Project Phase I	50,654,371.69	7,174,407.77
Equipment project payment	519,506.55	
Advance payment for IPO	2,215,306.95	1,562,126.00
Enterprise income tax retained	33,968.38	
Total	53,423,153.57	8,736,533.77

Note 19. Short-term loans

Item	Closing balance	Opening balance
Unsecured loans	36,000,000.00	36,000,000.00
Mortgaged and guaranteed loans	30,000,000.00	45,000,000.00
Total	66,000,000.00	81,000,000.00

Note 1:

As of December 31, 2017, the short-term loan balance was RMB66 million:

1) In July, 2017, the Company signed a Loan Contract ((NZ) J [2017] No. 001) with Beihai Sub-branch of Industrial and Commercial Bank of China for RMB36 million, with a loan period of one year. The mortgaged properties were land use right (HGY (2012) No. 1560), industrial factory buildings and supporting houses (HFQZHPZ No. 017061-017071), and the Maximum Amount Mortgage Contract with the contract number of GYBNZDZ (2013) No. 001 was signed in 2013.

2) In March 2016, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, and Haikou Longhua Sub-branch of Bank of Communications signed a Revolving Loan Contract (QJY (DT) 2017 LDZ No. DC001) for RMB30 million, with the credit period from September 14, 2017 to September 14, 2019, and term of each loan was not longer than 12 months. Guarantee method: mortgage+guarantee; the mortgaged properties were the house (DCZZ No. 0005745 -0005749), the land use right (DAGY (2010) No. 253, DAGY (DC002) No. 23), machinery and equipment, and the mortgage contracts with numbers of QJY (DT) 2017 DZ No. DC001 and QJY (DT) 2017 DZ No. DC002 were signed; and the guarantee contracts with the numbers of QJY (DT) 2017 BZ No. DC001 and QJY (DT) 2017 BZ No. DC002 were signed and the guarantors were Tianye Innovation Corporation and Yao Jiuzhi respectively. The maximum creditor's right amount of the above mortgage guarantee was RMB36 million (RMB thirty-six million only).

Note 2:

As of December 31, 2016, the ending balance of short-term loans was RMB81 million:

1) In June 2016, the Company signed a Loan Contract ((NZ) Z [2016] No. 001) with Beihai Sub-branch of Industrial and Commercial Bank of China for RMB36 million, with a loan period of one year. The mortgaged properties were land use right (HGY (2012) No. 1560), industrial factory buildings and supporting houses (HFQZHPZ No. 017061-017071), and the Maximum Amount Mortgage Contract with the contract number of GYBNZDZ (2013) No. 001 was signed in 2013.

2) In March 2016, Hainan Dachuan Food Co., Ltd., a subsidiary of the company, and Haikou Longhua Sub-branch of Bank of Communications signed a loan contract (QJY (DT) 2016 LDZ No. DC001) of RMB30 million; the loan period was one year and the guarantee method was mortgage+guarantee; the mortgaged properties were house (DCZZ No. 0005745 -0005749), land use rights (DAGY (2010) No. 253, DAGY (2008) No. 23), machinery, equipment and transportation tools; and the mortgage contracts with numbers of QJY (DT) 2016 DZ No. DC001,

QJY (DT) 2016 DZ No. DC002 and QJY (DT) 2016 DZ No. DC003 were signed; and the guarantee contracts with the numbers of QJY (DT) 2016 BZ No. DC001 and QJY (DT) 2016 BZ No. DC002 were signed and the guarantors were the Company and Shan Dan respectively.

3) In June 2016, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, and Wusan Farm Sub-branch of Agricultural Bank of China Co., Ltd. signed a Working Capital Loan Contract (No. 42010120160001864) for RMB5 million a Working Capital Loan Contract (No. 42010120160001872) for RMB10 million, totaling RMB15 million; the loan period was one year and the guarantee method was mortgage+guarantee; the mortgaged properties were the house (JMSFQZQJLZ No. 1000330) and the land use rights (JGY (2012) No. 010005376, JGY (2012) No. 010005336-1), and the Maximum Amount Mortgage Contract with the contract number of NO.42100620160004752 was signed. The guarantee contract with the number of 20160602 was signed and the guarantor was the Company.

Note 20. Accounts payable

1. Accounts payable classified by nature

Item	Closing balance	Opening balance
Material purchase payment	16,518,206.83	13,780,701.50
Payment related to expenses	1,243,499.80	487,928.78
Equipment and project purchase payment	10,186,321.28	3,751,962.55
Others	377,682.34	79,389.78
Total	28,325,710.25	18,099,982.61

2. Significant accounts payable aged over 1 year

Organization name	Closing balance	Relationship with the Company	Reasons for not been repaid or transferred
Xiamen Heguanxin Cryogenic Equipment Co., Ltd.	320,200.01	Non-affiliated party	Uncompleted settlement
Wuhan Sentai Environmental Protection Co., Ltd.	200,000.00	Non-affiliated party	Uncompleted settlement
Jiangsu Kaiyi Intelligent Technology Co., Ltd.	152,413.68	Non-affiliated party	Uncompleted settlement
Nanning Yuebo Industry Co., Ltd.	117,358.04	Non-affiliated party	Uncompleted settlement
Yang Deping	111,300.00	Non-affiliated party	Uncompleted settlement
Total	901,271.73		

Note 21. Advances from customs

1. Disclosure of advances from customs by nature

Item	Closing balance	Opening balance
Payment for goods	4,088,193.01	1,967,071.92
Total	4,088,193.01	1,967,071.92

Other descriptions of advance receipts: During the reporting period, the Company had not important advance receipts with more than one-year aging.

Note 22. Payroll and employee benefits payable

1. Payroll and employee benefits payable

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Short-term benefits	2,321,973.44	29,375,351.87	28,697,766.36	2,999,558.95
Post-employment benefits — defined contribution plan	43,250.52	1,433,814.90	1,434,747.50	42,317.92
Termination benefits		61,950.00	61,950.00	
Total	2,365,223.96	30,871,116.77	30,194,463.86	3,041,876.87

2. Short-term benefits

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	2,204,864.97	27,192,376.19	26,421,266.01	2,975,975.15
Employee welfare	80,517.00	1,125,738.59	1,206,255.59	
Social insurance contributions	23,271.47	701,208.29	702,551.96	21,927.80
Including: basic medical insurance premium	19,512.00	597,844.80	599,048.20	18,308.60
Industrial injury insurance premium	2,448.52	62,011.32	62,110.04	2,349.80
Birth insurance premium	1,310.95	41,352.17	41,393.72	1,269.40
Housing funds	13,320.00	339,348.00	351,012.00	1,656.00
Labor union and employee education costs		16,680.80	16,680.80	
Total	2,321,973.44	29,375,351.87	28,697,766.36	2,999,558.95

3. Defined contribution plan

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Basic pension insurance	41,935.52	1,395,726.62	1,396,595.22	41,066.92
Unemployment insurance	1,315.00	38,088.28	38,152.28	1,251.00
Total	43,250.52	1,433,814.90	1,434,747.50	42,317.92

Note 23. Taxes payable

Tax items	Closing balance	Opening balance
VAT	1,390,801.38	1,656,281.82
Enterprise income tax	1,157,903.30	1,742,343.84
Individual income tax	21,783.73	28,031.95
Urban maintenance and construction tax	64,015.43	82,151.03
Building tax	17,757.88	17,757.87
Land use tax	208,682.73	19,500.00
Education expenses and local surcharges	63,901.93	82,151.02
Stamp duties	3,051.80	59,529.80
Deed tax		2,488,800.00
Total	2,927,898.18	6,176,547.33

Note 24. Other payables

Nature of payment	Closing balance	Opening balance
Miscellaneous project payments	628,965.00	827,115.00
Payment related to expenses	1,601,670.09	702,819.77
Transaction payment	213,495.40	161,145.40
Collection and payment	198,264.94	141,747.23
Social security fund, etc	46,291.32	52,757.03
Others	16,580.00	
Total	2,705,266.75	1,885,584.43

Note 25. Deferred income

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance	Causes
Government subsidy related to assets	67,868,597.70	8,856,278.00	9,067,475.47	67,657,400.23	See Table 1 for details
Government subsidy related to revenues		33,000.00		33,000.00	See Table 1 for details
Total	67,868,597.70	8,889,278.00	9,067,475.47	67,690,400.23	

1. Deferred revenue related to government grants

Item	Opening balance	Amount of subsidy increased in current period	Amount included in the current profits and losses	Other changes	Closing balance	Pertinent to Assets/Income
Financial subsidy for the development of SME in local characteristic industries in 2012	460,000.00		80,000.00		380,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base	538,461.54		215,384.62		323,076.92	Assets related
Infrastructure support subsidies allocated by the government	45,252,116.16		3,644,465.88		41,607,650.28	Assets related
Research and application subsidy project of key technology in coconut milk production stored at room temperature	90,000.00		90,000.00			Revenues related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province		500,000.00	38,461.57		461,538.43	Assets related
Financial support for newly planted fruits	592,000.00		592,000.00			Assets related
Financial subsidy for special fruit planting	1,609,600.00				1,609,600.00	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	18,926,420.00	1,239,386.00	602,415.03		19,563,390.97	Assets related
Technical transformation funds for fruit and vegetable juice pulp production line	400,000.00				400,000.00	Assets related
Special funds for the development of SME in the autonomous region in 2017		1,200,000.00	12,371.13		1,187,628.87	Assets related
Support funds for grain, agriculture and forestry characteristic industries in the autonomous region in 2016		300,000.00			300,000.00	Assets related
Funds for Rural Tourism Construction Project Phase I		800,000.00			800,000.00	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone		4,797,362.00	3,791,726.24		1,005,635.76	Assets related
Subsidies for purchasing agricultural machinery		19,530.00	651.00		18,879.00	Assets related
Research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope)		33,000.00			33,000.00	Revenues related
Total	67,868,597.70	8,889,278.00	9,067,475.47		67,690,400.23	

Note:

As of December 31, 2017, the balance of deferred revenue related to government grants was RMB67,690,400.23:

1. According to GCQ [2012] No. 128 "Notice on Issuing Development Funds for Small and Medium-sized Enterprises in Local Characteristic Industries in 2012" issued by Finance Department of Guangxi Zhuang Autonomous Region, the Company received special funds of RMB800,000 for the development of SME from Hepu County Finance Bureau on October 16, 2012 for fruit and vegetable processing projects, and amortization was divided into 10 years according to the life of asset depreciation.

2. According to NCN [2015] No. 164 "Notice of Nanning Finance Bureau on Appropriating Funds for Agricultural Products Standardization Construction Project in 2015" issued by Nanning Finance Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received a subsidy of RMB700,000.00 for the construction of agricultural products standardization demonstration base from Yongning District Agriculture, Forestry and Water Conservancy Bureau of Nanning City on February 5, 2016 and April 19, 2016 respectively. After the acceptance, the remaining amortization period of productive biological assets was determined to be 39 months.

3. According to the "Letter on Subsidizing Infrastructure Support for Comprehensive Development of Production and Processing of Fruits and Vegetables and Quick-frozen Fruits and Vegetables in Hubei Iceman Foods Co., Ltd." issued by Qujialing Management District of Jingmen City on February 9, 2012, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received a total of RMB61,910,003.68 of government infrastructure support subsidies in 2012 and 2013, with the assets amortization life of 20 years.

4. According to QK [2016] No. 42 "Notice of Hainan Provincial Department of Science and Technology on the Project Approval of 2016 Hainan Provincial Key Research Plan" issued by Hainan Provincial Department of Science and Technology, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, received RMB300,000 of provincial key R&D plan project fund transferred by Hainan Provincial Treasury Payment Bureau in 2016 for the research and application of key technologies for coconut milk production stored at normal temperature. The project period was from January 2016 to December 2017.

5. According to QCQ [2014] No. 2041 *Notice on the Allocation of Funds for the Project Construction of Hainan Export Food and Agricultural Product Quality and Safety Demonstration Zone in 2014* issued by Hainan Provincial Department of Finance, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, received a subsidy fund of RMB500,000.00 for quality and safety demonstration area of export food and agricultural products in Hainan Province on May 14, 2015. The Company amortized this government grant according to the depreciation life of assets.

6. According to the agricultural industrialization development and support work plan of Yongning District, Nanning City in 2015, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received the financial subsidy fund of RMB1,184,000 for newly planted high-quality special fruits from Yongning District Agriculture, Forestry and Water Conservancy Bureau of Nanning City. After the acceptance, the remaining amortization period of productive biological assets was determined to be 14 months.

7. According to the agricultural industrialization development and support work plan of Yongning District, Nanning City in 2016, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received the financial subsidy fund of RMB1,609,600 for newly planted special fruits from Pumiao Town People's Government of Yongning District of Nanning City, which was amortized according to the mature service life of productive biological assets after acceptance.

8. According to the *Interim Measures for Financial Funds to Support Industrial Development in Qujialing Management District*, as of December 31, 2017, the Management Committee of Qujialing Economic Development Zone in Hubei Province had allocated a total of RMB20,165,806 for supporting infrastructure, and the project had not been completed by the end of the reporting period.

9. According to the fixed assets investment plan of Hubei Province in 2016, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received RMB400,000.00 from the Development and Reform Bureau of Qujialing Management District of Jingmen City for technical transformation of fruit and vegetable juice pulp production line. As of the end of the reporting period, the project had not been completed.

10. According to the second batch of special funds for the development of SME in the autonomous region in 2017 (dry and preserved fruit and vegetable processing production line project) in [2017] No. 21 document of Finance Bureau of Hepu County, Guangxi Zhuang Autonomous Region and the document of Finance Department of Guangxi Zhuang Autonomous Region, the Company received a development special fund subsidy of RMB1,200,000 on December 4, 2017, and such grant was amortized according to the depreciation life of assets.

11. According to GCN [2015] No. 226 "Notice on Organizing the Application of Supporting Funds for Food, Agriculture and Forestry Advantageous Industries in the Autonomous Region in 2016" issued by Region Finance Department Document of Guangxi Zhuang Autonomous, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB300,000 of support funds for food, agriculture and forestry advantageous industries in the autonomous region in 2016 from Yongning District Agriculture and Forestry Water Conservancy Bureau of Nanning on September 20, 2017, which was amortized according to the mature service life of productive biological assets after acceptance.

12. According to the "Notice on Printing and Distributing the Implementation Plan for the Construction of Tourist Toilets in Yongning District in 2017" issued by the Office of the People's Government of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB800,000 of fund for Rural Tourism Construction Project Phase I from Nanning Yongning District Cultural Press, Publication and Sports Bureau on December 8, 2017 and December 27, 2017, which was amortized according to the assets depreciation life after acceptance.

13. According to the *Implementation Plan for the Establishment of Yongning Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone* (YBF [2014] No. 44), Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB4,797,362 of fund related to construction of Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone in Yongning District, Nanning City from Yongning District Agriculture and Forestry Water Conservancy Bureau on June 7, 2017. The Company amortized such government grant according to the income and assets.

14. According to YFF [2017] No. 7 "Notice on Issuing the First Batch of Scientific Research and Technology Development Projects (Subjects) in Yongning District, Nanning City" issued by the Finance Bureau of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB33,000 of fund for research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope) from the Treasury Centralized Payment Center in Yongning District, Nanning City on December 5, 2017; such fund was included in the current profits and losses after acceptance.

15. According to the document "Notice of the Office of the Agricultural Department of Hubei Province on the Implementation of Agricultural Machinery Purchase Subsidy in 2017" issued by the Office of the Agricultural Department of Hubei Province, Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a subsidiary of the Company, received a subsidy of RMB19,530 for purchase of agricultural machinery from the Agricultural Water Bureau of Qujialing Management District of Jingmen City on December 11, 2017, and the company amortized this government grant according to the depreciation life of assets.

Note 26. Share Capital

		Changes in the current period, increase (+) and decrease (-)					
Item	**Opening balance**	**New shares issued**	**Share donation**	**Capitalization of capital reserve**	**Others**	**Subtotal**	**Closing balance**
Number of shares	240,000,000.00						240,000,000.00

Note 27. Capital reserves

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Capital premium	244,109,726.71			244,109,726.71
Other capital reserves	2,190,367.24			2,190,367.24
Total	246,300,093.95			246,300,093.95

Note 28. Other comprehensive income

Item	Opening balance	Amount of current period: Incurred amount before income tax of current period	Less: transferring other comprehensive income recorded in the previous period into the losses and profits of current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
I. Other comprehensive incomes that will be reclassified into profit or loss in the future							
The share of other comprehensive incomes that will be reclassified into profit and loss in future accounting period of the investee accounted by the equity method	-2,440,350.00	2,871,000.00		430,650.00	2,440,350.00		
Total amount of other comprehensive incomes	-2,440,350.00	2,871,000.00		430,650.00	2,440,350.00		

Note 29. Surplus reserve

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Statutory surplus reserves	9,869,750.20	653,536.20		10,523,286.40
Total	9,869,750.20	653,536.20		10,523,286.40

Note:

The surplus reserve refers to the statutory surplus reserve accrued according to 10% of the net profit of the parent company.

Note 30. Undistributed profits

Changes in undistributed profits

Item	Amount	Proportion of withdrawal or allocation *(%)*
Undistributed profits at the end of last year before adjustment	168,440,367.51	—
Total undistributed profit at the beginning of adjustment (increase +, decrease -)		—
Undistributed profits at the beginning of the period after adjustment	168,440,367.51	—
Add: net profit attributable to owner of parent company in current period	42,082,668.58	—
Less: withdrawal of statutory surplus reserves	653,536.20	According to 10% of the parent company's net profit
Withdrawal of discretionary surplus reserves		
Common stock dividends payable		
Common stock dividends converted into share capital		
Other distributions to shareholders		
Other profits distribution		
Other internal carry-over of owner's equity		
Undistributed profits at the end of the period	209,869,499.89	

Note 31. Operating incomes and operating costs

1. Operating income, operating expenses

	Amount of current period		Amount of last period	
Item	Revenue	Cost	Revenue	Cost
Principal operating activities	202,888,674.85	126,895,163.45	220,930,657.77	132,649,169.53
Others	244,650.00	221,862.60		
Total	203,133,324.85	127,117,026.05	220,930,657.77	132,649,169.53

2. *Principal operating activities (by products)*

Product name	Amount of current period Operating income	Amount of current period Operating cost	Amount of last period Operating income	Amount of last period Operating cost
Raw fruit juice	104,616,357.55	64,460,536.48	127,792,486.28	77,963,134.12
Quick-frozen fruit and vegetable	50,202,394.78	32,897,826.68	47,506,602.05	34,142,347.02
Fresh fruit	29,909,081.72	14,080,122.30	37,216,565.00	14,341,144.80
Others	18,160,840.80	15,456,677.99	8,415,004.44	6,202,543.59
Total	202,888,674.85	126,895,163.45	220,930,657.77	132,649,169.53

3. *Operating income of the top five customers of the Company*

Customer	Amount of operating income in 2017	Proportion in the Company's total operating income (%)
Fresh Fruit Juice *(Note)*	16,319,181.04	8.03
Shandong Yipintang Industrial Co., Ltd.	12,289,805.09	6.05
Nongfu Spring *(Note)*	11,964,827.72	5.89
Zhumadian Yuliang Biological Technology Co., Ltd.	7,669,572.65	3.78
Wahaha *(Note)*	7,017,175.19	3.45
Total	55,260,561.69	27.20

Customer	Amount of operating income in 2016	Proportion in the Company's total operating income (%)
Shandong Yipintang Industrial Co., Ltd.	19,606,341.92	8.87
Fresh Fruit Juice *(Note)*	12,796,214.17	5.79
Inter Free Business Co.,Ltd	12,205,880.39	5.52
Guangzhou Dajiangyuan Food Technology Co., Ltd.	9,111,390.26	4.12
Wuhan Lianlianniu Fruit Industry Co., Ltd.	8,593,553.30	3.89
Total	62,313,380.04	28.19

Note: Fresh Fruit Juice, Nongfu Spring and Wahaha customers implemented centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 32. Taxes and surcharges

Taxes	Amount of current period	Amount of last period
Urban construction tax	546,203.12	566,082.64
Educational surcharges	327,699.58	339,640.83
Local educational surcharges	218,258.16	225,765.94
Stamp duties	185,120.90	55,874.09
Building tax	582,154.47	333,670.80
Land use tax	338,574.07	80,644.95
Other taxes and costs	4,848.60	850.00
Total	2,202,858.90	1,602,529.25

Note 33. Selling expenses

Item	Amount of current period	Amount of last period
Warehousing and logistics expenses	7,527,043.21	5,943,659.34
Labor expenses	713,394.17	791,540.99
Advertising and promotion expenses	239,399.48	348,434.58
Others	468,975.93	320,409.10
Total	8,901,681.64	7,404,044.01

Note 34. General and administration expenses

Item	Amount of current period	Amount of last period
Labor expenses	8,407,099.14	7,566,700.08
R&D expenditures	2,079,226.92	6,428,280.00
Office expense	1,977,388.51	2,093,586.94
Depreciation and amortization	8,758,326.75	7,807,602.17
Agency service expenses	2,331,716.36	1,515,694.37
Business reception expenses	877,018.79	1,072,403.58
Traveling expenses	1,213,128.49	845,970.22
Taxes	105,412.74	464,911.64
Others	1,061,725.91	1,009,826.89
Total	26,811,043.61	28,804,975.89

Note 35. Financial expenses

Item	Amount of current period	Amount of last period
Interest expense	3,261,961.98	3,406,617.24
Less: interest revenue	822,098.71	653,328.88
Net income and loss from exchange	66,625.45	-304,738.20
Others	33,163.02	26,597.17
Total	2,539,651.74	2,475,147.33

Note 36. Losses of asset impairment

Item	Amount of current period	Amount of last period
Bad-debt loss	-136,610.41	560,812.87
Impairment loss on fixed assets	52,940.40	356,910.61
Impairment loss on construction in progress		265,943.86
Impairment loss on goodwill	2,749,838.60	
Total	2,666,168.59	1,183,667.34

Note 37. Investment revenue

1. Details of investment revenue

Source of investment revenue	Amount of current period	Amount of last period
Income from long-term equity investments under equity method	1,152,130.51	573,569.35
Bank financing revenue		2,153,943.92
Total	1,152,130.51	2,727,513.27

Note: The long-term equity investment revenue accounted by the equity method is the revenue that the Company should enjoy from the investment in Tianjin Fangfu Tianye Investment Center (Limited Partnership) according to the share agreed in the partnership agreement.

2. Description of investment revenue

During the reporting period, there was no significant restriction on the repatriation of investment revenue of the Company.

Note 38. Assets disposal income

Item	Amount of current period	Amount of last period
Profits and losses from disposal of biological assets		-779,705.06
Loss on disposal of fixed assets	42,750.85	
Intangible asset disposal profit and loss	26,382.87	
Total	69,133.72	-779,705.06

Note 39. Other incomes

1. Details of other incomes

Item	Amount of current period	Amount of last period
Government grants	9,774,455.20	
Total	9,774,455.20	

2. Governmental grants recorded into other income

Item	Amount of current period	Amount of last period	Assets related Revenues related
Financial subsidy for the development of SME in local characteristic industries in 2012	80,000.00		Assets related
Subsidy for the construction of agricultural product standardization demonstration base	215,384.62		Assets related
Infrastructure support subsidies allocated by the government	3,644,465.88		Assets related
Research and application subsidy project of key technology in coconut milk production stored at room temperature	90,000.00		Assets related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	38,461.57		Assets related
Financial support for newly planted fruits	592,000.00		Assets related
Special funds for the development of SME in the autonomous region in 2017	12,371.13		Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	3,791,726.24		Assets related
Subsidies for purchasing agricultural machinery	651.00		Assets related
Environmental impact assessment subsidy	61,500.00		Revenues related
Grants for stable position	46,542.00		Revenues related
Special funds subsidy for foreign trade and economic development	40,000.00		Revenues related

Item	Amount of current period	Amount of last period	Assets related Revenues related
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	160,000.00		Revenues related
Support funds for enterprises listed in 2017	1,000,000.00		Revenues related
Others	1,352.76		Revenues related
Total	9,774,455.20		

Note 40. Non-operating income

Item	Amount of current period	Amount of last period
Total disposal gains from non-current assets		
Including: gains from disposal of fixed assets		
Gains on disposal of intangible assets		
Government grants		7,887,080.92
Others	33.98	279,921.44
Total	33.98	8,167,002.36

1. Amount included in non-recurring profits and losses of each period

Item	Amount of current period	Amount of last period
Total disposal gains from non-current assets		
Including: gains from disposal of fixed assets		
Gains on disposal of intangible assets		
Government subsidies		7,887,080.92
Others	33.98	279,921.44
Total	33.98	8,167,002.36

2. Government grants included in current profits and losses

Subsidy item	Amount of current period	Amount of last period	Pertinent to Assets/Income
Special funds for foreign trade and economic development subsidies for logistics projects outside the region		100,000.00	Revenues related
Special funds subsidy for foreign trade and economic development		300,000.00	Revenues related
Awards and subsidies for high-tech enterprises		50,000.00	Revenues related
Financial subsidy for the development of SME in local characteristic industries in 2012		80,000.00	Assets related
Logistics support funds		40,000.00	Revenues related
Grants for stable position		26,268.50	Revenues related
Major special fund subsidies for agricultural science and technology poverty alleviation		600,000.00	Revenues related
Subsidies for "Three Products and One Mark" certification registration		18,000.00	Revenues related
Financial subsidy funds for newly planted high-quality special fruits		592,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base		161,538.46	Assets related
Infrastructure support subsidies		3,688,882.48	Assets related
Research and application subsidy project of key technology in coconut milk production stored at room temperature		210,000.00	Revenues related
Incentive funds for agricultural brand development		250,000.00	Revenues related
Special funds for intellectual property rights of innovation guidance plan		14,000.00	Revenues related
Exemption of property tax and land use tax		1,756,391.48	Revenues related
Total		7,887,080.92	

Note 41. Non-operating expenses

Item	Amount of current period	Amount of last period
Donation outlay	5,000.00	61,000.00
Penalties and fines for delaying payment	7,307.88	57,016.64
Scrap loss of current assets	546,784.81	
Scrap loss of non-current assets	149,897.74	
Natural disaster loss		3,122,337.81
Others		
Total	708,990.43	3,240,354.45

1. The amounts included in the non-recurring profits and losses of each period are listed as follows:

Item	Amount of current period	Amount of last period
Donation outlay	5,000.00	61,000.00
Penalties and fines for delaying payment	7,307.88	57,016.64
Scrap loss of current assets	546,784.81	
Scrap loss of non-current assets	149,897.74	
Natural disaster loss		3,122,337.81
Total	708,990.43	3,240,354.45

Note 42. Income tax expense

Item	Amount of current period	Amount of last period
Current tax expenses	1,332,105.39	3,203,507.03
Deferred income tax expense	-233,116.67	2,333,401.65
Total	1,098,988.72	5,536,908.68

1. Reconciliation of income tax expenses to the accounting profit

Item	Amount of current period	Amount of last period
Total profits	43,181,657.30	53,685,580.54
Income tax expense calculated at statutory/applicable tax rate	5,435,257.60	9,204,056.09
Effect of different tax rates applicable to subsidiaries	2,854,156.07	3,204,915.30
Effect of adjustment to income tax of prior periods	-352,447.59	48,607.81
Effect of non-taxable income	-10,444,082.90	-10,157,950.55
Effect of non-deductible costs, expenses and losses	1,899,251.13	1,238,678.05
Effect of using deductible losses for which deferred tax assets were previously not recognised		
Effect of deductible temporary differences or deductible losses unrecognized in the current period	1,706,854.41	1,998,601.98
Income tax expense	1,098,988.72	5,536,908.68

Note 43. Notes to items of cash flow statement

1. Cash received relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	130,836.60	1,143,700.00
Government grants	1,518,000.00	1,098,268.50
Credit interest	822,098.71	653,328.88
Total	2,470,935.31	2,895,297.38

2. Cash paid relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	884,280.84	1,142,185.69
Cash payment	13,373,147.99	17,452,860.58
Reserve fund	590,449.61	300,100.00
Total	14,847,878.44	18,895,146.27

3. Cash received relating to other investment activities

Item	Amount of current period	Amount of last period
Other investment funds		3,000,000.00
Total		3,000,000.00

4. Cash received relating to other financing activities

Item	Amount of current period	Amount of last period
Government subsidies	8,856,278.00	23,620,020.00
Total	8,856,278.00	23,620,020.00

5. Cash paid relating to other financing activities

Item	Amount of current period	Amount of last period
IPO expenses	2,253,547.26	1,562,126.00
Total	2,253,547.26	1,562,126.00

Note 44. Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary materials	Amount of current period	Amount of last period
1. Cash flows converted from net profits for business operation activities:		
Net Profit	42,082,668.58	48,148,671.86
Add: provision for asset impairment	2,666,168.59	1,183,667.34
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	20,173,396.83	25,330,270.37
Amortization of intangible assets	1,847,237.60	1,288,559.27
Amortization of long-term deferred expenses	4,517,660.52	5,317,356.97
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by "-")	80,764.02	779,705.06
Losses on retirement of fixed assets (gain is indicated by "-")		
Loss on changes in fair value (gain is indicated by "-")		

Supplementary materials	Amount of current period	Amount of last period
Financial expenses (gain is indicated by "-")	3,471,919.98	3,406,617.24
Losses arising from investments (gain is indicated by "-")	-1,152,130.51	-2,727,513.27
Decrease in deferred tax assets (increase is indicated by "-")	451,898.72	2,333,401.65
Increase in deferred tax liabilities (decrease is indicated by "-")		
Decrease in inventory (increase is indicated by "-")	-7,794,899.72	-1,135,031.61
Decrease in receivables from operating activities (increase is indicated by "-")	4,778,333.31	-6,807,681.49
Increase in payables from operating activities (decrease is indicated by "-")	-5,508,656.99	-8,253,696.78
Others		
Net cash flows from operating activities	65,614,360.93	68,864,326.61
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 acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	211,052,482.61	325,379,442.47
Less: opening balance of cash	325,379,442.47	325,835,660.14
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalent		
Net increase in cash and cash equivalents	-114,326,959.86	-456,217.67

2. Composition of cash and cash equivalent

Item	Amount of current period	Amount of last period
I. Cash	211,052,482.61	325,379,442.47
Including: cash on hand	17,127.50	34,280.72
Bank deposit ready for payment at any time	211,035,355.11	325,345,161.75
Other monetary fund ready for payment at any time		
II. Cash equivalents		
Including: bond investments due in three months		
III. Closing balance of cash and cash equivalents	211,052,482.61	325,379,442.47
Including: restricted cash and cash equivalents used by parent company or subsidiaries		

Note 45. Assets with restricted ownership or right of use

Item	Closing book value	Reasons for being restricted
Fixed assets	36,087,876.20	Mortgage loan
Intangible assets	12,929,951.32	Mortgage loan
Total	49,017,827.52	

Note: Please refer to Note VI "Note 19 Short-term loan" for details of mortgage loan.

Note 46. Government grants

1. Basic information of government grants initially recognized in this period

		Assets related		Revenues related				
Subsidy item	Amount	Deferred income	Offset of the book value of assets	Deferred income	Other incomes	Non-operating income	Amount for cost offset	Actually received?
Financial subsidy for the development of SME in local characteristic industries in 2012	80,000.00	80,000.00						Yes
Subsidy for the construction of agricultural product standardization demonstration base	215,384.62	215,384.62						Yes
Infrastructure support subsidies allocated by the government	3,644,465.88	3,644,465.88						Yes
Research and application subsidy project of key technology in coconut milk production stored at room temperature	90,000.00			90,000.00				Yes
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	38,461.57	38,461.57						Yes
Financial support for newly planted fruits	592,000.00	592,000.00						Yes
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	602,415.03			602,415.03				
Special funds for the development of SME in the autonomous region in 2017	12,371.13	12,371.13						Yes
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	3,791,726.24	3,791,726.24						Yes
Subsidies for purchasing agricultural machinery	651.00	651.00						Yes
Environmental impact assessment subsidy	61,500.00				61,500.00			Yes
Grants for stable position	46,542.00				46,542.00			Yes
Special funds subsidy for foreign trade and economic development	40,000.00				40,000.00			Yes
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	160,000.00				160,000.00			Yes
Support funds for enterprises listed in 2017	1,000,000.00				1,000,000.00			Yes
Loan with discounted interest	209,958.00						209,958.00	Yes
Others	1,352.76				1,352.76			Yes
Total	10,586,828.23	8,375,060.44		692,415.03	1,309,394.76		209,958.00	

2. *Government grants included in current profits and losses*

Subsidy item	Type	Included in other revenues	Included in asset disposal income	Amount for cost offset
Financial subsidy for the development of SME in local characteristic industries in 2012	Financial appropriation	80,000.00		
Subsidy for the construction of agricultural product standardization demonstration base	Financial appropriation	215,384.62		
Infrastructure support subsidies allocated by the government	Financial appropriation	3,644,465.88		
Research and application subsidy project of key technology in coconut milk production stored at room temperature	Financial appropriation	90,000.00		
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	Financial appropriation	38,461.57		
Financial support for newly planted fruits	Financial appropriation	592,000.00		
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	Financial appropriation		602,415.03	
Special funds for the development of SME in the autonomous region in 2017	Financial appropriation	12,371.13		
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	Financial appropriation	3,791,726.24		
Subsidies for purchasing agricultural machinery	Financial appropriation	651.00		
Environmental impact assessment subsidy	Financial appropriation	61,500.00		
Grants for stable position	Financial appropriation	46,542.00		
Special funds subsidy for foreign trade and economic development	Financial appropriation	40,000.00		
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	Financial appropriation	160,000.00		
Support funds for enterprises listed in 2017	Financial appropriation	1,000,000.00		
Loan with discounted interest	Financial discount			209,958.00
Others	Others	1,352.76		
Total		9,774,455.20	602,415.03	209,958.00

VII. CHANGES OF THE SCOPE OF CONSOLIDATION

(I) Business combination involving entities not under common control

During the reporting period, there was no business combination involving entities not under common control.

(II) Business combination involving entities under common control

During the reporting period, there was no business combination under common control.

(III) Reverse acquisition

During the reporting period, there was no reverse acquisition.

(IV) Disposal of subsidiaries

During the reporting period, the Company did not dispose of its subsidiaries.

(V) Changes in the consolidation scope due to other reasons

In 2017, the scope of consolidation of the Company increased by one subsidiary. On May 3, 2017, Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a wholly-owned subsidiary of the Company, was established with a registered capital of RMB5 million and enterprise credit code of 91420800MA48YQM754 and legal representative of Shan Dan.

VIII. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Acquisition method
Hainan Dachuan Food Co., Ltd.	Ding'an, Hainan	Ding'an, Hainan	Processing and sales of agricultural products	100.00		Business combination not under the same control
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Nanning, Guangxi	Nanning, Guangxi	Agricultural planting and sales, technology R&D promotion and achievement transfer	100.00		Established through investment
Hainan Tianye Drinks Food Sales Co. Ltd.	Ding'an, Hainan	Ding'an, Hainan	Sales of fruit food and drink	100.00		Established through investment
Hubei Iceman Foods Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Processing and sales of agricultural products	100.00		Business combination not under the same control
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	R&D, production and sales of agricultural products	100.00		Established through investment

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Acquisition method
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Agricultural planting and sales	100.00		Established through investment

(II) Equity in associates

1. *Significant associates*

(1) General information

Name of associates	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Accounting treatment for associates
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	Tianjin	Tianjin	Investment in modern agriculture, food industry, commercial chain industry and mobile internet industry; investment consulting.	99.00		Equity method

(2) Explanation that the shareholding ratio in the associated enterprise is different from the voting right ratio

Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership. According to the partnership agreement, Tianjin Fangfu Tianye Investment Center (Limited Partnership) has set up an Investment Decision-making Committee, which consists of five members, including four representatives appointed by the general partner and one member elected by the limited partner. Investment Decision-making Committee is responsible for the final decision-making of partnership investment, and the investment decision-making can only be implemented by unanimous approval of all members. The resolutions of the Investment Decision-making Committee shall be implemented by the general partner and shall be legally binding on the partnership enterprise. The voting system of the Investment Decision-making Committee is one vote for one person, and the Investment Decision-making Committee shall implement the related party avoidance voting system in the process of investment decision-making. Therefore, the voting ratio of the Company to Tianjin Fangfu Tianye Investment Center (Limited Partnership) is different from the shareholding ratio.

2. *Main financial information of important associates*

Item	December 31, 2017/2017 Tianjin Fangfu Tianye Investment Center (Limited Partnership)	December 31, 2016/2016 Tianjin Fangfu Tianye Investment Center (Limited Partnership)
Current assets	11,171,023.56	14,275,470.66
Non-current assets	29,200,000.00	33,800,000.00
Total assets	40,371,023.56	48,075,470.66
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority shareholders' equity		
Shareholder's equity attributable to the parent company	40,371,023.56	48,075,470.66
Net asset share calculated in accordance with shareholding ratio	39,967,313.32	47,594,715.95
Adjustment items		
— Goodwill		
— Unrealized profits in internal transaction		
— Others	-340,174.47	21.00
Book value of equity investment in associated enterprises	39,627,138.8	47,594,736.95
Fair value of equity investment with public offer		
Operating income		
Net Profit	1,395,552.90	579,362.98
Net profits under discontinued operation		
Other comprehensive income	4,810,000.00	-4,810,000.00
Total comprehensive income	6,205,552.90	-4,230,637.02
Dividends received from associated enterprises in the current period		

Note: According to the partnership agreement, the investment revenue of Tianjin Fangfu Tianye Investment Center (Limited Partnership) is distributed according to individual project, and the investment revenue of individual projects = the profit distribution part of the investee + the revenue realized by the investee, assets or shares through listing, resale, secondary acquisition, etc. — the investment cost of individual project; loss sharing: (1) If the amount of loss incurred due to normal investment matters is not greater than the actual contribution of the partner, the loss shall be borne according to the actual contribution ratio of the partner. (2) If the loss incurred due to normal investment matters is greater than the actual contribution of the partners, it shall be borne by the general partners, unless otherwise agreed by all partners. (3) All losses due to reasons other than normal investment matters shall be borne by the general partner, unless otherwise agreed by all partners.

IX RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and bears the ultimate responsibility for them. The management manages and monitors these risks to ensure that the risks are controlled within a limited range. The Company's main financial instruments include notes receivable, accounts receivable, accounts payable, loans, etc. Please refer to the relevant items in this note for details of various financial instruments. The risks related to these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows:

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

The objective of risk management of the Company is to strike a proper balance between risks and benefits, reduce the negative impact of risks on the operating performance of the Company to the lowest level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze various risks faced by the company, establish an appropriate risk tolerance bottom line, supervise various risks in a timely and reliable manner, and formulate risk management policies to reduce risks as much as possible without excessively affecting the competitiveness and resilience of the Company.

(I) Credit risk

The credit risk of the Company mainly comes from monetary funds, notes receivable, accounts receivable and other receivables. The management has formulated appropriate credit policies and continuously monitored the exposure of these credit risks.

The monetary funds held by the Company are mainly deposited in large commercial banks and other financial institutions, and the management thinks that these commercial banks have high reputation and asset status and low credit risk.

For notes receivable, accounts receivable and other receivables, the Company sets relevant policies to control credit risk exposure. The Company evaluates the customer's credit qualification and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantee from a third party, credit history and other factors such as the current market situation. The Company will regularly monitor customer credit records to ensure that the overall credit risk of the Company is within the controllable range.

As of December 31, 2017, the accounts receivable of the top five customers of the Company accounted for 37.49% of the total accounts receivable of the Company. The maximum credit exposure of the Company is the book value of each financial asset in the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

(II) Liquidity risk

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

In order to control this risk, the Company comprehensively uses various financing means such as bank loans and adopts a combination of long-term and short-term financing to optimize the financing structure and maintain the continuity and flexibility of financing. The Company has obtained bank credit lines from a number of banks to meet working capital requirements and capital expenditure.

As of December 31, 2017, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Closing balance			
Item	Net book amount	Original book value	<1 year	1-2 years	2-3 years	>3 years
Monetary funds	211,052,482.61	211,052,482.61	211,052,482.61			
Accounts receivable	54,959,777.56	57,944,561.81	56,196,638.71	1,747,523.10		400.00
Other receivables	1,002,578.02	1,178,373.54	888,161.66	14,380.69	204,831.19	71,000.00
Subtotal	267,014,838.19	270,175,417.96	268,137,282.98	1,761,903.79	204,831.19	71,400.00
Short-term loans	66,000,000.00	66,000,000.00	66,000,000.00			
Accounts payable	28,325,710.25	28,325,710.25	25,677,009.01	1,285,274.95	531,005.03	832,421.26
Other payables	2,705,266.75	2,705,266.75	1,918,180.90	506,863.22	114,510.00	165,712.63
Subtotal	97,030,977.00	97,030,977.00	93,595,189.91	1,792,138.17	645,515.03	998,133.89

As of December 31, 2016, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Opening balance			
Item	Net book amount	Original book value	<1 year	1-2 years	2-3 years	>3 years
Monetary funds	325,379,442.47	325,379,442.47	325,379,442.47			
Accounts receivable	55,869,238.59	58,810,392.20	58,799,792.20	10,080.00	520.00	
Other receivables	2,968,451.98	3,324,488.55	514,245.81	2,729,742.74	14,500.00	66,000.00
Subtotal	384,217,133.04	387,514,323.22	384,693,480.48	2,739,822.74	15,020.00	66,000.00
Short-term loans	81,000,000.00	81,000,000.00	81,000,000.00			
Accounts payable	18,099,982.61	18,099,982.61	15,039,127.28	1,578,456.18	752,819.43	729,579.72
Other payables	1,885,584.43	1,885,584.43	1,465,561.58	254,350.22	20,690.00	144,982.63
Subtotal	100,985,567.04	100,985,567.04	97,504,688.86	1,832,806.40	773,509.43	874,562.35

(III) Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to the change of market price, which mainly includes foreign exchange risk and interest rate risk.

1. Foreign exchange risk

During the reporting period, the Company's operations gradually faced foreign countries, and its export business was mainly settled in US dollars. The foreign currency assets and liabilities and future foreign currency transactions (the foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) recognized by the Company have foreign exchange risks. The financial department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the foreign exchange risks faced; therefore, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risks.

(1) The Company has not signed any forward foreign exchange contracts or currency swap contracts this year;

(2) As of December 31, 2017, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is as follows:

	Closing balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	1,378,205.09			1,378,205.09
Subtotal	1,378,205.09			1,378,205.09

	Opening balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	571,828.91			571,828.91
Subtotal	571,828.91			571,828.91

2. Interest rate risk

The Company's interest rate risk is mainly caused by the financial liabilities with floating interest rate of bank loans, which make the Company face cash flow interest rate risk, while the financial liabilities with fixed interest rate make the Company face fair value interest rate risk. The Company determines the relative proportion of fixed and floating interest rate contracts based on the prevailing market environment.

The financial department of the Company continuously monitors the interest rate level of the Company. Rising interest rate will increase the cost of newly added interest-bearing debt and the interest expense of the company's unpaid interest-bearing debt with floating interest rate, and will have a significant adverse impact on the Company's financial performance. The management will make timely adjustments according to the latest market conditions, which may be the arrangement of interest rate swap to reduce interest rate risk.

(1) During the reporting period, the Company had no interest rate swap arrangement.

X. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(I) Financial instruments measured at fair value

As of December 31, 2017, the Company had no financial instruments measured at fair value.

(II) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include monetary funds, notes receivable, receivables, short-term loans, payables, non-current liabilities due within one year and long-term loans.

The difference between book value and fair value of above financial assets and financial liabilities of the Company not measured at fair value is very small.

XI. RELATED PARTIES AND TRANSACTIONS

(I) Actual controller of the Company

Name of the company or natural person	Related relationship	Organization code or ID number	Shareholding ratio to the Company (%)	Voting right ratio to the Company (%)
Yao Jiuzhi	One of the actual controllers	44522219710503****	17.7171	17.7171
Yao Linhao	One of the actual controllers	44522219670725****	3.3333	3.3333
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by Yao Jiuzhuang	915328223096945813	4.1667	4.1667
Yao Jiuzhuang	One of the actual controllers	44522219680626****		

Notes:

1. The above shareholding ratio is the shareholding ratio as of December 31, 2017.

2. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang are the actual joint controllers of the Company. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang signed the *Concerted Action Agreement* on September 26, 2012, in which the three parties agreed to jointly exercise major decision-making power as concerted action party. If the three parties could not reach an agreement on the matters under consideration, Yao Jiuzhi's opinion and voting intention shall prevail.

(II) See Note VII (I) "Interests in subsidiaries" for details of subsidiaries of the Company

(III) Information on the Company's associated enterprises

See Note VIII (II) "Interests in associated enterprises" for details of important associated enterprises of the Company.

(IV) Other related parties

Names of other related parties	Relationship between other related parties and the Company
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Shan Dan	Directors, general managers and shareholders
Hainan Jiaozhen Biological Technology Co., Ltd.	Company in which the actual controllers participate
Beijing Jiaozhen Biological Technology Co., Ltd.	Subsidiary controlled by the company in which the actual controllers participate

Note: Yao Jiuzhi, the actual controller, Zhang Hui, the senior executive and Li Ruiqi, the shareholder of the company have transferred all their shares in Hainan Jiaozhen Biological Technology Co., Ltd. to an unrelated third party, and handled the industrial and commercial registration formalities on November 3, 2016.

(V) Related parties' transactions

1. For the subsidiaries under control relationship and included in the scope of consolidated financial statements, the transactions among them and their parent companies have been offset.

2. Related transactions by selling products and providing labors

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Beijing Jiaozhen Biological Technology Co., Ltd.	Juice		453,600.00
Beijing Jiaozhen Biological Technology Co., Ltd.	Raw and auxiliary materials		54,831.00
Total			508,431.00

3. Related transactions on purchase of goods and labor service acceptance

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Beijing Jiaozhen Biological Technology Co., Ltd.	Fruit juice beverage		262,080.00
Total			262,080.00

4. Related guarantee

The Company as the warrantee

Guarantor	Amount guaranteed	Start date of guarantee	Expiring date of guarantee	Guarantee performed fully or not
Shan Dan	36,000,000.00	31.03.2016	Two years from the expiration of the debt performance period	No

Note: In March 2016, Ms. Shan Dan, the director and general manager of the Company, signed a guarantee contract ((DT) 2016 BZ No. DC002) with Haikou Longhua Sub-branch of Bank of Communications for providing joint liability guarantee for the loan contract ((DT) 2016 LDZ No. DC001) of RMB3,000 signed by Hainan Dachuan Food Co., Ltd. (a subsidiary of the Company) and Haikou Longhua Sub-branch of Bank of Communications; the scope of guarantee includes principal, interest, compound interest, penalty interest, liquidated damages, compensation for damage and expenses for realizing creditor's rights under the main contract.

XII. SHARE-BASED PAYMENT

During the reporting period, no matters related to share-based payment occurred in the Company.

XIII. COMMITMENTS AND CONTINGENCIES

(I) Major commitments

1. The signed lease contracts being or to be performed and their financial impact

(1) Since 2013, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, has successively signed land lease agreements with villagers in Guangliang Village, Pumiao Town, Yongning District, Nanning City; (2) In 2013, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, signed a land lease agreement with Zhangchou Village Committee of Qujie Town, Xuwen County, Guangdong Province; (3) In 2017, Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a subsidiary of the Company, signed a land lease agreement with Heji Office in Qujialing Management District of Jingmen City for planting. Details of the aforementioned contracts are as follows:

Lessor	Land location	Contract or subcontract period	Land area (mu)	Contract amount	Payment method of rent
Villagers in Guangliang Village	Guangliang Village, Pumiao Town, Yongning District, Nanning City	10 years/ 13 years/ 16 years/ 25 years/ 39 years	9,406.85	The rent is RMB520/mu/year and paid once every four years, which is implemented according to the contract	4-year period and 5-year period
Zhangchou Village Committee of Qujie Town, Xuwen County, Guangdong Province	Collective land of Zhangchou Village Committee of Qujie Town, Xuwen County	10 years	300.00	3,180,000.00 (annually)	Annually
Heji Office in Qujialing Management District of Jingmen City	Wangtai Team of Heji Office	19 years	559.00	In the first four years, the rent is RMB627.90 per mu and increases by 2% every year since the fifth year	Annually

Except for the above commitments, as of December 31, 2017, the Company had no other major commitments that should be disclosed but not disclosed.

(II) Contingencies at the balance sheet date

As of December 31, 2017, there were no major contingencies that need to be disclosed by the Company.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

(I) Important non-adjustment events

Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, suffered a major flood in July 2016, which caused the inventory of Hubei Iceman Foods Co., Ltd. to be damaged and its equipment and houses to be soaked in water. The Company decided to stop the production and operation of Hubei Iceman Foods Co., Ltd. As of the reporting date of this financial statement, Hubei Iceman Foods Co., Ltd. was still in a state of suspension of production.

On March 20, 2018, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, and Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. signed an asset acquisition framework agreement. According to the agreement, Hubei Iceman Foods Co., Ltd. plans to transfer the land and factory buildings (with price no less than RMB47 million) to Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. As of the reporting date of this financial statement, the sale of assets of Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, was still under further transaction as of the reporting date of this financial statement.

XV. OTHER IMPORTANT EVENTS

(I) Events not yet contributed by the associated enterprises

According to the partnership agreement of Tianjin Fangfu Tianye Investment Center (Limited Partnership), Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership.

At the end of 2016, the company actually contributed RMB50.7 million, accounting for 99.00% of the actual contribution, and Beijing Fangfu Capital Management Co., Ltd. actually contributed RMB512,100, accounting for 1.00% of the actual contribution. The partnership agreement did not stipulate the subscription period. According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2017, it is agreed to refund the Company's investment of RMB12 million. As of the reporting date of this financial statement, the Company has actually contributed RMB38.7 million, with RMB60.3 million to be contributed.

XVI. NOTES TO MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1. Accounts receivable

1. Disclosure of accounts receivable by category

Category	Closing balance Book balance Amount	Proportion (%)	Bad-debt provision Amount	Proportion (%)	Book value
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	24,053,072.32	100.00	1,159,400.06	4.82	22,893,672.26
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	22,273,518.17	92.60	1,159,400.06	5.21	21,114,118.11
Accounts receivable not withdrawing bad-debt provision	1,779,554.15	7.40			1,779,554.15
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	24,053,072.32	100.00	1,159,400.06	4.82	22,893,672.26

Category	Opening balance Book balance Amount	Proportion (%)	Bad-debt provision Amount	Proportion (%)	Book value
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	23,195,242.20	100.00	1,159,762.11	5.00	22,035,480.09
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	23,195,242.20	100.00	1,159,762.11	5.00	22,035,480.09
Accounts receivable not withdrawing bad-debt provision					
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	23,195,242.20	100.00	1,159,762.11	5.00	22,035,480.09

(1) Receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	21,359,035.17	1,067,951.76	5.00
1-2 years	914,483.00	91,448.30	10.00
Total	22,273,518.17	1,159,400.06	4.82

Aging	Opening balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	23,195,242.20	1,159,762.11	5.00
1-2 years			
2-3 years			
3-4 years			
4-5 years			
>5 years			
Total	23,195,242.20	1,159,762.11	5.00

(2) Accounts receivable not withdrawing bad-debt provision in combination

Organization name	Closing balance Accounts receivable	Bad-debt provision	Proportion (%)	Reason for withdrawal
Hainan Dachuan Food Co., Ltd.	1,369,819.85			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hainan Tianye Drinks Food Sales Co. Ltd.	409,734.30			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	1,779,554.15			

2. Provision, recovery or reversal and write-off of provision for bad-debt in current period

In this period, the provision for bad debts of accounts receivable is RMB362.05.

3. There is no write-off of accounts receivable in current period.

4. Top five accounts receivable based on debtors

Organization name	Closing balance	Proportion in closing balance of accounts receivable (%)	Provision for bad-debt
Dalian Yiheng Import & Export Co., Ltd.	6,241,619.80	25.95	312,080.99
Shandong Yipintang Industrial Co., Ltd.	1,829,145.00	7.60	91,457.25
Yanbian Tianlu Foods Co., Ltd.	1,536,000.00	6.39	76,800.00
Hainan Dachuan Food Co., Ltd.	1,369,819.85	5.69	
Zhumadian Yuliang Biological Technology Co., Ltd.	1,238,800.00	5.15	61,940.00
Total	12,215,384.65	50.78	595,854.64

Note 2. Other receivables

1. Disclosure of other receivables by category

Category	Closing balance: Book balance Amount	Book balance Proportion (%)	Bad-debt provision Amount	Bad-debt provision Proportion (%)	Book value
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	284,148,310.43	100.00	25,441.10	0.01	284,122,869.33
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	508,821.95	0.18	25,441.10	77.11	
Other receivables not withdrawing bad-debt provision	283,639,488.48	99.82			
Other receivables without individually significant amount but with individual provision for bad debt					
Total	284,148,310.43	100.00	25,441.10	0.01	284,122,869.33

Category	Opening balance				
	Book balance		Bad-debt provision		
	Amount	Proportion	Amount	Proportion	Book value
		(%)		(%)	
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	91,123,429.53	100.00	19,618.19	0.02	91,103,811.34
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	392,363.75	0.43	19,618.19	5.00	372,745.56
Other receivables not withdrawing bad-debt provision	90,731,065.78	99.57	90,731,065.78		
Other receivables without individually significant amount but with individual provision for bad debt					
Total	91,123,429.53	100.00	19,618.19	0.02	91,103,811.34

Description of other receivables category:

(1) Other receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance		
	Other receivables	Bad-debt provision	Proportion
			(%)
<1 year	508,821.95	25,441.10	5.00
Total	508,821.95	25,441.10	5.00

Aging	Opening balance		
	Other receivables	Bad-debt provision	Proportion
			(%)
<1 year	392,363.75	19,618.19	5.00
1-2 years			
2-3 years			
Total	392,363.75	19,618.19	5.00

(2) Other receivables not withdrawing bad-debt provision in combination

	December 31, 2017			
Organization name	Other receivables	Bad-debt provision	Proportion (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	208,720,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Iceman Foods Co., Ltd.	44,225,698.44			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,688,971.54			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hainan Tianye Drinks Food Sales Co. Ltd.	4,818.50			
Total	283,639,488.48			

2. Provision, recovery or reversal and write-off of provision for bad-debt in current period

The provision for bad debts in current period is RMB5,822.91.

3. There is no write-off of other receivables in current period.

4. Disclosure of other receivables by nature

Nature of payment	Closing balance	Opening balance
Transaction payment	283,639,488.48	90,988,884.46
Reserve fund	474,664.65	25,702.07
Withholding social security, etc	34,157.30	50,804.90
Scattered material purchase fund		51,981.75
Others		6,056.35
Total	284,148,310.43	91,123,429.53

5. *Top five other accounts receivable based on debtors*

Organization name	Nature of payment	Closing balance	Aging	Proportion in closing balance of other receivables (%)	Bad-debt provision Closing balance
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Transaction payment	208,720,000.00	<3 years	73.45	
Hubei Iceman Foods Co., Ltd.	Transaction payment	44,225,698.44	Within 4 years	15.56	
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Transaction payment	30,688,971.54	Within 2 years	10.80	
Zhang Yexiu	Reserve fund	134,000.00	<1 year	0.05	6,700.00
Zhan Tao	Reserve fund	263,064.65	<1 year	0.09	13,153.23
Total		284,031,734.63		99.95	19,853.23

Note 3. Long-term equity investment

Item	Closing balance Book balance	Closing balance Bad-debt provision	Closing balance Book value	Opening balance Book balance	Opening balance Bad-debt provision	Opening balance Book value
Investment in subsidiaries	113,737,642.83	10,230,275.57	103,507,367.26	108,737,642.83		108,737,642.83
Investment in associated enterprises	39,617,867.46		39,617,867.46	47,594,736.95		47,594,736.95
Total	153,355,510.29	10,230,275.57	143,125,234.72	156,332,379.78		156,332,379.78

1. *Investment in subsidiaries*

Investee	Initial investment cost	Opening balance	Increase of current period	Decrease of current period	Closing balance	Depreciation reserves withdrawn in current period	Closing balance of provision for impairment
Hainan Dachuan Food Co., Ltd.	33,737,641.83	33,737,641.83			33,737,641.83		
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00		
Hainan Tianye Drinks Food Sales Co. Ltd.	5,000,000.00	5,000,000.00			5,000,000.00	2,432,889.97	2,432,889.97
Hubei Iceman Foods Co., Ltd.	15,000,001.00	15,000,001.00			15,000,001.00	7,797,385.60	7,797,385.60
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25,000,000.00	25,000,000.00			25,000,000.00		
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.			5,000,000.00		5,000,000.00		
Total	108,737,642.83	108,737,642.83	5,000,000.00		113,737,642.83	10,230,275.57	10,230,275.57

2. *Investment in associates*

Investee	Opening balance	Increase and decrease of current period			
		Additional investment	Negative investment	Profits and losses on investments recognized by equity method	Adjustment of other comprehensive incomes
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	47,594,736.95		12,000,000.00	1,152,130.51	2,871,000.00
Total	47,594,736.95		12,000,000.00	1,152,130.51	2,871,000.00

Investee	Increase and decrease of current period				Closing balance	Closing balance of provision for impairment
	Other equity changes	Distribution of cash dividends or profits	Withdrawal of provision for impairment	Others		
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					39,617,867.46	
Total					39,617,867.46	

Note: See "Note 10 Long-term equity investment" in "VI. Main Notes to Consolidated Financial Statements" in this note for details.

Note 4. Operating incomes and operating costs

1. Operating income, operating costs

Item	Amount of current period Revenue	Cost	Amount of last period Revenue	Cost
Principal operating activities	93,159,791.94	62,031,145.25	103,999,173.41	71,347,955.68
Others				
Total	93,159,791.94	62,031,145.25	103,999,173.41	71,347,955.68

2. Principal operating activities (by products)

Product name	Amount of current period Operating income	Operating cost	Amount of last period Operating income	Operating cost
Raw fruit juice	38,231,282.30	25,988,078.77	49,427,836.57	32,786,787.88
Quick-frozen fruit and vegetable	49,656,345.47	32,391,733.90	49,621,651.55	34,855,265.36
Others	5,272,164.17	3,651,332.58	4,949,685.29	3,705,902.44
Total	93,159,791.94	62,031,145.25	103,999,173.41	71,347,955.68

3. Operating income of the top five customers of the Company

Customer	Amount of operating income in 2017	Proportion in the Company's total operating income (%)
Fresh Fruit Juice *(Note)*	12,914,279.27	13.86
Dalian Yiheng Import & Export Co., Ltd.	6,766,152.55	7.26
Shanghai Yuguo Food Sales Co., Ltd.	6,391,561.53	6.86
Zhumadian Yuliang Biological Technology Co., Ltd.	4,491,589.74	4.82
Shandong Yipintang Industrial Co., Ltd.	4,390,353.84	4.71
Total	34,953,936.93	37.51

Customer	Amount of operating income in 2016	Proportion in the Company's total operating income (%)
Fresh Fruit Juice *(Note)*	10,369,622.30	9.97
Guangzhou Dajiangyuan Food Technology Co., Ltd.	9,111,390.26	8.76
Hainan Dachuan Food Co., Ltd.	8,840,333.40	8.5
Wuhan Lianlianniu Fruit Industry Co., Ltd.	7,619,194.32	7.33
Inter Free Business Co., Ltd.	5,905,187.74	5.68
Total	41,845,728.02	40.24

Note:

Fresh Fruit Juice customers implemented centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 5. Investment revenue

1. Details of investment revenue

Source of investment revenue	Amount of current period	Amount of last period
Long-term equity investment income measured by equity method	1,152,130.51	573,569.35
Bank financing revenue		2,119,916.52
Total	1,152,130.51	2,693,485.87

2. Description of investment revenue

During the reporting period, there was no significant restriction on the repatriation of investment revenue of the Company.

XVII. SUPPLEMENTARY INFORMATION

(I) Detailed statement of non-recurring profits and losses

Item	Amount of current period	Amount of last period
Profits and loss on disposal of non-current assets, including the write-off part of the provision for impairment of assets	-683,179.05	-779,705.06
Tax returns, reductions, and exemptions with unauthorized approval or without official approval documents with occurrence		
Government grant included in the current profits and losses (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	10,586,828.23	7,887,080.92
Fund possession cost charged from non-financial enterprises including in current profits and losses		
The investment cost for acquiring subsidiaries, associated enterprises and cooperative enterprises is less than the income generated by the fair value of the identifiable net assets of the merged unit when acquiring investment		
Exchange losses of non-monetary assets		
Profits and losses of assets invested or managed by entrustment		
Assets for impairment withdrawn due to force majeure such as natural disasters		
Profits and losses on debt restructuring		
Corporate restructuring costs, such as fees on staffing and integration		
Profits and losses exceeding the fair value part due to an unfair transaction price during the transaction		
Net profits and losses of the subsidiaries in the current period from the beginning of period to the date of merger due to the merger of enterprises under the common control		
Profit and loss caused by contingencies that are irrelevant to Company's normal businesses		

Item	Amount of current period	Amount of last period
Profits and losses from variation of fair value by holding transactional financial assets, transactional financial liability and investment incomes from handling transactional financial assets, transactional financial liability and salable financial assets, in addition to the valid arbitrage hedging business related to normal corporate business		
Reversing assets impairment of receivables for independent impairment test		
Losses and profits obtained from foreign entrusted loans		
Profit and loss from fair value variation of investment real estate by adopting fair value mode for follow-up calculation		
Influence on the current profit and loss by one-time adjustment as per laws and regulations on taxes and accounting		
Trustee fee income from entrusted operation		
Non-operating income and expenses in addition to the above-mentioned items	-559,058.71	-2,960,433.01
Other profit and loss items that conform to the definition of non-recurring profit and loss.		
Subtotal	9,344,590.47	4,146,942.85
Less: income tax affected amount	351,824.37	400,416.07
Minority equity affected amount (after tax)		
Total	8,992,766.10	3,746,526.78

(II) Rate of return on common stockholders' equity and earnings per share

	2017		
Profits during reporting period	**Weighted-average Income rate of net assets** *(%)*	**Earnings per share (EPS) Basic EPS**	**Diluted EPS**
Net profits attributable to common corporate shareholders	6.14	0.1753	0.1753
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	4.83	0.1379	0.1379

	2016		
Profits during reporting period	**Weighted-average Income rate of net assets**	**Earnings per share (EPS)**	
		Basic EPS	**Diluted EPS**
	(%)		
Net profits attributable to common corporate shareholders	7.47	0.2006	0.2006
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	6.89	0.1850	0.1850

Tianye Innovation Corporation

(Official Stamp)

Legal representative:

Head of Accounting Department:

Chief Accountant:

April 16, 2018

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP

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AUDITOR'S REPORT

ZXHSZ (2019) No. 010640

To all shareholders of Tianye Innovation Corporation:

I. AUDIT OPINIONS

We have audited the accompanying financial statements of Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), which comprise the consolidated and the parent company's balance sheet as at December 31, 2018, the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in shareholders' equity for the year 2018 and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at December 31, 2018, and its consolidated and the company's financial performance and cash flows for the year 2018 in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR FORMATION OF AUDIT OPINIONS

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

III. OTHER INFORMATION

The management of Tianye Innovation (hereinafter referred to as the management) is responsible for the other information. The other information comprises all the information included in 2018 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

IV. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE FOR FINANCIAL STATEMENTS

The Management is responsible for preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial report process of the Company.

V. RESPONSIBILITIES OF CPAS FOR THE AUDIT OF FINANCIAL STATEMENTS

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

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

(1) Identify and assess the risks of material misstatement of financial statements, whether due to fraud or errors, design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of the audit, and assume full responsibility for the audit opinions.

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

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP	CPA:
Beijing, China	CPA:

April 24, 2019

CONSOLIDATED BALANCE SHEET

December 31, 2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Closing balance	Opening balance
Current assets:			
Monetary funds	*VI. Note 1*	219,674,020.33	211,052,482.61
Financial assets measured at fair value with changes included in the current profits and losses			
Derivative financial assets			
Notes and accounts receivable	*VI. Note 2*	42,295,833.29	55,176,877.56
Prepayment	*VI. Note 3*	3,321,692.49	471,162.74
Other receivables	*VI. Note 4*	10,166,089.03	1,002,578.02
Inventories	*VI. Note 5*	49,148,296.79	53,427,074.26
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	*VI. Note 6*	12,725,447.33	3,694,120.69
Total current assets		337,331,379.26	324,824,295.88
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables	*VI. Note 7*		318,000.00
Long-term equity investment	*VI. Note 8*	18,924,216.78	39,617,867.46
Investment real estate properties			
Fixed assets	*VI. Note 9*	238,320,812.64	158,804,567.36
Construction in progress	*VI. Note 10*	204,547,782.04	157,284,035.29
Productive biological assets	*VI. Note 11*	27,473,763.77	24,704,959.31
Oil & gas assets			
Intangible assets	*VI. Note 12*	87,388,363.15	89,193,588.31
Development expenditures			
Goodwill	*VI. Note 13*	14,857,682.84	14,857,682.84
Long-term deferred expenses	*VI. Note 14*	12,892,387.40	17,307,344.06
Deferred income tax assets	*VI. Note 15*	1,472,171.06	1,136,731.45
Other non-current assets	*VI. Note 16*	3,307,357.16	53,423,153.57
Total non-current assets		609,184,536.84	556,647,929.65
Total assets		946,515,916.10	881,472,225.53

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED BALANCE SHEET (CONT.)
December 31, 2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	**Closing balance**	**Opening balance**
Current liabilities:			
Short-term loans	*VI. Note 17*	101,000,000.00	66,000,000.00
Financial liabilities measured at fair value with changes included in the current profits and losses			
Derivative financial liabilities			
Notes and accounts payable	*VI. Note 18*	15,537,891.19	28,325,710.25
Advances from customers	*VI. Note 19*	1,637,963.44	4,088,193.01
Payroll and employee benefits payable	*VI. Note 20*	3,144,595.78	3,041,876.87
Taxes payable	*VI. Note 21*	2,585,212.93	2,927,898.18
Accounts payable	*VI. Note 22*	3,787,778.19	2,705,266.75
Holding-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities		127,693,441.53	107,088,945.06
Non-current liabilities:			
Long-term loans	*VI. Note 23*	30,000,000.00	
Bonds payable			
Include: preferred stocks			
Perpetual bonds			
Long-term payables	*VI. Note 24*	397,555.46	
Long-term employee compensation			
Estimated liabilities			
Deferred income	*VI. Note 25*	65,108,098.02	67,690,400.23
Deferred income tax liabilities	*VI. Note 15*	114,268.15	
Other non-current liabilities			
Total non-current liabilities		95,619,921.63	67,690,400.23
Total liabilities		223,313,363.16	174,779,345.29

Item	*Notes*	Closing balance	Opening balance
Shareholders' equity:			
Share capital	*VI. Note 26*	240,000,000.00	240,000,000.00
Other equity instruments			
Perpetual bonds			
Capital reserves	*VI. Note 27*	246,300,093.95	246,300,093.95
Minus: treasury shares			
Other comprehensive incomes	*VI. Note 28*	-2,632,212.00	
Special reserve			
Surplus reserve	*VI. Note 29*	11,042,103.18	10,523,286.40
Undistributed profit	*VI. Note 30*	228,492,567.81	209,869,499.89
Total shareholders' equities attributable to parent company		723,202,552.94	706,692,880.24
Minority shareholders' equity			
Total shareholders' equities		723,202,552.94	706,692,880.24
Total liabilities and shareholders' equities		946,515,916.10	881,472,225.53

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED PROFIT STATEMENT
2018

Prepared by: Tianye Innovation Corporation *Monetary Unit: RMB*

Item	*Remarks*	Current Balance	Previous Balance
I. Total operating income		258,435,753.75	203,133,324.85
Include: operating income	*VI. Note 31*	258,435,753.75	203,133,324.85
II. Total operating cost		231,448,305.87	170,238,430.53
Include: operating costs	*VI. Note 31*	181,881,408.84	127,117,026.05
Taxes and surcharges	*VI. Note 32*	3,987,239.60	2,202,858.90
Selling expenses	*VI. Note 33*	10,201,050.97	8,901,681.64
General and administrative expenses	*VI. Note 34*	31,629,640.96	24,731,816.69
Research and development expenses	*VI. Note 35*	1,730,762.09	2,079,226.92
Financial expenses	*VI. Note 36*	1,768,117.26	2,539,651.74
Including: interest expense		2,316,078.80	3,261,961.98
Credit interest		585,908.38	822,098.71
Assets impairment loss	*VI. Note 37*	250,086.15	2,666,168.59
Plus: other profits	*VI. Note 38*	5,949,486.80	9,774,455.20
Investment income (loss is indicated by "-")	*VI. Note 39*	-3,219,330.68	1,152,130.51
Include: investment income from affiliates and joint ventures		-3,219,330.68	1,152,130.51
Income from changes in fair value (loss is indicated by "-")			
Income from assets disposal (loss is indicated by "-")	*VI. Note 40*	-2,200,916.61	69,133.72
III. Operating profit (loss is indicated by "-")		27,516,687.39	43,890,613.75
Add: non-operating income	*VI. Note 41*	352,041.46	33.98
Minus: non-operating expenses	*VI. Note 42*	598,904.51	708,990.43
IV. Total profit (total loss is indicated by "-")		27,269,824.34	43,181,657.30
Less: income tax expense	*VI. Note 43*	3,327,939.64	1,098,988.72
V. Net profits (the net loss expressed with "-")		23,941,884.70	42,082,668.58
(I) Classified by operation continuity:			
1. Net profit of continued operations (net loss is indicated by "-")		23,941,884.70	42,082,668.58
2. Net profit of discontinued operations (net loss is indicated by "-")			
(II) Classified by ownership:			
1. Net profits assigned to the parent company's shareholders (net loss is indicated by "-")		23,941,884.70	42,082,668.58

Item	*Remarks*	Current Balance	Previous Balance
VI. Net amount of other comprehensive income after tax		-2,632,212.00	2,440,350.00
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		-2,632,212.00	2,440,350.00
(I) Other comprehensive income not allowed to be re-classified into profits and losses		-2,632,212.00	2,440,350.00
1. Remeasurement of change of defined benefit plans			
2. Other comprehensive income that cannot be converted into profits and losses under the equity method		-2,632,212.00	2,440,350.00
(II) Other comprehensive income to be reclassified into profits and losses			
1. Other comprehensive income that can be converted into profits and losses under the equity method			
2. Profits and losses of changes in fair value of available-for-sale financial assets			
3. Profits and losses of available-for-sale financial assets re-classified from the held-to-maturity investment			
4. Profits and losses of cash flow hedging in force			
5. Translation balance of foreign currency financial statements			
6. Others			
Net amount of other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		21,309,672.70	44,523,018.58
Total comprehensive income attributable to the shareholders of parent company		21,309,672.70	44,523,018.58
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share (EPS):			
(I) Basic EPS		0.10	0.18
(II) Diluted EPS		0.10	0.18

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CASH FLOW
2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Remarks*	Amount of current period	Amount of last period
I. Cash flows from operating activities:			
Cash received from goods sales and service rendering		299,322,086.19	231,918,464.19
Tax refunds received		3,130,928.00	818,491.93
Cash received related to other operating activities	*VI. Note 44*	2,751,330.24	11,327,213.31
Subtotal of cash inflow from operating activities		305,204,344.43	244,064,169.43
Cash paid for purchase of goods and services		173,773,936.66	110,174,204.06
Cash paid to and on behalf of employee		28,867,651.50	29,232,449.13
Cash paid for taxes		21,049,739.55	15,338,998.87
Cash paid related to other operating activities	*VI. Note 44*	30,500,405.64	14,847,878.44
Subtotal of cash outflow from operating activities		254,191,733.35	169,593,530.50
Net cash flows from operating activities		51,012,611.08	74,470,638.93
II. Cash flows from investing activities:			
Cash received from disposal of investments		14,377,600.00	12,000,000.00
Cash received from investment income			
Net amount of cash resulted from disposal of fixed assets, intangible assets and other long term assets		20,670.00	454,530.00
Net cash received from disposal of subsidiaries and other business entities			
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		14,398,270.00	12,454,530.00
Net cashes paid for construction of fixed assets, intangible assets and other long-term assets		113,786,381.81	180,485,800.61
Cash paid for investments			
Cash Paid for disposal of subsidiaries and other business units			
Cash paid related to other investing activities		113,786,381.81	180,485,800.61
Net cash flows from investing activities		-99,388,111.81	-168,031,270.61

Item	*Remarks*	Amount of current period	Amount of last period
III. Cash flows from financing activities:			
Cash received from introducing investment			
Include: cash received by subsidiaries from absorbing minority shareholder's investment			
Cash received from loans		131,000,000.00	96,000,000.00
Cash received from bonds issuance			
Cash paid related to other financing activities			
Subtotal of cash inflow from financing activities		131,000,000.00	96,000,000.00
Cash paid for repayment of debts		66,000,000.00	111,000,000.00
Cash paid for distribution of dividends or profits, or interest payment		8,016,078.80	3,471,919.98
Include: dividend and profit paid by subsidiaries to minority shareholders			
Cash paid relating to other financing activities	*VI. Note 44*	5,000,000.00	2,253,547.26
Subtotal of cash outflows from financial activities		79,016,078.80	116,725,467.24
Net cash flows from financing activities		51,983,921.20	-20,725,467.24
IV. Effect of exchange rate changes on cash and cash equivalents		13,117.25	-40,860.94
V. Net increase of cash and cash equivalents		3,621,537.72	-114,326,959.86
Plus: Cash and cash equivalents at beginning of year		211,052,482.61	325,379,442.47
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR		214,674,020.33	211,052,482.61

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES

2018

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of current period												
	Shareholder's equity attributable to the parent company												
		Other equity instruments											
Item	Share Capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				246,300,093.95				10,523,286.40	209,869,499.89	706,692,880.24		706,692,880.24
Add: accounting policy changes													
Correction of previous errors													
Business combination under the same control													
MISCELLANEOUS													
II. Opening balance of current year	240,000,000.00				246,300,093.95				10,523,286.40	209,869,499.89	706,692,880.24		706,692,880.24
III. Increases and decreases of this year (decrease is indicated by "-")							-2,632,212.00		518,816.78	18,623,067.92	16,509,672.70		16,509,672.70
(I) Total comprehensive profits							-2,632,212.00			23,941,884.70	21,309,672.70		21,309,672.70
(II) Capital paid in and reduced by shareholders													
1. Common stock paid in by shareholders													
2. Capital paid in by holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Distribution of profits									518,816.78	-5,318,816.78	-4,800,000.00		-4,800,000.00
1. Withdrawal of surplus reserves									518,816.78	-518,816.78			
2. Withdrawal of general risk reserves													
3. Distribution to shareholders										-4,800,000.00	-4,800,000.00		-4,800,000.00
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capitalized capital reserves (or capital stock)													
2. Capitalized surplus reserves (or capital stock)													
3. Offsetting of loss by surplus reserves													
4. Changes of defined benefit plans carried forward into retained income													
5. Others													
(V) Reasonable reserves													
1. Amount withdrawn for the period													
2. Amount used for the period													
(VI) Others													
IV. Closing balance of current year	240,000,000.00				246,300,093.95		-2,632,212.00		11,042,103.18	228,492,567.81	723,202,552.94		723,202,552.94

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES (CONT.)
2018

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of last period												
	Shareholder's equity attributable to the parent company												
		Other equity instruments											
Item	Share capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				246,300,093.95		-2,440,350.00		9,869,750.20	168,440,367.51	662,169,861.66		662,169,861.66
Add: accounting policy changes													
Correction of previous errors													
Business combination under the same control													
MISCELLANEOUS													
II. Opening balance of current year	240,000,000.00				246,300,093.95		-2,440,350.00		9,869,750.20	168,440,367.51	662,169,861.66		662,169,861.66
III. Increases and decreases of this year (decrease is indicated by "-")							2,440,350.00		653,536.20	41,429,132.38	44,523,018.58		44,523,018.58
(I) Total comprehensive profits							2,440,350.00			42,082,668.58	44,523,018.58		44,523,018.58
(II) Capital paid in and reduced by shareholders													
1. Common stock paid in by shareholders													
2. Capital paid in by holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Distribution of profits									653,536.20	-653,536.20			
1. Withdrawal of surplus reserves									653,536.20	-653,536.20			
2. Withdrawal of general risk reserves													
3. Distribution to shareholders													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capitalized capital reserves (or capital stock)													
2. Capitalized surplus reserves (or capital stock)													
3. Offsetting of loss by surplus reserves													
4. Changes of defined benefit plans carried forward into retained income													
5. Others													
(V) Reasonable reserves													
1. Amount withdrawn for the period													
2. Amount used for the period													
(VI) Others													
IV. Closing balance of current year	240,000,000.00				246,300,093.95				10,523,286.40	209,869,499.89	706,692,880.24		706,692,880.24

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET
December 31, 2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Closing balance	Opening Balance
Current assets:			
Monetary funds		158,231,492.93	102,001,263.28
Financial assets measured at fair value with changes included in the current profits and losses			
Derivative financial assets			
Notes and accounts receivable	*XVI. Note 1*	15,580,194.18	22,893,672.26
Prepayment		2,673,526.03	176,078.72
Other receivables	*XVI. Note 2*	283,921,064.71	284,122,869.33
Inventories		25,487,932.56	27,562,352.76
Held-for-sale assets			
Current portion of non-current liabilities			
Other current assets			3,292.57
Total current assets		485,894,210.41	436,759,528.92
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	*XVI. Note 3*	122,431,584.04	143,125,234.72
Investment real estate properties			
Fixed assets		76,583,430.17	83,174,647.73
Construction in progress		970,157.10	
Productive biological assets			
Oil & gas assets			
Intangible assets		10,924,692.59	11,214,729.35
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		772,608.68	355,870.51
Other non-current assets		135,286.90	2,315,563.50
Total non-current assets		211,817,759.48	240,186,045.81
Total assets		697,711,969.89	676,945,574.73

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET (CONT.)
December 31, 2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Closing balance	Opening Balance
Current liabilities:			
Short-term loans		36,000,000.00	36,000,000.00
Financial liabilities measured at fair value with changes included in the current profits and losses			
Derivative financial liabilities			
Notes and accounts payable		22,036,006.29	13,166,447.80
Advances from customers		15,336,994.62	2,757,385.21
Payroll and employee benefits payable		1,329,988.41	1,377,141.48
Taxes payable		961,588.86	1,279,890.09
Accounts payable		45,609,669.91	43,454,490.58
Holding-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities		121,274,248.09	98,035,355.16
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred stocks			
Perpetual bonds			
Long-term payables			
Long-term employee compensation			
Estimated liabilities			
Deferred income		1,339,175.31	1,567,628.87
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,339,175.31	1,567,628.87
Total liabilities		122,613,423.40	99,602,984.03
Shareholders' equity:			
Share Capital		240,000,000.00	240,000,000.00
Other equity instruments			
Include: preferred stocks			
Perpetual bonds			
Capital reserves		244,109,726.71	244,109,726.71
Minus: treasury shares			
Other comprehensive incomes		-2,632,212.00	
Special reserve			
Surplus reserve		11,042,103.18	10,523,286.40
Undistributed profit		82,578,928.60	82,709,577.59
Total shareholders' equities		575,098,546.49	577,342,590.70
Total liabilities and shareholders' equities		697,711,969.89	676,945,574.73

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

INCOME STATEMENT
2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	**Amount of current period**	**Amount of last period**
I. Operating revenue	*XVI. Note 4*	89,610,086.49	93,159,791.94
Less: operating cost	*XVI. Note 4*	62,672,313.57	62,035,114.85
Taxes and surcharges		1,195,933.31	1,222,651.51
Selling expenses		2,881,253.45	3,043,515.89
General and administrative expenses		12,167,738.44	8,833,414.31
Research and development expenses		1,730,762.09	1,078,272.25
Financial expenses		399,631.11	905,197.02
Including: interest expense		728,328.80	1,493,795.00
interest income		393,454.73	662,131.91
Assets impairment loss		-170,011.98	10,288,676.83
Plus: Other income		456,983.56	1,338,913.13
Investment income (loss is indicated by "-")	*XVI. Note 5*	-3,219,330.68	1,152,130.51
Include: investment income from affiliates and joint ventures		-3,219,330.68	1,152,130.51
Income from changes in fair value (loss is indicated by "-")			
Gains from asset disposals (loss is indicated by "-")			
II. Operating profit (loss is indicated by "-")		5,970,119.38	8,243,992.92
Add: non-operating income		100,000.00	
Minus: non-operating expenses		24,254.29	550,502.99
III. Total profit (total loss is indicated by "-")		6,045,865.09	7,693,489.93
Less: income tax expense		857,697.30	1,158,127.91
IV. Net profit (net loss is indicated by "-")		5,188,167.79	6,535,362.02
(I) Net profit from continuous operation (net loss is indicated by "-")		5,188,167.79	6,535,362.02
(II) Net profit from discontinuing operation (net loss is indicated by "-")			
V. After-tax net amount of other comprehensive income		-2,632,212.00	2,440,350.00
(I) Other comprehensive income not allowed to be re-classified into profits and losses		-2,632,212.00	2,440,350.00
1. Remeasurement of change of defined benefit plans			
2. Other comprehensive income that cannot be converted into profits and losses under the equity method		-2,632,212.00	2,440,350.00
(II) Other comprehensive income to be reclassified into profits and losses			
1. Other comprehensive income that can be converted into profits and losses under the equity method			
2. Profits and losses of changes in fair value of available-for-sale financial assets			

Item	*Notes*	Amount of current period	Amount of last period
3. Profits and losses of available-for-sale financial assets re-classified from the held-to-maturity investment			
4. Profits and losses of cash flow hedging in force			
5. Translation balance of foreign currency financial statements			
6. Others			
VI. Total comprehensive incomes		2,555,955.79	8,975,712.02

Legal representative: Chief Accountant: Head of Accounting Department:

CASH FLOW STATEMENT
2018

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	**Amount of current period**	**Amount of last period**
I. Cash flows from operating activities:			
Cash received from goods sales and service rendering		121,204,346.46	108,069,283.49
Tax refunds received			818,491.93
Cash received related to other operating activities		85,767,216.69	23,577,937.92
Subtotal of cash inflow from operating activities		206,971,563.15	132,465,713.34
Cash paid for purchase of goods and services		41,913,810.61	50,565,706.44
Cash paid to and on behalf of employee		14,618,525.48	12,980,570.78
Cash paid for taxes		7,677,447.81	9,758,387.14
Cash paid related to other operating activities		91,538,057.30	218,429,538.62
Subtotal of cash outflow from operating activities		155,747,841.20	291,734,202.98
Net cash flows from operating activities		51,223,721.95	-159,268,489.64
II. Cash flows from investing activities:			
Cash received from disposal of investments		14,377,600.00	12,000,000.00
Cash received from investment income			
Net amount of cash resulted from disposal of fixed assets, intangible assets and other long term assets			
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		14,377,600.00	12,000,000.00
Net cashes paid for construction of fixed assets, intangible assets and other long-term assets		2,901,077.32	1,052,056.04
Cash paid for investments			5,000,000.00
Cash paid related to other investing activities			
Subtotal of cash outflow from investing activities		2,901,077.32	6,052,056.04
Net cash flows from investing activities		11,476,522.68	5,947,943.96
III. Cash flows from financing activities:			
Cash received from introducing investment			
Cash received from loans		36,000,000.00	36,000,000.00
Cash received from bonds issuance			
Other cash received relating to fund-raising activities			1,200,000.00
Subtotal of cash inflow from financing activities		36,000,000.00	37,200,000.00
Cash paid for repayment of debts		36,000,000.00	36,000,000.00
Cash paid for distribution of dividends or profits, or interest payment		6,428,328.80	1,593,795.00
Cash paid related to other financing activities			2,253,547.26
Subtotal of cash outflows from financial activities		42,428,328.80	39,847,342.26

Item	*Notes*	Amount of current period	Amount of last period
Net cash flows from financing activities		-6,428,328.80	-2,647,342.26
IV. Effect of exchange rate changes on cash and cash equivalents		-41,686.18	-30,898.69
V. Net increase of cash and cash equivalents		56,230,229.65	-155,998,786.63
Plus: Cash and cash equivalents at beginning of year		102,001,263.28	258,000,049.91
VI. Cash and cash equivalents at the end of year		158,231,492.93	102,001,263.28

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES
2018

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of current period										
		Other equity instruments									
Item	Share capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				244,109,726.71				10,523,286.40	82,709,577.59	577,342,590.70
Add: accounting policy changes											
Correction of previous errors											
MISCELLANEOUS											
II. Opening balance of current year	240,000,000.00				244,109,726.71				10,523,286.40	82,709,577.59	577,342,590.70
III. Increases and decreases of this year (decrease is indicated by "-")							-2,632,212.00		518,816.78	-130,648.99	-2,244,044.21
(I) Total comprehensive profits							-2,632,212.00			5,188,167.79	2,555,955.79
(II) Capital paid in and reduced by shareholders											
1. Common stock paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits									518,816.78	-5,318,816.78	-4,800,000.00
1. Withdrawal of surplus reserves									518,816.78	-518,816.78	
2. Withdrawal of general risk reserves											
3. Distribution to shareholders										-4,800,000.00	-4,800,000.00
4. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capitalized capital reserves (or capital stock)											
2. Capitalized surplus reserves (or capital stock)											
3. Offsetting of loss by surplus reserves											
4. Changes of defined benefit plans carried forward into retained income											
5. Others											
(V) Reasonable reserves											
1. Amount withdrawn for the period											
2. Amount used for the period											
(VI) Others											
IV. Closing balance of current year	240,000,000.00				244,109,726.71		-2,632,212.00		11,042,103.18	82,578,928.60	575,098,546.49

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES (CONT.)
2018

Prepared by: Tianye Innovation Corporation

Unit: RMB

Item	Amount of current period										
	Share capital	Other equity instruments: Preferred stocks	Other equity instruments: Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				244,109,726.71		-2,440,350.00		9,869,750.20	76,827,751.77	568,366,878.68
Add: accounting policy changes											
Correction of previous errors											
MISCELLANEOUS											
II. Opening balance of current year	240,000,000.00				244,109,726.71		-2,440,350.00		9,869,750.20	76,827,751.77	568,366,878.68
III. Increases and decreases of this year (decrease is indicated by "-")							2,440,350.00		653,536.20	5,881,825.82	8,975,712.02
(I) Total comprehensive profits							2,440,350.00			6,535,362.02	8,975,712.02
(II) Capital paid in and reduced by shareholders											
1. Common stock paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits									653,536.20	-653,536.20	
1. Withdrawal of surplus reserves									653,536.20	-653,536.20	
2. Withdrawal of general risk reserves											
3. Distribution to shareholders											
4. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capitalized capital reserves (or capital stock)											
2. Capitalized surplus reserves (or capital stock)											
3. Offsetting of loss by surplus reserves											
4. Changes of defined benefit plans carried forward into retained income											
5. Others											
(V) Reasonable reserves											
1. Amount withdrawn for the period											
2. Amount used for the period											
(VI) Others											
IV. Closing balance of current year	240,000,000.00				244,109,726.71				10,523,286.40	82,709,577.59	577,342,590.70

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

Tianye Innovation Corporation
Notes to Financial Statements
For the year ended December 31, 2018

I. General Information of the Company

(I) Company profile

1. Limited company stage

Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), formerly Beihai Tianye Food Co., Ltd., was jointly established by Guangxi Tianye Science and Technology Seed Industry Co., Ltd., Yao Jiuzhi, Huo Weidong and Liu Youqiang. On January 23, 2007, the Company obtained the *Business License of Enterprise Legal Person* (Q) No. 450500000005715 issued by Beihai Administration for Industry and Commerce. The registered capital is RMB2 million, and all shareholders contributed RMB2 million, accounting for 100.00% of the registered capital. The capital contribution has been verified by the Capital Verification Report (BZKYZ [2007] No. 006) issued by Beihai Zhucheng (Joint) Accounting Firm. The shareholding status of each shareholder is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	170.00	85.00
Huo Weidong	10.00	5.00
Liu Youqiang	10.00	5.00
Yao Jiuzhi	10.00	5.00
Total	200.00	100.00

On April 15, 2009, the Company's Board of Shareholders resolved to increase the registered capital by RMB8 million, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. increased the capital by RMB8 million in cash; this capital increase has been verified by the Capital Verification Report (ZHYZ [2009] No. 210) issued by Qinzhou Zhongheng Joint Accounting Firm. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	970.00	97.00
Huo Weidong	10.00	1.00
Liu Youqiang	10.00	1.00
Yao Jiuzhi	10.00	1.00
Total	1,000.00	100.00

On May 6, 2009, the Company's Board of Shareholders resolved that Guangxi Tianye Science and Technology Seed Industry Co., Ltd. accepted all the equities of the Company held by Yao Jiuzhi, Huo Weidong and Liu Youqiang. The shareholding status of each shareholder after the change is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,000.00	100.00
Total	1,000.00	100.00

On August 11, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB32.6 million, with Guangxi Tianye Science and Technology Seed Industry Co., Ltd. contributing RMB25 million in kind and Yao Jiuzhi contributing RMB7.6 million in cash. Among them, Yao Jiuzhi contributed RMB7.6 million in cash for the first capital increase, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. completed the capital contribution within 2 years. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 046) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The above-mentioned in-kind capital contribution has been appraised by the Assets Appraisal Report (ZLPBZ [2011] No. 493) issued by China United Assets Appraisal Group Co., Ltd., and as of October 28, 2011, the property rights procedures had been changed; after that, in order to confirm the change of property rights of the in-kind contribution assets, the Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the Capital Verification Report (ZXSYZ [2012] No. 003). After the capital increase is completed, the registered capital of the industrially and commercially registered company is RMB42.6 million, and the shareholding status of each shareholder is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	82.16
Yao Jiuzhi	760.00	17.84
Total	4,260.00	100.00

On September 2, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB12.4 million, which was contributed in cash by natural persons Cheng Cheng, Wu Zhonglin, Guo Shanjie, Zhang Pei, Chen Yu, Li Zhenghua, Zhang Jinfeng, Zhao Yongli, Han Kaifeng, Lv Lingling, Huang Huiqiong, Li Junli, Rao Guizhong, Zhao Fagui, Wu Dongfeng, Wu Yanping and Wu Qingwen, Chen Junrong, Zhu Rong, Wang Jianxin, Zhao Fayu, Nong Xiancheng, Wang Jianfeng; this capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 051) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	63.64
Yao Jiuzhi	760.00	13.82
Cheng Cheng	230.00	4.18

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Wu Zhonglin	160.00	2.91
Chen Yu	150.00	2.73
Huang Huiqiong	120.00	2.18
Lv Lingling	100.00	1.82
Han Kaifeng	80.00	1.45
Li Zhenghua	60.00	1.09
Zhang Jinfeng	60.00	1.09
Zhao Yongli	60.00	1.09
Li Junli	50.00	0.91
Guo Shanjie	20.00	0.36
Wu Dongfeng	20.00	0.36
Rao Guizhong	19.00	0.35
Zhao Fagui	19.00	0.35
Wang Jianfeng	19.00	0.35
Wu Qingwen	11.00	0.20
Wang Jianxin	11.00	0.20
Zhang Pei	10.00	0.18
Wu Yanping	10.00	0.18
Chen Junrong	10.00	0.18
Zhu Rong	10.00	0.18
Zhao Fayu	6.00	0.11
Nong Xiancheng	5.00	0.09
Total	5,500.00	100.00

On September 15, 2011, the Company's Board of Shareholders resolved to approve the transfer of 1.27% equity of the Company held by Yao Jiuzhi to Li Junli, and the transfer of 3.64% equity of the Company held by Yao Jiuzhi to Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.

On October 8, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB5 million, which was contributed in cash by Tongji Huacheng Venture Capital (Beijing) Co., Ltd., Su Songqing and Chen Zuren; this capital increase was verified by the Capital Verification Report (ZXSYZ [2011] No. 055) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	58.33
Yao Jiuzhi	490.00	8.17
Cheng Cheng	230.00	3.83
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	3.33
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	3.33
Wu Zhonglin	160.00	2.67
Chen Yu	150.00	2.50
Su Songqing	150.00	2.50
Chen Zuren	150.00	2.50
Huang Huiqiong	120.00	2.00
Li Junli	120.00	2.00

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Lv Lingling	100.00	1.67
Han Kaifeng	80.00	1.33
Li Zhenghua	60.00	1.00
Zhang Jinfeng	60.00	1.00
Zhao Yongli	60.00	1.00
Guo Shanjie	20.00	0.33
Wu Dongfeng	20.00	0.33
Rao Guizhong	19.00	0.32
Zhao Fagui	19.00	0.32
Wang Jianfeng	19.00	0.32
Wu Qingwen	11.00	0.18
Wang Jianxin	11.00	0.18
Zhang Pei	10.00	0.17
Wu Yanping	10.00	0.17
Chen Junrong	10.00	0.17
Zhu Rong	10.00	0.17
Zhao Fayu	6.00	0.10
Nong Xiancheng	5.00	0.08
Total	6,000.00	100.00

On November 23, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB7 million, in which, RMB5 million was contributed by Beijing Qiuyin Datong Investment Management Center (L.P.) in cash and RMB2 million by Zhang Jun in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 060) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	52.24
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.46
Yao Jiuzhi	490.00	7.31
Cheng Cheng	230.00	3.43
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.99
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.99
Zhang Jun	200.00	2.99
Wu Zhonglin	160.00	2.39
Chen Yu	150.00	2.24
Su Songqing	150.00	2.24
Chen Zuren	150.00	2.24
Huang Huiqiong	120.00	1.79
Li Junli	120.00	1.79
Lv Lingling	100.00	1.49
Han Kaifeng	80.00	1.19
Li Zhenghua	60.00	0.90
Zhang Jinfeng	60.00	0.90
Zhao Yongli	60.00	0.90
Guo Shanjie	20.00	0.30
Wu Dongfeng	20.00	0.30

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Rao Guizhong	19.00	0.28
Zhao Fagui	19.00	0.28
Wang Jianfeng	19.00	0.28
Wu Qingwen	11.00	0.16
Wang Jianxin	11.00	0.16
Zhang Pei	10.00	0.15
Wu Yanping	10.00	0.15
Chen Junrong	10.00	0.15
Zhu Rong	10.00	0.15
Zhao Fayu	6.00	0.09
Nong Xiancheng	5.00	0.07
Total	6,700.00	100.00

On December 16, 2011, the Company's Board of Shareholders resolved that shareholder Wu Qingwen transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, Zhao Fayu transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, and Wang Jianxin transferred his 0.01% equity (i.e. RMB10,000) to Wang Jianfeng. It is agreed to increase the registered capital by RMB3 million, and such RMB3 million was contributed by Beijing Haiyan Lifang Venture Capital Center (Limited Partnership) in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 063) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	50.00
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.14
Yao Jiuzhi	490.00	7.00
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	4.29
Cheng Cheng	230.00	3.29
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.86
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.86
Zhang Jun	200.00	2.86
Wu Zhonglin	160.00	2.29
Chen Yu	150.00	2.14
Su Songqing	150.00	2.14
Chen Zuren	150.00	2.14
Huang Huiqiong	120.00	1.71
Li Junli	120.00	1.71
Lv Lingling	100.00	1.43
Han Kaifeng	80.00	1.14
Li Zhenghua	60.00	0.86
Zhang Jinfeng	60.00	0.86
Zhao Yongli	60.00	0.86
Zhao Fagui	21.00	0.30
Guo Shanjie	20.00	0.29
Wu Dongfeng	20.00	0.29
Wang Jianfeng	20.00	0.29
Rao Guizhong	19.00	0.27

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Wu Qingwen	10.00	0.14
Wang Jianxin	10.00	0.14
Zhang Pei	10.00	0.14
Wu Yanping	10.00	0.14
Chen Junrong	10.00	0.14
Zhu Rong	10.00	0.14
Zhao Fayu	5.00	0.07
Nong Xiancheng	5.00	0.07
Total	7,000.00	100.00

On June 27, 2012, the Company's Board of Shareholders resolved that Wu Dongfeng transferred his 0.29% equity to Rao Guizhong, Zhao Fayu transferred his 0.07% equity to Rao Guizhong, Wu Yanping transferred his 0.14% equity to Rao Guizhong, Nong Xiancheng transferred his 0.07% equity to Rao Guizhong, Chen Junrong transferred his 0.14% equity to Rao Guizhong, Zhu Rong transferred his 0.14% equity to Rao Guizhong, Wang Jianxin transferred his 0.14% equity to Rao Guizhong, Wu Qingwen transferred his 0.14% equity to Rao Guizhong, Zhao Fagui transferred his 0.07% equity to Rao Guizhong, Zhao Fagui transferred his 0.23% equity to Lan Haikun, and Cheng Cheng transferred his 3.29% equity to Qi Xiaohong.

On June 27, 2012, the Company's Board of Shareholders resolved to increase the registered capital by RMB15 million, which was contributed by all equities of Hainan Dachuan Food Co., Ltd. held by natural persons Shan Dan, Li Guangjiang, Li Ruiqi, Zhao Ruijun, Fan Jia, Fu Yu, Dong Ailin, Ding Zhulan, Cao Dongmei, Zeng Jun, Zhang Dewei, Wu Kaixiong, He Zhenshu, Zhou Chongyuan, Zheng Dingcheng, Fu Duanyao, Lin Xueyun, Du Jindong, Zhang Yimin, Li Xiaobei, Xiao Jin, Liu Ping, Huang Zenghua, Huang Huifang, Chen Jie and Shi Mingyuan.

The valuable consideration of this capital increase was calculated based on the *Assets Appraisal Report of the Shareholders' Equity Value Assessment Project Involved in the Capital Increase of Beihai Tianye Food Co., Ltd.* (ZLPBZ [2012] No. 391) and the *Assets Appraisal Report of the Proposed Equity Project by Beihai Tianye Food Co., Ltd. for Replacing Hainan Dachuan Food Co., Ltd. by Capital Increase* (ZLPBZ [2012] No. 392) issued by China United Assets Appraisal Group Co., Ltd. (the base date of appraisal: March 31, 2012).

This capital increase has been verified by the Capital Verification Report (ZXSYZ [2012] No. 024) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
Yao Jiuzhi	490.00	5.76
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
Zhang Jun	200.00	2.35
Wu Zhonglin	160.00	1.88
Chen Yu	150.00	1.76

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Su Songqing	150.00	1.76
Chen Zuren	150.00	1.76
Huang Huiqiong	120.00	1.41
Li Junli	120.00	1.41
Lv Lingling	100.00	1.18
Han Kaifeng	80.00	0.94
Li Zhenghua	60.00	0.71
Zhang Jinfeng	60.00	0.71
Zhao Yongli	60.00	0.71
Guo Shanjie	20.00	0.24
Wang Jianfeng	20.00	0.24
Rao Guizhong	104.00	1.22
Zhang Pei	10.00	0.12
Shan Dan	420.00	4.94
Li Guangjiang	205.00	2.41
Li Ruiqi	200.00	2.35
Xiao Jin	200.00	2.35
Huang Zenghua	102.00	1.20
Zhao Ruijun	100.00	1.18
Huang Huifang	55.00	0.65
Liu Ping	45.50	0.54
Du Jindong	31.25	0.37
Shi Mingyuan	25.00	0.29
Zhang Yimin	18.75	0.22
Li Xiaobei	12.50	0.15
Fan Jia	10.00	0.12
Fu Yu	10.00	0.12
Chen Jie	10.00	0.12
Dong Ailin	8.00	0.09
He Zhenshu	8.00	0.09
Ding Zhulan	7.00	0.08
Cao Dongmei	5.00	0.06
Zeng Jun	5.00	0.06
Zhou Chongyuan	5.00	0.06
Zheng Dingcheng	5.00	0.06
Fu Duanyao	5.00	0.06
Zhang Dewei	3.00	0.04
Wu Kaixiong	2.00	0.02
Lin Xueyun	2.00	0.02
Lan Haikun	16.00	0.19
Qi Xiaohong	230.00	2.71
Total	8,500.00	100.00

On August 16, 2012, the Company's Board of Shareholders resolved to approve the transfer of 1% equity of the Company held by Rao Guizhong to Yao Jiuzhi.

2. *Reform of shareholding system*

On September 24, 2012, the founding meeting and the first general meeting of shareholders of Tianye Innovation Corporation passed a resolution: all shareholders of Beihai Tianye Food Co., Ltd., as initiators and according to the audited net assets of RMB186,609,726.71 (i.e. 85,000,000 shares) of Beihai Tianye Food Co., Ltd. as of August 31, 2012, change the company into a joint stock limited company according to law; the term of operation of the company is changed to permanent existence. On September 24, 2012, Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the *Capital Verification Report* (ZXSYZ [2012] No. 043) to verify this overall change of the capital contribution. On September 25, 2012, Tianye Innovation Corporation completed the change of industrial and commercial registration in Beihai Administration for Industry and Commerce, and obtained the *Business License of Enterprise Legal Person* with the registration number of 450500000005715. The shareholding status of each shareholder after the change is as follows:

S/N	**Shareholder**	**Number of shares held** *(10,000 shares)*	**Proportion** *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
3	Yao Jiuzhi	575.00	6.76
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Zhang Jun	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41
18	Li Junli	120.00	1.41
19	Rao Guizhong	19.00	0.22
20	Huang Zenghua	102.00	1.20
21	Lv Lingling	100.00	1.18
22	Zhao Ruijun	100.00	1.18
23	Han Kaifeng	80.00	0.94
24	Li Zhenghua	60.00	0.71
25	Zhang Jinfeng	60.00	0.71
26	Zhao Yongli	60.00	0.71
27	Huang Huifang	55.00	0.65
28	Liu Ping	45.50	0.54
29	Du Jindong	31.25	0.37
30	Shi Mingyuan	25.00	0.29
31	Guo Shanjie	20.00	0.24
32	Wang Jianfeng	20.00	0.24
33	Zhang Yimin	18.75	0.22
34	Lan Haikun	16.00	0.19
35	Li Xiaobei	12.50	0.15
36	Zhang Pei	10.00	0.12
37	Fan Jia	10.00	0.12

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
38	Fu Yu	10.00	0.12
39	Chen Jie	10.00	0.12
40	Dong Ailin	8.00	0.09
41	He Zhenshu	8.00	0.09
42	Ding Zhulan	7.00	0.08
43	Cao Dongmei	5.00	0.06
44	Zeng Jun	5.00	0.06
45	Zhou Chongyuan	5.00	0.06
46	Zheng Dingcheng	5.00	0.06
47	Fu Duanyao	5.00	0.06
48	Zhang Dewei	3.00	0.04
49	Wu Kaixiong	2.00	0.02
50	Lin Xueyun	2.00	0.02
	Total	8,500.00	100.00

On November 26, 2013, Yao Jiuzhi signed the *Equity Transfer Contract* with Wu Dongfeng, Wu Qingwen, Zhu Rong, Wang Jianxin, Chen Junrong, Wu Yanping, Zhao Fazhen, Nong Xiancheng, Zhao Fagui and Rao Guizhong respectively, and agreed to transfer 200,000 shares to the new shareholder Wu Dongfeng, 100,000 shares to the new shareholder Wu Qingwen, 100,000 shares to the new shareholder Zhu Rong, 100,000 shares to new shareholder Wang Jianxin, 100,000 shares to the new shareholder Chen Junrong, 100,000 shares to the new shareholder Wu Yanping, 50,000 shares to the new shareholder Zhao Fayu, 50,000 shares to the new shareholder Nong Xiancheng, 40,000 shares to the new shareholder Zhao Fagui and 10,000 shares to shareholder Rao Guizhong; the Company changed the Register of Shareholders accordingly.

On December 28, 2013, Guangxi Tianye Science and Technology Seed Industry Co., Ltd. signed the *Equity Transfer Contract* with Yao Yuzhi, Zhao Ying, Guo Nan, Li Xingping, Li Zhiqi, Li Huiyun and Ginkgo Bo Rong (Beijing) Technology Co., Ltd., and agreed to transfer 1.6 million shares to Yao Yuzhi, 1.2 million shares to new shareholder Zhao Ying, 1.1 million shares to new stock Dong Guonan, and 111 shares. 1 million shares were transferred to the new shareholder Yinxing Borong, 1 million shares to the new shareholder Li Zhiqi and 600,000 shares to the new shareholder Li Huiyun. Each transferee completed the payment of the share transfer consideration in January 2014, and the Company changed the Register of Shareholders accordingly. The shareholding status of each shareholder after the change is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Li Ruiqi	200.00	2.35
11	Xiao Jin	200.00	2.35
12	Zhang Jun	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41
18	Li Junli	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.2
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94
28	Li Zhenghua	60.00	0.71
29	Zhang Jinfeng	60.00	0.71
30	Zhao Yongli	60.00	0.71
31	Li Huiyun	60.00	0.71
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37
35	Shi Mingyuan	25.00	0.29
36	Guo Shanjie	20.00	0.23
37	Wang Jianfeng	20.00	0.23
38	Wu Dongfeng	20.00	0.23
39	Rao Guizhong	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Chen Jie	10.00	0.12
45	Fan Jia	10.00	0.12
46	Fu Yu	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
58	Fu Duanyao	5.00	0.06
59	Zeng Jun	5.00	0.06
60	Zhao Fayu	5.00	0.06
61	Nong Xiancheng	5.00	0.06
62	Zhao Fagui	4.00	0.05
63	Zhang Dewei	3.00	0.04
64	Wu Kaixiong	2.00	0.02
65	Lin Xueyun	2.00	0.02
	Total	8,500.00	100.00

Zhang Dewei, a shareholder of the Company, unfortunately died of illness in February 2013. After verification by the Company, the successors first in order were only his spouse and son. On May 6, 2014, his spouse Chu Ping issued the *Confirmation Letter on Inheritance of All Shares Held by Zhang Dewei in Tianye Innovation Corporation*, confirming that all the 30,000 shares held by Zhang Dewei before his death were inherited by Zhang Dewei's son Zhang Hangrui.

On June 11, 2014, Zeng Jun signed the *Equity Transfer Contract with* Shan Dan for transferring 50,000 shares of the Company held by him to Shan Dan, and the Company changed the Register of Shareholders accordingly.

As of December 31, 2014, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	425.00	5.00
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
9	Zhang Jun	200.00	2.35
10	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Li Junli	120.00	1.41
18	Huang Huiqiong	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.20
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94
28	Li Zhenghua	60.00	0.71
29	Zhao Yongli	60.00	0.71
30	Zhang Jinfeng	60.00	0.71
31	Li Huiyun	60.00	0.71
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37
35	Shi Mingyuan	25.00	0.29
36	Wang Jianfeng	20.00	0.23
37	Guo Shanjie	20.00	0.23
38	Rao Guizhong	20.00	0.23
39	Wu Dongfeng	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Fu Yu	10.00	0.12
45	Fan Jia	10.00	0.12
46	Chen Jie	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06
58	Fu Duanyao	5.00	0.06
59	Zhao Fayu	5.00	0.06
60	Nong Xiancheng	5.00	0.06
61	Zhao Fagui	4.00	0.05
62	Zhang Hangrui	3.00	0.04
63	Lin Xueyun	2.00	0.02
64	Wu Kaixiong	2.00	0.02
Total		8,500.00	100.00

In May 2015, according to the proposal of the *Stock Issuance Plan of Tianye Innovation Corporation* reviewed and approved at the 2014 Annual General Meeting of Shareholders and the revised Articles of Association, the Company issued RMB ordinary shares with unlimited sales conditions to 43 investors including Li Xingping, Li Junli, Zhang Jun, Guo Nan, Li Guangjiang, Ginkgo Bo Rong (Beijing) Technology Co., Ltd., Caida Securities Co., Ltd. and Fangfu Growth Phase II Investment Fund, totaling 35,000,000.00 shares, with par value of each share of RMB1.00, and the subscription price of each share of RMB8.50. This time, RMB297,500,000.00 was raised, and the registered capital was changed to RMB120,000,000.00. After verification by Dahua Certified Public Accountants (Special General Partnership), as of May 28, 2015, the paid-in amount of the above 43 investors was RMB297,500,000.00, and the actual net fund raised by the Company was RMB297,450,000.00, and the Capital Verification Report (DHYZ [2015] No. 000417) was issued.

As of December 31, 2015, the equity structure of the Company was as follows:

S/N	**Shareholder**	**Number of shares held** *(10,000 shares)*	**Proportion** *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,826.70	15.22
2	Yao Jiuzhi	1,513.10	12.61
3	Li Ruiqi	521.10	4.34
4	Zhang Yimin	518.75	4.32
5	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	4.17
6	Shan Dan	425.00	3.54
7	Huang Zenghua	413.90	3.45
8	Li Qing	380.10	3.17
9	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	2.50
10	Beijing Fangfu Capital Management Co., Ltd.	287.10	2.39
11	Other investors	5,314.25	44.29
Total		12,000.00	100.00

In April 2016, according to the *Company's Profit Distribution Plan for 2015* reviewed and approved at the 2015 Annual General Meeting of Shareholders, the Company distributed cash dividend RMB1 (including tax) for every 10 shares based on the total share capital of 120 million shares as of December 31, 2015, with a total cash dividend of RMB12 million, and the remaining undistributed profits were carried over to the following years. At the same time, the capital reserve was used to increase 10 shares for every 10 shares of all shareholders, and the total increased share capital was 120 million shares. The total share capital of the Company was changed to 240 million shares after the share capital increase.

As of December 31, 2016, the equity structure of the Company was as follows:

S/N	**Shareholder**	**Number of shares held** *(10,000 shares)*	**Proportion** *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,018.40	12.58
2	Yao Jiuzhi	3,016.10	12.57
3	Zhang Yimin	1,000.00	4.17
4	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
5	Shan Dan	850.00	3.54
6	Huang Zenghua	800.00	3.33

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
7	Li Qing	760.20	3.17
8	Gongtou Zhaochen Investment Management Co., Ltd. — Huixin Investment — Quality Modern Agriculture Contractual Type Fund	454.20	1.89
9	Qi Xiaohong	442.00	1.84
10	Beijing Fangfu Capital Management Co., Ltd.	400.00	1.67
11	Other investors	12,259.10	51.07
Total		24,000.00	100.00

As of December 31, 2017, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
1	Yao Jiuzhi	4,252.10	17.72
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
3	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	1,000.00	4.17
4	Zhang Yimin	975.00	4.06
5	Shan Dan	850.00	3.54
6	Yao Linhao	800.00	3.33
7	Li Qing	760.20	3.17
8	Qi Xiaohong	439.00	1.83
9	Huang Zenghua	428.30	1.78
10	Li Ruiqi	421.80	1.76
11	Other investors	13,073.60	54.47
Total		24,000.00	100.00

As of December 31, 2018, the equity structure of the Company is as follows:

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
1	Yao Jiuzhi	4,271.10	17.7963
2	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	1,017.50	4.2396
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.1667
4	Zhang Yimin	949.50	3.9563
5	Shan Dan	850.00	3.5417
6	Li Qing	760.20	3.1675
7	Yao Linhao	738.00	3.075
8	Yang Yunping	452.60	1.8858
9	Qi Xiaohong	439.00	1.8292
10	Huang Zenghua	424.30	1.7679
11	Other investors	13,097.80	54.574
Total		24,000.00	100.00

Unified Social Credit Code: 914505007968370834

Registered address: Chuangye Avenue, Hepu Industrial Park, Beihai City

Legal representative: Yao Jiuzhi

(II) Business scope

The Company's business scope: production and sales of beverages (fruit juice and vegetable juice), quick-frozen foods [quick-frozen other foods (quick-frozen fruit and vegetable products)], dried fruits and vegetables and preserved fruits; acquisition, processing and sales of agricultural and sideline products (which can only be operated after obtaining environmental impact acceptance and fire protection permit); comprehensive development of agricultural products projects; self-management and agent for import and export of various commodities and technologies (except commodities and technologies that are restricted by the state or prohibited from import and export).

(III) The nature of business and main operating activities of the Company

The Company's main products: fruit juice, quick-frozen foods, fresh fruits, etc.

The Company belongs to the "vegetable, fruit and nut processing industry" in the "agricultural and sideline food processing industry".

(IV) Approval of the financial statements

The financial statements have been authorized for issuance by the Board of Directors of the Company on April 24, 2019.

II. Scope of Consolidated Financial Statements

During the reporting period, there were 6 subsidiaries included in the scope of consolidated financial statements, including:

Subsidiary	**Subsidiary type**	**Level**	**Shareholding ratio** *(%)*	**Ratio of voting right** *(%)*
Hainan Dachuan Food Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hainan Tianye Drinks Food Sales Co. Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Iceman Foods Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00

Subsidiary	Subsidiary type	Level	Shareholding ratio (%)	Ratio of voting right (%)
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00

Note: Refer to "Note VII. Change of consolidation scope" for details of the subject of consolidation scope change.

III. Basis for the Preparation of Financial Statements

(I) Basis for the preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* and concrete accounting standards, and *Accounting Standards for Business Enterprises — Application Guidelines*, the Accounting Standards for Business Enterprises–Interpretations issued by the Ministry of Finance and other relevant provisions (hereinafter collectively referred to as –Accounting Standards for Business Enterprises), and as well as *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports* (Rev. 2014) issued by China Securities Regulatory Commission.

(II) Going concern

The Company has assessed its ability to continually operate for the next 12 months from the end of the reporting period. There are no major events that will affect the Company's operational ability, Therefore, the financial statements are prepared on the basis of going-concern assumption.

IV. Significant Accounting Policies and Accounting Estimates

(I) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company in the reporting period.

(II) Accounting period

The accounting year of the Company begins on January 1 and ends on December 31 of the Gregorian calendar.

(III) Recording currency

The recording currency of the Company is RMB.

(IV) Accounting treatment of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

1. If the terms, conditions and economic impacts of each transaction conform to one or more of the following cases in the business combination step by step, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

2. Business combination under same control

The assets and liabilities that the Company obtains in a business combination shall be measured on the basis of the book value of the combined party in the consolidated financial statement of the final controlling party on the combining date (including the business reputation formed after the final controlling party merges the combined party). As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the stocks issued), the share capital premium in capital reserve shall be adjusted; if the share capital premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If there is contingent consideration and the estimated liabilities or assets should be confirmed, the capital reserve (capital premium or capital stock premium) should be adjusted according to the balance between the amount of estimated liabilities or assets and settled amount of follow-up contingent consideration. If the capital reserve is insufficient, the retained income should be adjusted.

If the business combination is finally realized through various transactions and it is a "package deal", the various transactions should have accounting treatment by regarding it as the one acquired the control right. If it is not a "package deal", on the date of obtaining the control right, the capital reserve shall be adjusted according to the difference between initial investment cost of the long-term equity investment and the sum of the book value of long-term equity investment before combination and the book value of new paid consideration of shares that further acquired on combining date; if capital reserve is not enough for offset, the retained income shall be adjusted. For the equity investment held before the combining date, other comprehensive income calculated with the equity method or calculated and confirmed according to standards for recognition and measurement of financial instruments will not have accounting treatment until the disposal of the investment, when the accounting treatment should be conducted on the basis of same assets or liabilities handled directly by the investee. Other changes in owners' equities in net assets of the investee except from the net profits and losses, other comprehensive income and profits accounted and confirmed with the equity method will not have accounting treatment temporarily until the it will be included in current profits and losses during the disposal of the investment.

3. Business combination not under the same control

The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree, i.e. the date on which the control right over the net assets or operation decisions of the acquiree is transferred to the Company. The Company deems the control right is transferred when following conditions are all met:

① The combination contract or agreement has passed the approval of internal authority of the Company.

② Matters related to business combination that require approval of relevant state authorities have been approved by relevant authorities.

③ Necessary property right transfer formalities have been handled.

④ The Company has paid a large part of the combination expenses it is able to and plans to pay the rest expenses.

⑤ The Company has controlled the financial and operation policies of the acquiree in fact and it enjoys relevant interests and bear relevant risks.

The Company shall measure the assets given and liabilities incurred or assumed by an enterprise for a business combination at the acquisition date based on the fair values, and shall take the balances between the fair values and their book value into the profit and loss of the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The balance between the combination cost and the fair value of the identifiable net assets acquired from the acquiree in the business combination shall be included in the current profits and losses after recheck.

If the business combination not under the same control realized through disposal in steps by transactions is a package deal, the combining party shall conduct accounting treatment on all transactions by regarding it as one transaction that has acquired the control. It is not a package deal and the equity investment before the combining date is accounted with the equity method, the initial investment cost of the investment is the sum of the book value of the equity investment held by the acquiree before the acquisition date and the new investment cost on the acquisition date. For other comprehensive income of the equity investment confirmed before acquisition date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment. For the equity investment held before the combining date that are accounted according to the standards for recognition and measurement of financial instruments, the initial investment cost on the combining date is the sum of the book value of the equity investment on the combining date and the new investment cost. For originally held equities, the difference between the book value and the fair value and the cumulative fair value included in other comprehensive income originally shall be all transferred to current investment profits on the combining date.

4. Expenses related to business combination

Commission fees for audit, legal services, assessment and consultation due to business combination and other directly related expenses shall be included in the current profits and losses when they occur. For the transaction expenses for the issuance of equity securities for the business combination, the part directly attributed to equity transactions can be deducted from equities.

(V) Base of consolidated financial statements

1. Consolidation scope

The scope of consolidated financial statements the Company shall be confirmed based on the control and all subsidiaries (including individual principal controlled by the Company) shall be included in the consolidation range of the consolidated financial statements.

2. Consolidation procedure

The Company shall prepare consolidated financial statements based on its and its subsidiaries' financial statements according to other relevant data. During preparation of consolidated financial statements, the Company shall consider the whole company as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies, reflecting the Company's overall financial status, operating results and cash flows.

The accounting policies or accounting period adopted by the subsidiary included in the consolidation range shall be in line with the Company. If the accounting policies or accounting period adopted by the subsidiary are not in line with the Company, necessary adjustments shall be made according to the Company's accounting policies and period when preparing consolidated financial statements.

When preparing consolidated financial statement, the effects of the offset of internal transactions between the Company and other subsidiary and the offset of internal transactions between subsidiaries to consolidated balance sheet, consolidated profit statement, consolidated statement of cash flow and consolidated statement of change in shareholders' equity shall be recorded. If the recognition on a same transaction with the Company or its subsidiary as the accounting entity is different from the perspective of consolidated financial statement of the Company, the transaction should be adjusted from the perspective of the Company.

The owners' equity of subsidiaries, current net profits and losses and the shares in total comprehensive income attributable to minority shareholders shall be independently listed in the "owners' equity" in consolidated balance sheet, the "net profits" and "total comprehensive income" in consolidated income statements. If current loss shared by minority shareholders in a subsidiary exceeds the share enjoyed by minority shareholders in the subsidiary's owner's equity at the beginning of the period, the balance shall be written down with the minority shareholders' equity.

If the subsidiary is acquired through combinations under common control, the adjustments are made to the consolidated financial statements based on the book value of its assets and liabilities (including the business reputation formed after the final controlling party merges the combined party) in the consolidated financial statement of the final controlling party.

For a subsidiary acquired through business combination not under the same control, its financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

(1) Increase of subsidiary or business

For the subsidiary or business increased under the same control due to business combination in the reporting period, the opening balance of the consolidated balance sheet shall be adjusted, and the subsidiary and the revenues, expenses and profits from the beginning to the closing period of the current business combination are incorporated into the consolidated profit statement, as well as the cash flow of the same period to the consolidated cash flow statement. Meanwhile, relevant items of the comparative statement are adjusted and the consolidated report subject is regarded to exist from the time the final control party begins to control.

If the investee under the same control can be controlled due to additional investment, it shall be deemed that all parties involved in the combination adjusted the current state/existence when the final controller began to control it. For the equity investment held before the control right over the combined party is obtained, the changes in relevant profits and losses, other comprehensive incomes and other net assets recognized from the later one of the date when the original equity is obtained and the date when the combing party and the combined party are under the same control to the combination date shall respectively be used to offset the retained income at the beginning period of the comparative statement or current profits and losses.

In the reporting period, for the added subsidiary companies or businesses caused by business combination under common control, the beginning balance of the consolidated financial statement shall not be adjusted. The incomes, expenses and profits of the subsidiary or business incurred from the acquisition date to the end of reporting period shall be recorded into consolidated profit statement. The cash flow of the subsidiary or business from the acquisition date to the end of reporting period shall be included into consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment, the Company shall measure again its equity owned from the acquiree prior to the acquisition date in accordance with the fair value of the equity at the acquisition date, and the balance between the fair value and the book value shall be taken into the investment income of the current period. For the held equity from the acquiree before the acquisition date which involves other comprehensive income under accounting with equity method, and changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits shall be changed into the current incomes from investment on the acquisition date, except from other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee.

(2) Disposal of subsidiaries or businesses

1) General disposal method

If the Company disposes its subsidiary or the business within the reporting period, the revenues, expenses and profits occurred from the beginning of the business to the disposal date and of the subsidiary are incorporated into the consolidated income statement and the cash flow produced from the beginning of the period to the disposal date of the subsidiary is included into the consolidated cash flow statement.

If it loses the control on the investee because of disposing part of the equity investment or due to other reasons, the disposed remaining equity investment shall be remeasured by the Company as per the fair value on the date of losing the control. The balance obtained by deducting the portion of net assets reckoned continuously since the acquisition or combination date by the original subsidiary that shall be enjoyed according to the original calculated shareholding ratio with the sum of consideration generated from the disposal and the fair value of the residual equity shall be numbered into the investment income of the current period in which the right of control is lost. Other comprehensive incomes or changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits associated with the equity investments of the original subsidiary are turned into the current investment income at the time the right of control is lost. However, other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee is excluded.

2) Disposal of subsidiary in steps

For investment in subsidiary from disposal in steps by transactions to control loss, if the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, it is commonly acknowledged these transactions shall be handled in an accounting way as a package deal:

A. These transactions are concluded simultaneously or after the consideration of the mutual influence;

B. These transactions can lead to a complete commercial result only when they are in their entirety;

C. The occurrence of a transaction relies on the occurrence of at least another transaction;

D. A transaction alone is deemed uneconomic but economic when together with other transactions.

If various transactions from disposal of subsidiary equity investment to control loss belong to package deal, these transactions shall be disposed in an accounting way as a transaction for subsidiary disposal with control loss. However, for each transaction conducted before control loss, the balance between the disposal price and corresponding net asset share of disposed investment over the subsidiary shall be recognized as other comprehensive income in the consolidated financial statement and transferred to current profits and losses at the time of control loss together.

If various transactions from disposal of subsidiary equity investment to control loss do not belong to package deal, accounting treatment shall be conducted for policies related to equity investment of the subsidiary under the condition of no control right loss. If the control right is lost, accounting treatment shall be conducted with general method for disposal of subsidiary.

(3) Purchase of minority equities in subsidiaries

The stock premium in capital reserve in consolidated balance sheet shall be adjusted for the difference between the net asset shares continuously calculated since acquisition date (or combining date) of subsidiary corporation to be enjoyed by long-term equity investment as a result of purchasing minority interest, as well as calculation on the basis of new shareholding ratio. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(4) Disposal of equity investment of subsidiary partially without losing control right

The stock premium in capital reserve in consolidated balance sheet shall be adjusted according to the difference of net assets of subsidiary as result of continuous calculation since the acquisition or combining date enjoyed during disposal of price and long-term equity investment due to the disposal of the long-term equity investment of subsidiary partially without losing its control right. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(VI) Cash and cash equivalents

The Company's cash on hand and deposits available for payment at any time are recognized as cash when the Company prepares its cash flow statement. Any short-term (expires after three months from the purchase date generally) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are confirmed as cash equivalents.

(VII) ***Foreign operations and foreign currency translation***

1. Foreign operations

At the time of initial recognition of a foreign currency transaction, the amount shall be translated into RMB at the spot exchange rate of the transaction date.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date into RMB. The balance of exchange arising from the difference of exchange rate, except from the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets which is capitalized, shall be included into profits and losses of the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The resulting difference shall be recognized as the fair value change in the current profit and loss. The resulting difference belonging to the non-monetary items of available-for-sale foreign currency shall be recognized as other comprehensive incomes.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet shall be translated at spot exchange rate on the balance sheet date. Among the owner's equity items, except items in "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot rate of the transaction date. The translation difference of foreign currency financial statements generated according to the above translation shall be included in other comprehensive income.

When disposing of overseas operations, the translation difference of foreign currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income items to the current profits and losses; when part of the equity investment is disposed of or other reasons lead to a decrease in the proportion of overseas business interests, but the right to control overseas business is not lost, the translation difference of foreign currency statements related to the disposal of the overseas business shall be attributed to minority shareholders' interests and shall not be transferred to the current profits and losses. In case of disposal of part of equity of the associated enterprises or cooperative enterprises in the overseas business, the translation balance related to the overseas business shall be translated into the current profits and losses based on the ratio to dispose overseas business.

(VIII) ***Financial instruments***

The financial instruments are divided into financial assets or financial liabilities and equity instruments.

1. Classification of financial instruments

According to the contract clauses related to the issued financial instruments and the economic nature they reflect rather than the only lawful form as well as the purpose of the obtaining and holding the financial assets and bearing the financial liabilities, the Company classifies the financial assets and financial liabilities at initial recognition into financial assets (or financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, the investments which will be held to their maturity, account receivables, financial assets available for sale, and other financial liabilities.

2. The condition of recognition and measurement method of financial instruments

(1) Financial assets (financial liabilities) which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

The financial assets or financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial assets or financial liabilities and the designated financial assets or financial liabilities which are measured at their fair values directly and of which the variation is included in the current profits and losses.

The transactional financial assets or financial liabilities refer to the financial assets or financial liabilities meeting any of the following requirements:

1) The purpose to acquire the said financial assets or financial liabilities is mainly for selling or repurchase of them in short term;

2) Forming a part of the identifiable combination of financial instruments, and for which there are objective evidences proving that the Company may manage the combination by way of short-term profit making in the near future;

3) Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Only the financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses:

1) The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

2) The official written documents on risk management or investment strategies of the Company concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel;

3) The mixed instrument containing one or several embedded derivative instruments if the embedded derivative instrument does not significantly change the cash flow of the mixed instrument or the derivative instruments embedded in similar mixed instruments shall obviously not be separated from the relevant mixed instruments;

4) Mixed instrument that should be separated but it is impossible to make an independent measurement for embedded derivative instruments when they are obtained or subsequently on the balance sheet date.

Upon acquiring, according to the fair value (less cash dividends declared but yet to issue or bond interest up to payment period but has not claimed), financial assets or financial liabilities measured at their fair value and with their variation included in the current profits and losses shall be regarded as initial recognition cost and relevant transaction expenses are included in current profits and losses. Interest or cash dividends acquired during holding time shall be recognized as income from investment, and the variation of fair value shall be included into the current profits and losses at the end of the period. During the disposal of such financial assets, the balance between their fair value and original recorded amount shall be recognized as investment income, and meanwhile, the profits and losses of changes in fair value shall be adjusted.

(2) Accounts receivable

"Accounts receivable" refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the recoverable amount is fixed or determinable.

For the creditor's rights receivable formed by the Company's sale of product or provision of labor service, and creditor's rights of other enterprises held by the Company (excluding debt instruments with an offer in the active market), including accounts receivable, other receivables, notes receivable, advance payments and long-term receivables, the Company will take them as the initial recognition amount by means of contract or agreement price receivable by the acquirer; for those with financing nature, initial recognition shall be carried out according to the present value.

During the recovery or disposal, the balance of the price acquired and the book value of the receivable shall be recorded into the profit or loss for the current period.

(3) Held-to-maturity investment

Held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of recoverable price and which the Company holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment, upon acquiring, the sum of fair value (less bond interest up to payment period but has not claimed) and relevant transaction expenses shall be regarded as initial recognition cost. The interest income of held-to-maturity investments acquired during holding time shall be calculated based on the amortized cost and effective interest rate and included in the income from investment. The actual interest is determined upon the receipt and shall be maintained within the predicted term of existence or within a shorter applicable term. During the disposal of held-to-maturity investments, the balance between the acquired price and book value of the investment shall be included in the income from investment.

If the held-to-maturity investment is disposed or reclassified to amount of other types of financial assets and such amount is considerably large as compared with the amount before such investment is sold or re-classified, the surplus of such investment shall be re-classified as a sellable financial asset. The balance between the book of the said investment on the reclassification day and the fair value shall be computed into other comprehensive income, and when the said sellable financial asset is impaired or transferred out when it is terminated from recognizing, it shall be recorded into the profits and losses of the current period. However, the following circumstances shall be excluded:

1) The date of sale or re-classification is quite near to the maturity date or the redemption date of the said investment (e.g., within 3 months prior to maturity) that any change of the market interest rate will produce little impact upon the fair value of the said investment.

2) After almost all the initial principal of the investment has been drawn back by way of repayment according to the provisions of the contract.

3) The sale or re-classification is caused by any independent event that the enterprise cannot control, is predicted not to occur again and is hard to be reasonably predicted.

(4) Available-for-sale financial assets

Financial assets available for sale include the non-derivative financial assets which are designated as sellable when they are initially recognized and other financial assets in addition to these mentioned above.

With regard to the measurement, upon acquiring, the sum of fair value (less cash dividends declared but yet to issue or bond interest up to payment period but has not claimed) and relevant transaction expenses shall be regarded as initial recognition cost. Interest or cash dividends acquired during holding time shall be recognized as income from investment. Gains and losses resulting from the changes of the fair values of the available-for-sale financial assets shall be directly counted into other comprehensive income, excluding impairment losses and the exchange difference resulting from the foreign currency monetary financial assets. During the disposal of financial assets available for sale, the balance between the acquired price and book value of the financial assets shall be included into the investment profit and loss; moreover, the accumulated amount of changes in fair value of the other comprehensive income originally included which corresponds to the amount of disposed part shall be transferred out and recorded into the investment profit and loss.

The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

(5) Other financial liabilities

For such financial assets, the sum of the fair value when obtained and related transaction costs shall be regarded as the initial recognition amount. The Company shall make subsequent measurement on the basis of the post-amortization costs.

3. Recognition basis and measurement method for the transfer of financial assets

For the transfer of financial assets, if the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not derecognize the financial asset.

For judging whether the financial assets transfer can satisfy the above termination determination condition or not, the "substance over form" principle shall be followed. The Company distinguishes the transfer of financial assets into the whole transfer and partial transfer of financial assets. When the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the following two items is included in the current profits and losses:

(1) Book value of the transferred financial asset;

(2) Sum of the consideration received due to transfer and the accumulated amount of changes in the fair value directly reckoned in the owner's equity (involving the occasion when the transferred financial asset is a financial asset available for sale)

If the transfer of partial financial assets satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the current profits and losses:

(1) Book value of the part whose recognition is terminated;

(2) Sum of the consideration of the part whose recognition is terminated and the accumulated amount of changes in fair value originally included in the owner's equity which corresponds to the amount of the part whose recognition is terminated (involving the occasion when the transferred financial asset is a financial asset available for sale).

If the transferred financial asset does not satisfy the conditions for recognition, it shall continue to recognize the financial asset, and the consideration received shall be recognized as a financial liability.

4. Conditions for derecognition of financial liabilities

When current obligations of a financial liability have been wholly or partly canceled, then the financial liability or part of it shall be wholly or partly de-recognized. When the Company and the creditors sign agreements to take on new ways to replace the existing financial liabilities with new financial liabilities and the contract terms of existing financial liabilities and new financial liabilities are different in essence, recognition of the current financial liabilities shall be terminated and new financial liabilities shall be recognized at the same time.

Where an enterprise makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after the modification of the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company shall include into the profits and losses of the current period the gap between the book value of financial liabilities which recognition is terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed.

If the Company repurchases some financial liabilities, the overall book value of these financial liabilities will be distributed according to the relative fair value of the part which we will continue to confirm and the part which we have terminated on the repurchasing date. The Company shall include into the profits and losses of the current period the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed.

5. Methods for the determination of the fair value of financial assets and financial liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market include the prices of relevant assets and liabilities that are easily available from the stock exchanges, dealers, brokers, industry associations, pricing service institutions or supervisory institutions, etc. at a fixed term, and that represent the prices which actually and frequently occurred in market transactions under fair conditions.

As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

For those financial assets or liabilities for which there is no active market, the fair value shall be determined by means of valuation technique. During the evaluation, the Company uses the valuation technique which is applicable in the current condition and has enough available data and other information. The input value consistent with the features of assets or liabilities considered in transactions of relevant assets or liabilities with market participants and observable input value should be used with priority as far as possible. Only under the situations of relevant observable input values not obtained or non-feasible, the non-observable input values can be used.

6. Withdrawing of impairment provision for financial assets (excluding receivables)

On the balance sheet date, the Company shall carry out an inspection, on the book value of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

The objective evidences that can prove the impairment of a financial asset shall include but not limited to:

(1) A serious financial difficulty occurs to the issuer or debtor;

(2) The debtor breaches any of the contractual stipulations, for example, it fails to pay or delays the payment of interests or the principal, etc.;

(3) The creditor makes any concession to the debtor which is in financial difficulties for economic or legal factors;

(4) The debtor is likely to become bankrupt or carry out other financial reorganizations;

(5) The financial asset can no longer continue to be traded in the active market due to serious financial difficulties of the issuer;

(6) It is impossible to identify whether the cash flow of a certain asset within a certain combination of financial assets has decreased or not. But after making an overall appraisal according to the public data available, it is found that the predicted future cash flow of the said combination of financial assets has indeed decreased since it was initially recognized and such decrease can be measured, for example, the payment ability of the debtor of the said combination of financial assets was deteriorated, the unemployment rate of the country of region where the debtor located raised, the price in the region where the collateral located dropped significantly or the collateral industry faced a hard time;

(7) Any seriously disadvantageous change has occurred to technical, market, economic or legal environment, etc. operated by the issuers of the equity instruments, which makes the investor of an equity instrument unable to take back its cost of investment;

(8) Where the fair value of the equity instrument investment drops significantly or not contemporarily;

The specific depreciation method for financial assets is shown below:

(1) Provision for impairment of available-for-sale financial assets

The Company will perform independent test for the investment of various equity instruments available for sale on the balance sheet date. If they fair value on the balance sheet date is equal to or greater than 50% (including 50%) of the cost or this condition lasts for 12 or more than 12 months, it shows that impairment occurs; if their fair value on the balance sheet date is equal to or greater than 20% (including 20%) but less than 50% of the cost, the Company will give overall consideration to other relevant factors such as price fluctuation to judge whether the investment of equity instruments is in impairment.

The cost mentioned above can be determined by deducting the recoverable principle and amortized amount based on the initial cost of available-for-sale equity instruments and the impairment losses originally included in profits and losses. For the available-for-sale equity instrument investment without active market, their fair value shall be determined based on the present value determined according to the market returns of similar financial assets on future cash flow. For the available-for-sale equity instrument investment with active market and quotation, their "fair value" shall be determined according to the closing price at the end of period on stock exchange, unless the available-for-sale equity instrument investment has a restricted stock trade period. For the available-for-sale equity instrument investment with a restricted stock trade period, the impairment shall be conducted after the compensation required by the market participant who will bear the risk of the sales failure of the equity instrument in open market in a specified period is deducted from the closing balance at the end of period on stock exchange.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the Company will transfer out the accumulative losses arising from the decrease of the fair value of the comprehensive income which was directly included and record the same into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses shall be reversed and be recorded into the profits and losses of the current period. The impairment-related losses incurred to a sellable equity instrument investment shall be reversed through equities when the value of the equities rises. However, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

(2) Held-to-maturity investments depreciation reserves

Where there is any objective evidence proving that the held-to-maturity investment has been impaired, the impairment loss shall be determined according to the balance between the book value and the current value of expected future cash flow. If there is any objective evidence proving that the value of the said financial asset has been restored after withdrawal, the impairment-related loss as originally recognized shall be reversed and be recorded into the profiles and losses of the current period. However, the reversed carrying amounts shall not be more than the post-amortization costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

7. Offsetting financial assets and financial liabilities

In all other situations they are presented separately in the balance sheet and are not offset. However, the net income offset shall be listed in the balance sheet when they satisfy the requirements below at the same time:

(1) The Company is legally authorized to offset verified amount, and the legal right is executable;

(2) The Company is planned for netting and meanwhile change the financial asset into cash and pay off the financial liability.

(IX) Recognition criteria and withdrawing method of provision for bad debts of receivables

1. Receivables that are individually significant and have bad debts provision separately drawn:

Recognition criteria of receivables with significant single amount and single provision for bad debts: the amount is more than RMB1 million (inclusive).

Withdrawing method for bad-debt provision of receivables with significant single amount: Impairment test shall be carried out independently and bad-debt provision shall be withdrawn according to the balance between present value of expected future cash flow and book value and included in profits and losses of current period. The accounts receivable without impairment shall be tested one by one and they shall be classified in relevant combinations for bad-debt provision withdrawing.

2. Receivables for withdrawing bad-debt provision in combination:

(1) The basis for determining the combination of credit risk characteristics:

For the accounts receivables with non-significant single amounts, they and the accounts receivables with significant single amounts for single test without value impairment shall be divided into several combinations on the basis of credit risk features, and the bad-debt provision that shall be withdrawn shall be determined on the basis of actual loss ratio of previous receivables combinations with similar credit risk features and combining with the current conditions.

Basis for determining combination:

Item	**Basis for determining combination**
Combination without withdrawing bad debts	Accounts receivable between enterprises included in the consolidation scope of the Company
Combination of aging analysis method	Including receivables other than the above-mentioned combinations, the Company shall make the best estimate of the accrual ratio of receivables based on past historical experience, and classify the credit risk combinations with reference to the aging of receivables

(2) The accrual method determined according to the combination of credit risk characteristics:

Item	Withdrawing method for bad-debt provision
Combination without withdrawing bad debts	Bad-debt provision without withdrawing
Combination of aging analysis method	Aging analysis method

In the combination, withdraw the bad-debt provision by aging analysis method:

Aging	Withdrawal ratio of notes receivable (trade acceptance) *(%)*	Withdrawing proportion of receivables *(%)*	Withdrawing proportion of other receivables *(%)*
Within 1 year (including 1 year)	5	5	5
1-2 years	10	10	10
2-3 years	30	30	30
3-4 years	50	50	50
4-5 years	80	80	80
>5 years	100	100	100

3. Receivables with non-significant single amounts but with a single provision for bad debts

Reasons for single withdrawing of bad-debt provision: there is any objective evidence proving that the Company is about to fail to withdraw the found as per the original articles of accounts receivables.

Withdrawing method for bad-debt provision: withdrawn on the basis of the balance between book value and the estimated present value of future cash flow of receivables.

(X) Inventories

1. Classification of inventories

The term "inventories" refer to finished products or merchandise possessed by the Company for sale in the daily business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. It mainly includes raw materials, turnover materials, entrusted processing materials, in-process products and finished products (inventory goods), etc.

2. Inventory valuation method

After the inventories are obtained, its initial measurement shall be carried out based on their cost, including purchase cost, processing cost and other costs. The method of weighted mean is adopted for valuation of sending inventories.

3. Determination basis of net realizable value of inventories and method of provision for depreciation

After complete check on inventory at the end of the period, inventory falling price reserves shall be withdrawn or adjusted at the lower of inventory cost and net realizable value. For merchandise inventory which is directly for sale like finished products, commodity stocks, and material for sale, during normal production and marketing process, net realizable value of which shall be determined by subtracting estimated selling expenses and relevant taxes from the estimated sale price; for material inventory needs to be processed, during normal production and marketing process, net realizable value of which shall be determined by subtracting the cost going to happen, the estimated marketing expenses and relevant taxes from the estimated sale price of finished products; for inventory held for performing sales contract or labor contract, net realizable value of which shall be determined on the basis of contract price, if the quantity of inventory is more than the quantity purchases by sales contract, net realizable value of the surplus part shall be calculated as per average sales price.

The inventory falling price reserves shall be withdrawn as per the single inventory item at the end of the period generally, and for inventories with large quantity and relatively low unit prices, the inventory falling price reserves shall be withdrawn according to the inventory type. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar there to, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

4. Inventory system for inventories

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and wrappage

(1) One-time amortization method is adopted for the amortization of low priced and easily worn articles;

(2) One-time amortization method is adopted for the amortization of packing materials.

(3) Other turnover materials are amortized by one-time write-off method.

(XI) Held-for-sale assets

1. Determination standards for held-for-sale assets

The non-current assets meeting the following conditions or disposal groups shall be categorized into held-for-sale assets:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the Company has made a resolution on a sale plan and obtained a firm purchase commitment, and it is estimated that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as the transaction price, time, and heavy penalty for breach of contract that lead to the smallest possibility to adjust largely or cancel the agreement.

2. Accounting method for held-for-sale assets

For held-for-sale non-current assets for which depreciation or amortization are not be carried out, if the book value is higher than the net value of fair value minus the sales expense, the book value should be written down to the nut value after the fair value minus the dales expense. The write-down amount shall be recognized as the loss of asset impairment and be recorded as the profits or losses for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly.

For the non-current assets or disposal groups classified as held-for-sale type on the obtaining date, they shall be measured at the lower one of the initially measured value when it is not classified as held-for-sale type and the net value of fair value minus the sales expense.

The principles above are applicable to all non-current assets, excluding the investment real estate adopting fair value pattern for subsequent measurement, the biological assets measured at the net value of fair value minus the sales expense, the assets formed by employee payroll, the deferred income tax assets, financial assets meeting accounting standards for financial instruments and the rights generated from the insurance contract meeting relevant accounting standards for insurance contracts.

(XII) Long-term equity investment

1. Determination of initial investment cost

(1) For the long-term equity investment formed by business combination, please refer to Note IV/(IV) for specific accounting policies

Accounting arrangement methods for business combination under and not under the same control.

(2) Long-term equity investment formed by other modes

For long-term equity investment obtained by cash payment, the initial investment cost is the amount actually paid for the purchase. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of long-term equity investment received or surrendered can be reliably measured, the initial investment cost of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the initial investment cost of long-term equity investment.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be determined on the basis of fair value.

2. Subsequent measurement and profit and loss determination

(1) Cost method

The long term equity investment on the invested enterprise shall be accounted by employing the cost method and it shall be evaluated based on its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted.

Except from cost actually paid in investment and cash dividends or profits declared but not distributed included in consideration, the Company will enjoy the investment income recognized in current period according to cash dividends or profits declared to distribute by the invested company.

(2) Equity method

Equity method shall be applied for the accounting of long-term equity investment of associated enterprise and cooperative enterprise. For equity investment of associated enterprise partially and indirectly held by the Company as a result of investment to risk investment organization, mutual fund, trust company or similar entities such as unit-linked fund, the Company shall account the indirect investment as per its fair value and record its variation into the benefits and losses.

If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

After long-term equity investment is acquired, the investor shall determine the return on investment and other consolidated income according to the net profits and losses and other income of the investee in the same year it shall be enjoyed and shared, and adjust the fair value of the long-term equity investment; the investor shall calculate the proportion enjoyed of the profit or cash dividend announced by the investee to be distributed, reduce the fair value of the long-term equity investment accordingly, and adjust the fair value of the long-term equity investment and include it into the owners' equity in terms of other changes to the owners' equity other than net profits and losses, other consolidated income, and profit distribution.

On the ground of the fair value of all identifiable assets of the investee when the Company obtains the investment, the attributable share of the net profits and losses of the investee shall be recognized after the net profits of the investee are adjusted. The Company's entitled part of unrealized profits and losses from internal transaction between the Company and associated enterprises or cooperative enterprises shall be offset according to the Company's entitled proportion. On such basis the investment profits/losses are confirmed.

If Company decides to share the losses of investee, deal with the matter in the following order: firstly, write down the book value of long-term equity investment. If the book value of the long-term equity investment is insufficient for offset, the recognition of the investment losses is continued based on the book value of the long-term equities of the net investment of the investee to offset the book value of long-term receivables. Finally, after the treatment above, if the investment contract or agreement agrees the enterprise shall still bear extra obligations, the accrued liabilities shall be recognized according to obligations to be shouldered and included into current investment losses.

If the investee achieves profitability in the future, Company shall deal with it in the reverse order after deducting the unconfirmed loss sharing amount, write down the book balance of confirmed accrued liabilities, recover the book value of long-term interests of net investment and long-term equity investment constituted on investee substantially and confirm the investment income.

3. Conversion of long-term equity investment by accounting method

(1) Conversion from fair value measurement to accounting by equity method

With regard to the equity investment having accounting treatment according to financial instrument recognition and measurement standard originally held by the Company that does not have control, joint control or significant influence on the invested entity, if the Company is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment or other reasons, the fair value of original equity investment added to new investment cost in accordance with the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* shall be regarded as initial investment cost measured by employing the equity method.

If the original equity investment is categorized as sellable financial assets, the difference between the fair value and the book value, along with the change in the accumulated total fair value originally included in other comprehensive income, shall be transferred to the current profit and loss accounted by the equity method which has been transferred to.

If the initial investment cost calculated with the equity method is smaller than the fair value of the net identifiable assets of the investee enjoyed on the date of increase in investment calculated and determined with the new shareholding ratio, the book value of long-term equity investment shall be adjusted with the balance and included into the current non-operating income.

(2) Conversion from measurement based on fair value or accounting by equity method to accounting by cost method

For the equity investments held by the Company that have no control, joint control, or significant influence on the investee in accordance with the standards for recognition and measurement of financial instruments, or originally held long-term equity investments in cooperative enterprises or associated enterprises that can control the investee not under the same control due to additional investment and other reasons, in individual financial statement, the sum of book value of original equity investment and newly increased investment cost shall be regarded as the initial investment cost measured by employing the cost method.

For other comprehensive income of the equity investment confirmed before purchase date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment.

If the equity investment held prior to the acquisition date is put under accounting treatment in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the accumulated fair value changes previously included in other comprehensive income are transferred to the current profit and loss after the cost method is adopted.

(3) Conversion from accounting by equity method to measurement based on fair value

If significant influence or joint control of the Company is lost due to reasons including the disposal of part of the equity investment, the residual equity after disposal shall be confirmed through financial instrument and accounted according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the difference between the fair value and the book value of the remaining equity on the date of loss shall be included in the current profit and loss.

For other comprehensive income of the original equity investment recognized by the equity method, at the time that the equity method stops being employed, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities.

(4) Conversion from cost method to equity method

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is able to carry out joint control and significant influences to the invested company, the equity method shall be used for accounting, and the surplus equity shall be regarded to be accounted and adjusted by equity method same to the equity originally obtained.

(5) Conversion from measurement with cost method to measurement based on fair value

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is unable to carry out joint control and significant influences to the invested company, it shall be accounted as per *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between fair value and book value on the date when losing the joint control shall be included in the current benefits and losses.

4. Disposal of long-term equity investment

During the disposal of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For long-term equity investments checked by the equity method, when the investments are disposed of, the same basis as the investee's direct disposal of the relevant assets or liabilities shall be used, and the part originally included in other comprehensive income is treated in accordance with the corresponding proportion.

If the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

If the Company losses control over a subsidiary due to partial disposal of equity investment or other reasons and it is not package deal, individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In some financial statements, for disposed equity, the difference between its book value and the actual purchase price shall be included in the current profits and losses. The remaining equity after disposing is recognized and measured by equity method if it is able to have joint control over or significant impact on the investee, and are adjusted also by equity method from the time of obtaining; In case of failing to have joint control or impact on the investee, the remaining equity is recognized according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value when losing the joint control occurring is included in current profits and losses.

(2) During preparation of consolidated financial statement, for transactions before losing the control on subsidiaries, disposal of price and long-term equity investment can enjoy the difference of net assets of subsidiary as result of continuous calculation since the date of purchasing or acquisition, the adjust capital reserve (capital premium) should be adjusted, If the capital reserve is insufficient for offset, adjust retained incomes. When the control over subsidiary is lost, the remaining equity shall be recalculated according to its fair value on control loss date. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the original subsidiary calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost and offset for the business reputation. Other comprehensive income related to equity investment in the subsidiary is transferred to investment gain at the time of control lost.

If the transactions from the disposal of equity investment to the subsidiary till the loss of control belong to package deal, the transactions shall have accounting treatment by taking it as a transaction that disposes the equity investment to the subsidiary and causes control loss. Individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In individual financial statement, the balance between each disposal price and the book value of the long-term equity investment corresponding to the disposed equities is recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

(2) In consolidated financial statement, the balance between each disposal price and corresponding net asset proportion of disposed investment over the subsidiary before the control loss shall be recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

5. Judgment standards of joint control or significant influences

If the Company controls one arrangement with other parties jointly according to regulations and the decisions having significant influences on the return from the arrangement can only exist after consensus from the parties sharing the control right is obtained, it means the arrangement is under joint control of the Company and the other parties and the arrangement is the joint venture arrangement.

If the joint venture arrangement is achieved through an independent entity, the independent entity shall be taken as joint venture when the rights of the Company on the net assets of the independent entity are judged and equity method shall be used for accounting. If it is judged the

Company does not have rights on the net assets of the independent entity according to regulations, the independent entity shall confirm items related to profits from joint operation with the Company and have accounting treatment according to Accounting Standards for Business Enterprises.

Significant influence refers to the right of participation in the decisions of financial and operational policies of the investee, not including the right to control, or jointly control with other participants. The Company is judged to have significant influence on the investee through following conditions and after all facts and conditions are considered. (1) The Company has appointed representatives to the board of directors of the investee or such institutions; (2) The Company participates in the preparation of financial and operational policies of the investee; (3) The Company has important transactions with the investee; (4) The Company has appointed management personnel to the investee; and (5) The Company provides key technical data to the investee.

(XIII) Fixed assets

1. Recognition condition of fixed assets

Fixed assets are tangible assets whose service life is in excess of one accounting year and who are held for the sake of producing commodities, rendering labor service, renting or business management. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

(1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes including import tariff, and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) For the fixed assets invested by the investor, their value agreed in the investment contract or agreement shall be ascertained as the entry value. Those assets with unfair value as stipulated in the contract or agreement shall take fair value as the entry value.

(4) If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Fixed assets' depreciation was calculated within estimated service life after reducing estimated net residual value from the entry value of fixed assets. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the carrying amounts less impairment over their remaining useful lives.

Fixed assets that have been fully depreciated but are still in use shall not be depreciated.

According to the nature and use of various fixed assets, the service life and net residual value of fixed assets can be determined. And review the service life and salvage value of fixed asset as well as depreciation method at the end of the year. Make corresponding adjustment if the review results are different from the previously estimated amounts.

The depreciation method, depreciation life and yearly depreciation of various fixed assets are as follows:

Category	**Depreciation method**	**Depreciation Life**	**Residuals rate**	**Yearly depreciation**
		(year)	*(%)*	*(%)*
Pant and buildings	Straight-line depreciation	20–30	5	3.17–4.75
Machinery and equipment	Straight-line depreciation	5–10	5	9.50–19.00
Vehicles	Straight-line depreciation	10	5	9.50
Office equipment	Straight-line depreciation	3–5	5	19.00–31.67
Others	Straight-line depreciation	3–5	5	19.00–31.67

(2) Subsequent expenses of fixed assets

If the subsequent expenses related to fixed assets conform to the confirmation conditions of the fixed assets, and then such subsequent expenses shall be included in the costs of the fixed assets; If not conforming to the confirmation conditions of these fixed assets, such subsequent expenses shall be included in the current profits and losses while occurred.

(3) Fixed Assets Disposal

The book values of fixed assets are derecognized when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. Disposal consideration amount from sale, transfer, scrap or damage of fixed assets shall be included in current profits and losses after deducting the book value and related taxes.

4. Basis of recognition for fixed assets acquired under financial leases, valuation and depreciation methods

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial lease:

(1) The ownership of the leased asset is transferred to the lessee when the term of lease expires.

(2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.

(3) Even if the ownership of assets is not transferred, the lease term accounts for the largest proportion of the service life of the leased asset.

(4) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

(5) The leased assets are of a specialized nature that only the Company can use them without making major modifications.

With regard to the fixed assets under financing lease, a lessee shall record the lower one from the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account. The balance between the recorded amount of the leased asset and the long-term account payable shall be treated as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charges shall be amortized by effective interest method during the periods within the lease term.

In calculating the depreciation of a leased asset under financial lease, the Company shall adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its service life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XIV) Construction in progress

1. Types of construction in progress

The construction in progress self-constructed by the Company shall be evaluated at its actual cost. The actual cost of it shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use, including the material cost, labor cost, relevant taxes paid, borrowing expenses to be capitalized and indirect expenses to be amortized. The construction in progress of the Company is accounted by project classification.

2. Standards and time point of carrying forward construction in progress as fixed assets

As for construction in progress, all expenses occurred during the construction period before the assets achieve the predetermined serviceable condition shall be recognized as entry value of the fixed assets. Construction of fixed assets in progress whose construction is complete and has achieved the predetermined serviceable condition, but whose final settlement of account has not been processed, shall be transferred to fixed assets by the estimated value according to the project budget, construction cost or the actual cost of the project since the date that they achieved the predetermined serviceable condition. In addition, the depreciation of these fixed assets shall be withdrawn according to the Company's fixed asset depreciation policy. After the final settlement of account is processed, the previously estimated value shall be adjusted according to the actual cost. The previously withdrawn depreciated value shall not be adjusted.

(XV) Borrowing costs

1. Recognition principle for borrowing costs capitalization

Where the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized if they meet the capitalization conditions and included in the relevant asset costs; other borrowing costs, when incurred, shall be recognized as expenses according to the amount incurred, and included in the current profits and losses.

The term "assets eligible for capitalization" refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take a quite long time to get ready for its intended use or for sale.

Capitalization can only be started if the borrowing costs meet the following conditions at the same time:

(1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction for preparing assets eligible for capitalization;

(2) The borrowing costs have already incurred;

(3) Purchase, construction or production activities required for the assets to fulfill the expected serviceable or salable condition have begun.

2. Borrowing costs capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When parts of the project of the qualified asset under acquisition and construction or production is ready for the intended use or sale are complete and used separately, the capitalization of the borrowing costs of these parts shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3. Capitalization suspension period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. Capitalization shall resume after the borrowing costs incurred during such period are recorded into the profits and losses of the current period, and the acquisition and construction or production of the asset restarts.

4. Computation methods of capitalized amount of the borrowing costs

Specifically borrowed loans interest cost (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and auxiliary expenses shall be capitalized before the qualified asset under acquisition and construction or production is ready for the intended use or sale.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be determined according to the weighted average interest rate of the general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(XVI) Biological assets

The Company's biological assets include consumable biological assets and productive biological assets.

1. Recognition conditions of biological assets

No biological asset shall be recognized unless it meets the conditions as follows simultaneously:

(1) The enterprise owns or controls the biological assets due to past transactions or events;

(2) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

(3) The cost of this biological asset can be measured reliably.

2. Initial measurement of biological assets

(1) Consumable biological assets

① The cost of a purchased consumable biological assets consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of the assets.

② For the expendable biological assets invested by investors, the entry value of the expendable biological assets shall be the value agreed in the investment contract or agreement plus the relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ The cost of self-cultivated, propagated or farmed consumable biological assets consists of the necessary expenses such as the cost of materials including seedlings, fertilizers and pesticides consumed before harvest, labor costs and indirect expenses to be shared.

(2) Productive biological assets

① The cost of purchased productive biological assets consists of the purchase price, relevant taxes, transportation fees, insurance premiums and other expenses that may be directly attributable to the purchase of the assets.

② For the productive biological assets invested by investors, the entry value of the productive biological assets shall be the value agreed in the investment contract or agreement plus relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ For the productive biological assets planted by the Company, the cost shall be determined according to the necessary expenses such as seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses consumed before achieving the expected production and business objectives (and before harvest). Achieving the intended production and operation objectives means that the productive biological assets enter the normal production period, and can continuously and stably produce agricultural products, provide labor services or rent for many years. The specific conditions are as follows: starting to bear fruits and picking them as the standard for turning into maturity.

1) Accounting methods for immature productive biological assets

Necessary expenditures of immature productive biological assets during the immature period, including seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses, shall be directly included in the asset cost. Among them, seedlings costs, direct labor costs, fertilizers costs and land rent costs which can be directly classified into each plot shall be collected in the subject of "productive biological assets-immature productive biological assets", and indirect costs such as material consumption shall be collected in the "manufacturing expenses" first when they occur, and then included in each plot according to the area apportion.

2) Accounting methods for mature productive biological assets

The related expenses incurred after the mature productive biological assets, including labor costs, material costs, fertilizers costs, utilities, land lease costs and other indirect expenses, shall be collected in the subject of "production cost"; the book value of the carried-over mature productive biological assets shall be depreciated according to the depreciation period, and the depreciation expenses shall be also included in the "production cost"; after the fruits are picked, the "production cost" shall be carried over to "inventory goods".

3. Subsequent measurement of productive biological assets

(1) Depreciation of productive biological assets

The Company accrues depreciation for productive biological assets, and the depreciation method adopts the straight-line depreciation. The Company determines the service life and estimated net residual value of productive biological assets according to their nature, usage and expected realization of relevant economic benefits. At the end of the year, the Company reviews the service life, estimated net residual value and depreciation method of productive biological assets, and make corresponding adjustments if there are differences with the original estimates.

The Company's productive biological assets are estimated to have no net residual value, and the estimated service life and annual depreciation rate are as follows:

Asset type	Estimated service life *(year)*	Yearly depreciation *(%)*
Passion fruit	2	50.00
Mango	10	10.00
Pitaya	4	25.00
Pineapple	2	50.00
Banana	2	50.00
Sugarcane	2	50.00
Papaya	3	33.33
Guava	4	25.00

(2) Disposal of biological assets

When harvesting or selling consumable biological assets, the weighted average method is used to carry over the cost; the cost of biological assets after use conversion is determined according to the book value at the time of use conversion; when the biological assets are sold, damaged or in short supply, the balance of the disposal income after deducting the book value and related taxes and fees shall be included in the current profit and loss.

4. Impairment of biological assets

The Company shall, at least at the end of each year, review the consumptive biological assets and productive biological assets. If any well established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset is lower than its book value as a result of natural disaster, plant diseases and insect pests or change of market demand, the enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in the current profits and losses.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the amount of write down shall be restored and reversed within the amount of the original provision for falling price, and the amount reversed shall be included in the current profits and losses. Once the provision for impairment of a productive biological asset is withdrawn, it shall not be reversed.

On the balance sheet date, the Company measures the productive biological assets according to the lower of book value and recoverable amount, and withdraw the provision for impairment of productive biological assets according to the difference between the recoverable amount of individual assets and book value. Once the impairment loss of productive biological assets is recognized, it will not be reversed in the following accounting period.

(XVII) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Company which have no physical shape. It includes land use right, patent right, trademark right and software, etc.

1. *Initial measurement of intangible assets*

Cost of the outsourcing intangible assets shall include purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for expected purpose. The price of buying intangible assets exceeds the delayed payment at normal credit condition, which actually has a financing property, the cost of the intangible assets shall be determined based on the present value of the price.

For the intangible assets used for debt payment, the fair value of the intangible assets shall be used as basis for its entry value determination. The balance between the book value and the fair value of the intangible assets used for debt payment shall be included into current loses and gains.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of intangible assets received or surrendered can be reliably measured, the entry value of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the cost of intangible asset and no profits and losses will be recognized.

The entry value of intangible asset obtained by consolidation merger of enterprises under the same control shall be recognized based on the book value of merged enterprise; the entry value of intangible asset obtained by consolidation merger of enterprises not under the same control shall be recognized based on the fair value of merged enterprise.

The costs of internal self-developed intangible assets shall include: the cost of materials consumed, labor cost and registration charges occurred while developing the intangible assets; the amortization charge of other patents and franchises used as well as the interest cost spent to meet the capitalization requirements during the development process; as well as other direct costs attributable to intangible assets for the expected purpose.

2. *Subsequent measurement of intangible assets*

The Company analyzes and judges the service life of intangible assets when it obtains intangible assets and they are classified as intangible assets with limited service life and intangible assets with limited service life without undetermined service life.

(1) Intangible assets with limited service life

Intangible assets with limited service life shall be amortized by straight-line method in the period in which economic benefits are brought for the Company. Expected service life of intangible assets with limited service life and calculation basis:

Item	**Expected useful life**	**Basis**
Land use right	40 years/50 years/ 70 years	The service life is determined by the contract or by reference to the period that can bring economic benefits to the Company
Patent right	10 years	
Trademark right	10 years	
Software	3-5 years	

At the end of each year, the service life and the amortization method of intangible assets with limited service life shall be rechecked. Make corresponding adjustment if the review results are different from the previously estimated amounts.

According to the review, the service life and amortization method of intangible assets at the end of this period do not differ from previous estimation.

(2) Intangible assets with uncertain service life

During the reporting period, the Company had no intangible assets with uncertain service life.

3. Detailed standards for dividing research and development stages of internal R&D projects:

Research stage: The stage of creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development stage: The stage that the research results or other knowledge is used for a plan or design to produce something new or substantive improved materials, devices and products before commercial production or use.

The expenditure occurred during the research stage of internal R&D project shall be included into the profits and losses of current period when it occurred.

4. Detailed conditions for the capitalization of expenses during the development stage

Expenditures incurred during the development stage of internal research and development project that simultaneously meet the following conditions shall be recognized as intangible assets:

(1) It is feasible technically to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

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

The expenditure not meeting conditions above is included into the profits and losses of current period when it occurs. Development expenses accounted into profits and losses in previous period are no longer re-confirmed as assets. Expenses at the development stage capitalized are listed as development expenses in the balance sheet, and are converted into intangible assets when the Project reaches the estimated usable conditions.

(XVIII) Impairment of long-term assets

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible impairment of long-term assets. If the long-term assets have sign of possible impairment, recoverable amount should be estimated by the Company based on single assets. If it is not possible to estimate the recoverable amount of single assets, the recoverable amount of the asset group to which the asset belongs is recognized.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its book value, the book value of the long-term asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of long-term asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

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

No matter there is any sign of possible assets impairment or not, the business reputation formed by business combination and intangible assets with uncertain service life are subject to impairment test at the end of each year.

In impairment test for business reputation, book value of business reputation shall be amortized to assets groups or combination of assets groups which are expected to benefit from the synergy effect of business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the enterprise shall first make an impairment test on the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the enterprise shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups(including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

(XIX) Long-term unamortized expenses

1. Amortization method

Long-term unamortized expenses refer to the Company's various costs that have occurred and are apportioned by the current and future periods which is longer than 1 year. Long-term unamortized expenses shall be amortized within benefit period by method of line.

2. Amortization life (year)

Category	Amortization life (year)	Remarks
Decoration and reconstruction expenditure	3-5	
Land lease expense	Settlement period agreed in the contract	The settlement period of the leased land of the Company has different settlement periods such as 4 years and 5 years

(XX) ***Employee compensation***

Employee compensation refers to the remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees or terminating labor relationships. Employee compensation includes short-term compensation, post-employment benefit, dismission benefit, and other long-term employee benefit.

1. Short-term compensation

Short-term compensation refers to employee compensation that shall be fully paid by the Company within 12 months after annual report period of related services provided by employees, except post-employment welfare, dismission welfare. In the accounting period when the employees provide services to the Company, the short-term compensation payable shall be confirmed as liabilities, and shall be included in related asset costs and fees according to the benefit objects of the service provided by the employees.

2. Post-employment welfare

Post-employment welfare refers to the various forms of remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees after employee retirement or termination of labor relations with the Company, except for short-term compensation and dismission welfare. The Company classifies post-employment welfare plan as defined contribution plan and defined benefit plan.

The defined contribution plan is mainly to participate in social basic endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions; during the accounting period when employees provide services for the Company, the amount of deposit payable calculated according to the defined contribution plan is recognized as a liability and included in the current profits and losses or related asset costs.

After paying the above funds regularly according to the standard specified by the State, the Company will be free of other payment obligations.

3. Termination benefits

Termination benefits refers to the compensation made by the Company to the employees for the termination of the labor relationship with any employee prior to the expiration of the relevant labor contract or for encouraging the employee to accept a layoff. When the Company cannot unilaterally withdraw the dismission welfare stated on labor service relationship termination plan or layoff proposal or the Company is confirming the cost and expense in relation to the restructuring of paying dismission welfare (the earlier one shall be applied), liabilities caused by dismission welfare shall be confirmed and included in current profits and losses.

4. Other long-term employee welfare

Other long-term employee welfare refers to other employee welfare except from short-term salaries, post-employment welfare and dismission welfare.

For other long-term employee welfare conforming to defined contribution plan, within accounting period during which employees provide service for the company, the amount payable shall be determined as liability and included into current profits and losses or relevant asset cost. For other long-term employee welfare except that mentioned above, the amount shall be calculated with the expected cumulative welfare unit method on the balance sheet date and the welfare obligations produced by the defined benefit plan shall be attributed to the period during which employees provide service and be included into current profits and losses or relevant asset cost.

(XXI) Estimated liabilities

1. Recognition principles for estimated liabilities

The obligation pertinent to contingencies shall be recognized as an estimated liability when the following conditions are satisfied simultaneously:

The obligation is the current obligation assumed by the Company;

The performance of this obligation is likely to lead to an outflow of economic interests;

The amount of the obligation can be reliably measured.

2. Measurement methods of accrued liabilities

The estimated liabilities of the Company shall be initially measured in accordance with the liability estimate of the necessary expenses for the performance of the current obligation.

The Company takes into account the contingencies related risk, uncertainty, time value of money, and other factors when determining the best estimate. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations respectively:

If there is a continuous range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, i.e. the average number of the maximum amount and minimum amount.

In the event that there is no continuous range (or interval) or that there is a continuous range but the outcomes within this range are unlikely to occur equally, if single item is involved in the contingencies, the best estimate shall be determined based on the amount most likely to occur; and if several items are involved in the contingencies, the best estimate shall be determined based on various possible outcomes and relevant probability calculation.

If all or some of the expenses necessary for the liquidation of estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset when it is virtually certain that the reimbursement will be obtained and the compensation recognized shall not be in excess of the estimated liability book value.

*(XXII)****Revenue***

1. Standard for determining the time of revenue recognition from goods sales

The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; when relevant cost incurred or to be incurred can be reliably measured, recognize the sales revenue.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

Specific methods to recognize the Company's revenue:

The Company mainly sells fruit juice, quick-frozen products, fresh fruits and other products.

(1) Revenue recognition of domestic products: the products are delivered to the buyer according to the contract, and the Company recognizes the revenue according to the date of the receipt; if there is no receipt, the revenue is recognized after the acceptance objection period determined according to the contract.

(2) Revenue recognition of export products: the export products of the Company are mainly in FOB form, and the delivery place is offshore port, and the bill of lading is obtained as the evidence for collection, and the date of customs declaration, shipment and export is taken as the time point for revenue recognition.

2. Basis of determining revenue from transferring use right of the assets

When the revenue amount can be reliably measured, it is likely that economic benefits relating to trades will flow into the company. The amount of revenue resulting from alienating asset-use right shall be determined respectively in the following situations:

(1) The amount of interest revenue shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the actual interest rate.

(2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3. Basis and method of determining the revenue from providing labor services

If the result of the labor service transaction can be estimated reliably on the balance sheet date, the revenue from the labor service transaction shall be recognized by the completion percentage method, and the completion progress of the labor service transaction shall be determined according to the proportion of the already incurred labor cost to the estimated total cost.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

(1) The revenue amount can be measured reliably;

(2) Relevant economic benefits are likely to flow into the Company;

(3) The completion schedule of the transaction can be reliably determined;

(4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

The Company ascertains the total revenue from the providing of labor services in accordance with the received or to-be-received price as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

(1) If the labor cost incurred is expected to be compensated, the labor service income shall be recognized according to the amount of labor service costs incurred and carried forward at the same amount.

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred shall be included in the current profits and losses, and no revenue from the rendering of service shall be recognized.

Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services. If the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services.

(XXIII) Government grants

1. Type

A government grants refers to the monetary and non-monetary assets obtained by an company from the government free of charge, excluding the capital invested by the government as the owner of the company. Based on the objects regulated by governmental documents, the government grants are classified into government grants related to assets and government grants related to income.

The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants.

2. Recognition of government grants

If the Company meets the financial support policy and receives financial support funds, the government grants shall be recognized according to the actual amount received.

If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government grant is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1). The government grants measured at their nominal amounts shall be directly included in the profits and losses of current period.

3. Accounting arrangement method

The government grants pertinent to assets shall be recognized as the deferred income and they shall be included to the profits or losses on a reasonable and systematic basis within the service life of constructed or purchased assets;

The government grants pertinent to income and used for compensating the related future expenses or losses of an enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized. The grants used for compensating the related expenses or losses of the enterprise incurred shall be directly included in the current profits and losses at receiving.

Government grants related to daily activities of the Company are included in other income and others are included in non-operating income.

The received government grants related to preferential policy loans are used to offset related borrowing costs. When the recognized government grant needs to be refunded, if there is related deferred income balance, the book balance of the deferred income shall be written down, while the excessive part shall be included in the current profits and losses; if there is no relevant deferred income, the subsidy shall be directly included in the current profits and losses.

(XXIV) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising from the tax bases of assets and liabilities and their book value. On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis of recognizing deferred tax assets

The Company sets the income tax payable likely to be acquired to offset against the deductible temporary difference and deductible loss and tax credits that can be carried forward to the next year as the deadline to recognize the deferred tax assets generated by the deductible temporary difference. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) business combination; (2) transactions or events directly recognized in owner's equity.

As for the deductible temporary difference of taxable relevant to the investment of associated enterprises, the corresponding deferred tax assets can be recognized when it can simultaneously meet the following the conditions: the temporary difference is likely to turn back, and the amount of the taxable can be obtained to offset the deductible temporary difference at a high possibility in the future.

2. Basis for confirming deferred tax liabilities

The Company confirms the taxable temporary differences payable but unpaid in current period and previous period as the deferred tax liabilities. but excluding:

(1) The temporary differences generated through initial recognition of business reputation;

(2) Transactions formed by business combination or transactions or events directly recognized in owner's equity;

(3) The turning-back time of the temporary difference of taxable relevant to the investment of subsidiaries and associated enterprises can be controlled, or the temporary difference will not turn back at a very high possibility in a foreseeable future.

3. When meeting all the following conditions, the deferred tax assets and liabilities are listed as net amount after offset

(1) The Company is entitled to settle the current income tax assets and current income tax liabilities in net amount;

(2) The deferred tax assets and deferred tax liabilities are associated with the income tax imposed for the same subject of taxation or different subject of taxation by the same tax collection and management department. However, during each important deferred tax assets and liabilities reverse period in the future, the subject of taxation involved is intended to settle the current income tax assets and liabilities or acquiring assets to pay off debts.

(XXV) Operating lease and financing lease

If the leasing clauses transfer in substance all the risks and rewards related to the ownership of an asset to the leasee, it is a financial lease. Otherwise, it is operating lease.

1. Accounting treatment method of operating lease

(1) Assets leased in under operating lease

Lease expense paid by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be included into current expenses. The initial direct costs pertinent to lease transactions paid by the Company are included into current expenses.

If the assets leasor has paid the fees pertinent to leasing that shall be paid by the Company, the Company will deduct the fees from the total rental and amortize the remaining rental within the lease term and include it into current expenses.

(2) Assets leased out under operating lease

lease expense collected by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be recognized as rental income. Initial direct costs pertinent to lease transactions paid by the Company should be included into current expenses. If the amount is large, the initial direct cost should be capitalized and included into current profits on the basis of basic installation of the equal rental income within the entire lease term.

If the Company has paid the fees pertinent to leasing which shall be paid by the leasee, it will deduct the fees from total rental and amortize the remaining within the lease term.

2. Accounting arrangement method of financial lease

(1) Assets leased in under financial lease: On the lease beginning date, a lessee shall record the lower one between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry value in an account of long-term account payable, and take their difference as unrecognized financing cost. Please see Note IV/(XIII) Fixed Assets for the conditions of recognition, valuation and depreciation methods for assets leased in under financial lease.

For the financing expenses not recognized, the Company adopts the effective interest rate method for amortization in assets leasing period and includes them to financial expenses.

(2) Assets leasing leased out under financial lease: On the beginning date of the lease term, the leasor shall recognize the balance between the sum of receivable financial lease payment and unguaranteed residual value and the current value as unrealized financing income and recognize the rent received in the future as rental income. The initial direct expenses pertinent to leasing transaction should be included into initial measurement of receivable financial lease payment and confirmed amount of revenue received within lease term should be reduced.

(XXVI) Changes in major accounting policies and accounting estimates

1. Change in accounting policy

There are no changes in accounting estimates during the reporting period.

2. Change in accounting estimates

There is no change in accounting estimates in the reporting period.

(XXVII) Notes to change of listing items of the financial statements

The Ministry of Finance has issued *Notification about Revising, Printing and Distributing 2018 General Enterprise Financial Statement Form* (CK No. [2018]15) on June 15, 2018, revised general enterprise financial statement form, incorporated some balance sheet items and split some profit statement items. The Ministry of Finance also has issued *Interpretation for Problems about 2018 General Enterprise Financial Statement Form* on September 7, 2018, clearly requiring reporting withholding individual income tax service charge return in “other incomes” and reporting practically received government subsidies, regardless of being related to assets or income, as cash flow generated by business activities while making a cash flow statement.

The Company has prepared financial statement according to new requirements for enterprise financial statement form, so that the reported items in the financial statement also have changed. The Company has adjusted the comparative data during the comparable period according to the related regulations, such as *Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statement*.

Influences on items and amount in financial statement presentation during comparable period are as follows:

Listed Items	Original presented amount in 2017	Affected amount	Restated amount in 2017	Remarks
Notes receivable	217,100.00	-217,100.00		
Accounts receivable	54,959,777.56	-54,959,777.56		
Notes and accounts receivable		55,176,877.56	55,176,877.56	
Accounts payable	28,325,710.25	-28,325,710.25		
Notes and accounts payable		28,325,710.25	28,325,710.25	
Administration expenses	26,811,043.61	-2,079,226.92	24,731,816.69	
R&D Spending			2,079,226.92	
Other cash received relating to business activities	2,470,935.31	8,856,278.00	11,327,213.31	
Other cash received related to fund-raising activities	8,856,278.00	-8,856,278.00		

V. Taxes

(I) Main tax categories and tax rates of the Company

Tax type	Taxation basis	Tax rates
VAT	Sales of goods	16%、12%、10%
Urban maintenance and construction tax	Paid-in turnover tax	5%
Educational surcharges	Paid-in turnover tax	3%
Local educational surcharges	Paid-in turnover tax	2%
Business income tax	Taxable income	15%、25%

(II) Description of enterprise income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
Tianye Innovation Corporation	15%
Hainan Dachuan Food Co., Ltd.	25%
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	25%
Hainan Tianye Drinks Food Sales Co. Ltd.	25%
Hubei Iceman Foods Co., Ltd.	25%
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25%
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	25%

(III) Policies and basis of tax preference

1. VAT tax preference

According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article XV (I) Self-produced agricultural products sold by agricultural producers shall be exempted from value-added tax", with the approval of Nanning State Taxation Bureau and Nanning Yongning

State Taxation Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, shall be exempted from value-added tax on its own crops and fruits and vegetables, which will be implemented from January 1, 2014.

2. *Tax preference for enterprise income tax*

(1) Tianye Innovation Corporation

According to Article 2 of the *Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation on Tax Policy Issues Concerning In-depth Implementation of the Strategy of Developing the Western Region* (CS [2011] No. 58), the Company is an encouraged industrial enterprise in the western region. From January 1, 2017 to December 31, 2020, the Company paid enterprise income tax at a reduced rate of 15%.

According to the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council of the People's Republic of China), the *Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax (Trial)* (CS [2008] No. 149) and the provisions on "primary processing of agricultural products shall be exempted from enterprise income tax", the Company's products (quick-frozen pineapple, corn, mango, papaya, seedless passion fruit puree) belong to the primary processing of agricultural products and are exempt from enterprise income tax. The preferential policies for reducing and exempting enterprise income tax have been audited and filed by the State Taxation Bureau of Hepu County (HGSBZ [2013] No. 201), and the preferential enterprise income tax policy has been implemented from January 1, 2012.

(2) Hainan Dachuan Food Co., Ltd.

1) According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, CS [2011] No. 26, GSBF [2011] No. 132, Announcement of State Administration of Taxation (No. 2 [2010]) and Announcement of State Administration of Taxation Announcement (No. 48 [2011]), the puree juice produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, belongs to the primary processing range of agricultural products and is exempt from enterprise income tax. The preferential reduction and exemption of enterprise income tax has been examined and approved by the State Taxation Bureau of Ding'an County, Hainan Province (DGST [2013] No. 258) and has been implemented from January 1, 2011.

2) According to the *Notice on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax* (CS [2008] No. 149) issued by the Ministry of Finance and the State Administration of Taxation, the fruit and vegetable juice products produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, are primary processed products of fruits and vegetables, which have been exempted from enterprise income tax as determined by the State Taxation Bureau of Ding'an County, such exemption has been implemented from January 1, 2013.

(3) Guangxi Tianye Innovation Agricultural Technology Co., Ltd.

According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, GSH [2008] No. 890, GSH [2009] No. 779, CS [2011] No. 26 and Announcement of the State Administration of Taxation (No. 8 [2011]), the fruits planted by Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, has been exempted from enterprise income tax. Preferential policies for reducing and exempting enterprise income tax have been audited and filed by Nanning State Taxation Bureau.

VI. Notes to Main Items of the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	5,182.32	17,127.50
Bank deposit	214,658,850.80	211,035,355.11
Other monetary funds	5,009,987.21	
Total	219,674,020.33	211,052,482.61

The details of the restricted monetary funds are as follows:

Item	Closing balance	Opening balance
Bank deposits used for pledge loans	5,000,000.00	
Total	5,000,000.00	

Note 2. Notes and accounts receivable

Item	Closing balance	Opening balance
Notes receivable		217,100.00
Accounts receivable	42,295,833.29	54,959,777.56
Total	42,295,833.29	55,176,877.56

(I) Notes receivable

1. Categories of notes receivable

Type	Closing balance	Opening balance
Trade acceptance		217,100.00
Total		217,100.00

2. No notes receivable endorsed by the Company and not yet due on the balance sheet date at the end of the period

Note: As of December 31, 2018, the Company has no pledged and discounted notes receivable.

(II) Accounts receivable

1. Disclosure of accounts receivable by category

Category	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29
Accounts receivable not withdrawing bad-debt provision					
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29

Contd.:

Category	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount (%)	Proportion	
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56

Category	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56
Accounts receivable not withdrawing bad-debt provision					
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	57,944,561.81	100.00	2,984,784.25	5.15	54,959,777.56

(1) Receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance		
	Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	39,212,043.24	1,960,602.17	5.00
1-2 years	4,983,360.36	498,336.04	10.00
2-3 years	799,097.00	239,729.10	30.00
3-4 years			
4-5 years			
>5 years			
Total	44,994,500.60	2,698,667.31	6.00

Contd.:

Aging	Opening balance		
	Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	56,196,638.71	2,809,831.94	5.00
1-2 years	1,747,523.10	174,752.31	10.00
2-3 years			30.00
3-4 years	400.00	200.00	50.00
4-5 years			
>5 years			
Total	57,944,561.81	2,984,784.25	5.15

2. Provision, recovery or reversal of provision for bad-debt in current period

The amount of bad-debt provision reversed in current period is RMB286,116.94.

3. There is no write-off of accounts receivable in current period.

4. *Top five accounts receivable based on debtors*

Organization name	Closing balance	Relationship with the Company	Proportion in closing balance of accounts receivable (%)	Provision for bad-debt
Hangzhou Haiguo Trading Co., Ltd.	6,184,600.82	Non-affiliated party	13.75	333,643.59
Nongfu Spring (Jiande) Xin'anjiang Drinking Water Co., Ltd.	5,233,437.30	Non-affiliated party	11.63	261,671.87
Shandong Yipintang Industrial Co., Ltd.	2,837,436.00	Non-affiliated party	6.31	141,871.80
Guangzhou Pumai Biological Technology Co., Ltd.	2,666,537.50	Non-affiliated party	5.93	133,326.88
Gerui Juice Industry (Tianjin) Co., Ltd.	2,583,500.00	Non-affiliated party	5.74	129,175.00
Total	19,505,511.62		43.36	999,689.14

Note 3. Advance payments

1. *Disclosure of prepayments by aging*

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	3,310,932.00	99.68	283,001.07	60.07
1-2 years	10,760.49	0.32	134,964.26	28.64
2-3 years			3,198.76	0.68
>3 years			49,998.65	10.61
Total	3,321,692.49	100.00	471,162.74	100.00

2. *Top five prepayments based on the payers*

Organization name	Closing balance	Relationship with the Company	Proportion in total advance payment (%)	Reason for unsettlement
Tibet Lehua Cultural Communication Co., Ltd.	2,320,000.00	Non-affiliated party	69.84	Transaction pending
Shenzhen Asia Global Logistics Co., Ltd.	407,496.00	Non-affiliated party	12.27	Transaction pending
Guangxi Hengrunjia Foods Co., Ltd.	339,804.66	Non-affiliated party	10.23	Transaction pending
Guangxi Hengfeng United Agriculture Development Co., Ltd.	57,170.00	Non-affiliated party	1.72	Transaction pending
Yu Shijing	50,000.00	Non-affiliated party	1.51	Transaction pending
Total	3,174,470.66		95.57	

3. At the end of the period, there are no prepayments with an age of more than one year and an important amount that have not been settled in time

Note 4. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	10,166,089.03	1,002,578.02
Total	10,166,089.03	1,002,578.02

1. Disclosure of other receivables by category

Category	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03
Other receivables not withdrawing bad-debt provision					
Other receivables without individually significant amount but with individual provision for bad debt					
Total	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03

Contd.:

Category	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount (%)	Proportion	
Other receivables with individually significant amount and individual provision for bad debt					

Category	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Proportion (%)	Amount (%)	Proportion	
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02
Other receivables not withdrawing bad-debt provision					
Other receivables without individually significant amount but with individual provision for bad debt					
Total	1,178,373.54	100.00	175,795.52	14.92	1,002,578.02

(1) Other receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance		
	Other receivables	Bad-debt provision	Proportion (%)
<1 year	10,292,375.76	514,618.80	5.00
1-2 years	306,500.00	30,650.00	10.00
2-3 years	14,380.69	4,314.21	30.00
3-4 years	204,831.19	102,415.60	50.00
4-5 years			80.00
>5 years	60,000.00	60,000.00	100.00
Total	10,878,087.64	711,998.61	6.55

Contd.:

Aging	Opening balance		
	Other receivables	Bad-debt provision	Proportion (%)
<1 year	888,161.66	44,408.09	5.00
1-2 years	14,380.69	1,438.07	10.00
2-3 years	204,831.19	61,449.36	30.00
3-4 years	5,000.00	2,500.00	50.00
4-5 years			80.00
>5 years	66,000.00	66,000.00	100.00
Total	1,178,373.54	175,795.52	14.92

2. *Provision, recovery or reversal of provision for bad-debt in current period*

The provision for bad debts in current period is RMB536,203.09.

3. There is no write-off of other receivables in current period.

4. *Category of other receivables by nature*

Nature of payment	Closing balance	Opening balance
Transaction payment	10,430,898.78	316,611.88
Margin	210,769.00	201,000.00
Reserve fund	102,638.33	554,705.48
Withholding social security, etc	105,841.53	102,840.26
Others	27,940.00	3,215.92
Total	10,878,087.64	1,178,373.54

5. *Top five other receivables based on debtors*

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables *(%)*	Bad-debt provision Closing balance
Haikou Guangshunda Packaging Material Co., Ltd.	Transaction payment	5,268,361.99	Non-affiliated party	<1 year	48.43	263,418.10
Wu Changhui	Transaction payment	3,954,180.00	Non-affiliated party	<1 year	36.35	197,709.00
Ling Shiqiang	Transaction payment	840,000.00	Non-affiliated party	<1 year	7.72	42,000.00
Fang Henghui (former shareholder of Hubei Iceman Foods Co., Ltd.)	Transaction payment	219,211.88	Non-affiliated party	Within 4 years	2.02	106,729.81
Human Resources and Social Security Bureau of Qujialing Management District, Jingmen City	Margin	200,000.00	Non-affiliated party	1 to 2 year(s)	1.84	20,000.00
Total		10,481,753.87			96.36	629,856.91

Note 5. Inventories

Item	Closing balance Amount	Closing balance Provision for depreciation	Closing balance Book value	Opening balance Amount	Opening balance Provision for depreciation	Opening balance Book value
Raw materials	3,505,355.49		3,505,355.49	2,772,567.73		2,772,567.73
Revolving materials	787,841.86		787,841.86	587,087.97		587,087.97
Finished goods	40,140,701.68		40,140,701.68	45,326,124.56		45,326,124.56
Delivered goods	3,029,491.90		3,029,491.90	568,525.55		568,525.55
Outsourced materials				22,446.54		22,446.54
Goods in process	1,684,905.86		1,684,905.86	4,150,321.91		4,150,321.91
Total	49,148,296.79		49,148,296.79	53,427,074.26		53,427,074.26

Note: During the inventory reporting period, there is no need to make provision for depreciation.

Note 6. Other current assets

Item	Closing balance	Opening balance
Added-value tax retained	3,106,466.75	2,261,266.88
Input tax with VAT to be certified	8,324,371.61	1,432,853.81
Payment of enterprise income tax in advance	1,294,608.97	
Total	12,725,447.33	3,694,120.69

Note 7. Long-term receivables

	Closing balance			Opening balance			
Nature of payment	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value	Range of discount rate
Finance leases							
Including: unrealized financing income							
Merchandise paid by installment							
Labor services provided on installment							
Others				318,000.00		318,000.00	
Less: long-term receivables due within one year							
Total				318,000.00		318,000.00	

Note 8. Long-term equity investment

		Increase and decrease of current period			
Investee	Opening balance	Additional investment	Decrease in investment	Profits and losses on investments recognized under equity method	Adjustment to other comprehensive incomes
Associated enterprise:					
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	39,617,867.46		14,377,600.00	-3,219,330.68	-3,096,720.00
Total	39,617,867.46		14,377,600.00	-3,219,330.68	-3,096,720.00

Contd.:

Investee	Other equity changes (Increase and decrease of current period)	Declared cash dividend or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Associated enterprise:						
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					18,924,216.78	
Total					18,924,216.78	

Note: According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2018, it is agreed to refund the Company's investment of RMB14,377,600.

Note 9. Fixed assets

1. Information about fixed assets

Item	Pant and buildings	Machinery and equipment	Vehicles	Office equipment	Other equipment	Total
I. Total original book value						
1. Opening balance	127,954,480.16	104,378,129.30	4,082,355.14	2,390,366.09	395,677.68	239,201,008.37
2. Increase of the current period	89,631,933.08	6,416,202.92	141,182.76	559,834.31		96,749,153.07
Acquisition		3,056,009.25	141,182.76	559,834.31		3,757,026.32
Transfers from construction in progress	89,631,933.08	3,360,193.67				92,992,126.75
3. Decrease of the current period	198,400.00	981,927.99	55,529.99	373,620.00		1,609,477.98
Disposal or scrapping	198,400.00	981,927.99	55,529.99	373,620.00		1,609,477.98
Other transfer-out						
4. Closing balance	217,388,013.24	109,812,404.23	4,168,007.91	2,576,580.40	395,677.68	334,340,683.46
II. Accumulated depreciation						
1. Opening balance	30,875,153.97	45,604,545.07	1,488,761.69	1,723,443.57	294,685.70	79,986,590.00
2. Increase of the current period	6,403,400.97	9,549,128.86	410,153.66	195,772.08	23,640.78	16,582,096.35
Withdrawal	6,403,400.97	9,549,128.86	410,153.66	195,772.08	23,640.78	16,582,096.35
3. Decrease of the current period	79,318.46	520,892.17	3,516.91	354,939.00		958,666.54
Disposal or scrapping	79,318.46	520,892.17	3,516.91	354,939.00		958,666.54
Other transfer-out						
4. Closing balance	37,199,236.48	54,632,781.76	1,895,398.44	1,564,276.65	318,326.48	95,610,019.81
III. Impairment provision						
1. Opening balance		382,851.13	26,999.88			409,851.01
2. Increase of the current period						
Withdrawal						
3. Decrease of the current period						
Disposal or scrapping						
Other transfer-out						
4. Closing balance		382,851.13	26,999.88			409,851.01
IV. Total book value						
1. Closing book value	180,188,776.76	54,796,771.34	2,245,609.59	1,012,303.75	77,351.20	238,320,812.64
2. Opening book value	97,079,326.19	58,390,733.10	2,566,593.57	666,922.52	100,991.98	158,804,567.36

2. Idle fixed assets at the end of the period

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Plant and buildings	45,252,012.55	16,351,627.09		28,900,385.46	
Machinery and equipment	1,537,208.14	1,428,201.96	59,215.86	49,790.32	
Total	46,789,220.69	17,779,829.05	59,215.86	28,950,175.78	

3. Fixed assets that have not completed the title certificate at the end of the period

Item	Book value	Reasons for incomplete certificates of title
Plant and buildings	6,595,958.29	Coordination in progress
Total	6,595,958.29	

4. Fixed assets for mortgage at the end of the period

See Note 46 for details of the fixed assets for mortgage at the end of the period.

Note 10. Construction in progress

1. Construction in process

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Book value
Tianye Nonggu Science and Technology Park Project	172,918,193.57		172,918,193.57	129,601,596.40		129,601,596.40
Fermented juice production line	5,318,877.28	265,943.86	5,052,933.42	5,318,877.28	265,943.86	5,052,933.42
Workshop Reconstruction and Expansion Project	970,157.10		970,157.10			
Supporting facilities of characteristic agricultural demonstration area	25,309,084.15		25,309,084.15	21,724,100.00		21,724,100.00
Equipment Installation and Reconstruction Project				795,405.47		795,405.47
Equipment installation works	297,413.80		297,413.80	110,000.00		110,000.00
Total	204,813,725.90	265,943.86	204,547,782.04	157,549,979.15	265,943.86	157,284,035.29

2. Changes in significant construction in progress of the current period

Project name	Opening balance	Increase of current period	Closing balance	Decrease of current period: Transferred to productive biological assets	Decrease of current period: Transferred to fixed assets	Decrease of current period: Others Decrease
Tianye Nonggu Science and Technology Park Project	129,601,596.40	133,148,288.93		89,831,691.76		172,918,193.57
Fermented juice production line	5,318,877.28					5,318,877.28
Workshop Reconstruction and Expansion Project		970,157.10				970,157.10
Supporting facilities of characteristic agricultural demonstration area	21,724,100.00	5,622,244.92		992,589.71	1,044,671.06	25,309,084.15
Equipment Installation and Reconstruction Project	795,405.47			795,405.47		
Total	157,439,979.15	139,740,690.95		91,619,686.94	1,044,671.06	204,516,312.10

Contd.:

Project name	Budget amount (RMB10,000)	Proportion of project investment in budget (%)	Construction progress (%)	Accumulated amount of capitalization of interest	Include: amount of capitalization of interest of current period	Capitalization rate of interest of current period (%)	Source of fund
Tianye Nonggu Science and Technology Park Project	39,739.33	66.12	66.12				Investment Project
Fermented juice production line	546.89	97.26	97.26				Self-raised
Workshop Reconstruction and Expansion Project	187.62	51.71	51.71				Self-raised
Supporting facilities of characteristic agricultural demonstration area	3,513.78	77.83	77.83				Self-raised
Equipment Installation and Reconstruction Project	79.54	100.00	100.00				Self-raised
Total	44,067.16						

3. Construction in progress for mortgage at the end of the period

See Note 46 for details of the construction in progress for mortgage at the end of the period.

4. Other descriptions of construction in progress

Notes: (1) The Tianye Nonggu Science and Technology Park Project is funded by the Company, with a total investment of RMB454,899,100, including RMB104,490,400 for civil works, RMB20,362,100 for ancillary facilities and structures, RMB15,270,000 for land purchase and leveling, RMB257,270,800 for equipment and instrument purchase and installation, RMB500,000 for technology and other investment, RMB7,005,800 for preparation cost and RMB50 million for working capital. (2) The budget of Tianye Nonggu Science and Technology Park Project includes civil works investment, ancillary facilities and structures, land purchase and leveling, equipment and instrument purchase and installation fees.

Note 11. Productive biological assets

1. Productive biological assets measured by cost

	Planting industry						
Item	Passion fruit	Pitaya	Pineapple	Banana	Guava	Mango	Total
I. Total original book value							
1. Opening balance	8,366,652.96	3,775,909.46	2,228,428.00	1,195,399.20	3,945,007.64	18,029,895.46	37,541,292.72
2. Increase of current period	1,562,416.65					7,198,802.08	8,761,218.73
Purchased							
Self-planted	1,562,416.65					7,198,802.08	8,761,218.73
Increase in corporation merger							
Invested by shareholders							
Other transfer-in							
3. Decrease of current period	6,938,855.90	2,575,274.65	2,228,428.00	1,195,399.20	1,339,717.85		14,277,675.60
Disposal	6,938,855.90	2,575,274.65	2,228,428.00	1,195,399.20	1,339,717.85		14,277,675.60
Other transfer-out							
4. Closing balance	2,990,213.71	1,200,634.81			2,605,289.79	25,228,697.54	32,024,835.85
II. Accumulated depreciation							
1. Opening balance	7,096,211.99	2,359,943.40		1,195,399.20	2,184,778.82		12,836,333.41
2. Increase of current period	1,335,541.66	836,674.26	1,021,362.87		930,430.29		4,124,009.08
Withdrawal	1,335,541.66	836,674.26	1,021,362.87		930,430.29		4,124,009.08
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period	6,938,855.90	2,092,410.65	1,021,362.87	1,195,399.20	1,161,241.79		12,409,270.41
Disposal	6,938,855.90	2,092,410.65	1,021,362.87	1,195,399.20	1,161,241.79		12,409,270.41
Other transfer-out							
4. Closing balance	1,492,897.75	1,104,207.01			1,953,967.32		4,551,072.08
III. Impairment provision							
1. Opening balance							
2. Increase of current period							
Withdrawal							

	Planting industry						
Item	Passion fruit	Pitaya	Pineapple	Banana	Guava	Mango	Total
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. Closing balance							
IV. Book value							
1. Book value at end of period	1,497,315.96	96,427.80			651,322.47	25,228,697.54	27,473,763.77
2. Book value at beginning of period	1,270,440.97	1,415,966.06	2,228,428.00		1,760,228.82	18,029,895.46	24,704,959.31

2. During the reporting period of productive biological assets, there is no need to make provision for impairment.

Note 12. Intangible assets

Item	Land use right	Patent right	Trademark right	Software	Total
I. Original book value					
1. Opening balance	118,455,340.67	15,485.00	10,900.00	30,540.00	118,512,265.67
2. Increase of current period				35,000.00	35,000.00
Acquisition				35,000.00	35,000.00
Internal R&D					
Other transfer-in					
2. Decrease of current period					
Disposal					
Other transfer-out					
3. Ending balance	118,455,340.67	15,485.00	10,900.00	65,540.00	118,547,265.67
II. Accumulated amortisation					
1. Opening balance	9,175,346.86	9,838.40	8,084.17	30,540.00	9,223,809.43
2. Increase of current period	1,831,365.24	770.00	1,089.96	6,999.96	1,840,225.16
Withdrawal	1,831,365.24	770.00	1,089.96	6,999.96	1,840,225.16
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	11,006,712.10	10,608.40	9,174.13	37,539.96	11,064,034.59
III. Impairment provision					
1. Opening balance	20,094,867.93				20,094,867.93
2. Increase of current period					
Withdrawal					

Item	Land use right	Patent right	Trademark right	Software	Total
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	20,094,867.93				20,094,867.93
IV. Total book value					
1. Book value at end of period	87,353,760.64	4,876.60	1,725.87	28,000.04	87,388,363.15
2. Book value at beginning of period	89,185,125.88	5,646.60	2,815.83		89,193,588.31

Note: See Note 46 for details of intangible assets for mortgage at the end of the period.

Note 13. Goodwill

1. The original book value of goodwill

		Increase of current period		Decrease of current period		
Name of the investee or items resulting in goodwill	Opening balance	Arising from business combination	Others	Disposal	Others	Closing balance
Hubei Iceman Foods Co., Ltd.	17,607,521.44					17,607,521.44
Total	17,607,521.44					17,607,521.44

Calculation process of goodwill: In order to effectively integrate the resources and advantages of both parties, enlarge and strengthen the main business, and form a highly competitive production enterprise of fruit juice and fruit and vegetable products, the Company realized the equity acquisition and business restructuring of Hubei Iceman Foods Co., Ltd. On the purchase date (November 16, 2015); the book value of identifiable net assets of Hubei Iceman Foods Co., Ltd. was RMB-24,361,162.41; the fair value of identifiable net assets based on the purchase date was RMB-17,607,520.44. According to the Equity Merger Agreement signed between the Company and the original shareholders of Hubei Iceman Foods Co., Ltd., the consideration for equity merger was RMB1, so the goodwill formed by this merger was RMB17,607,521.44.

2. Provision for impairment of goodwill

		Increase of current period		Decrease of current period		
Name of the investee or items resulting in goodwill	Opening balance	Provision	Others	Disposal	Others	Closing balance
Hubei Iceman Foods Co., Ltd.	2,749,838.60					2,749,838.60
Total	2,749,838.60					2,749,838.60

Goodwill impairment test process, parameters and recognition method of goodwill impairment loss: Hubei Iceman Foods Co., Ltd. is taken as a separate asset group for impairment test, and the recoverable amount of goodwill impairment test is determined by fair value minus disposal expenses. RMB2,749,838.60 has been withdrawn for goodwill impairment at the beginning of the period. At the end of current period, according to the Appraisal Report (MLHZHPBZ (2019) No. 6037) issued by Fujian United Zhonghe Assets Appraisal Land and Real Estate Appraisal Co., Ltd. on March 25, 2019, with the base date of appraisal of December 31, 2018, the goodwill has been tested for impairment; the book value of the asset group including goodwill was RMB43,304,949.68, the recoverable amount of the asset group was RMB67,198,028.00, and the book value of the asset group was less than the recoverable amount of the asset group, so there was no impairment of goodwill.

Note 14. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization for the Current Period	Other decrease	Closing balance
Land lease expense	15,647,209.95		4,837,098.60		10,810,111.35
Plant Decoration Project	1,660,134.11		448,417.32		1,211,716.79
Other projects in characteristic agricultural demonstration areas		1,044,671.06	174,111.80		870,559.26
Total	17,307,344.06	1,044,671.06	5,459,627.72		12,892,387.40

Note 15. Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets before offset

	Closing balance		Opening balance	
Item	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	3,384,474.33	744,635.68	2,963,550.33	622,403.48
Offset internal unrealized profits			259,175.18	64,793.80
Deductible losses			572,141.91	143,035.48
Government grants	1,467,779.65	263,027.38	1,701,046.3	306,498.69
Changes in fair value of long-term equity investment	3,096,720.00	464,508.00		
Total	7,948,973.98	1,472,171.06	5,495,913.72	1,136,731.45

2. Deferred tax liabilities before offset

	Closing balance		Opening balance	
Item	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Unrealized losses in internal transactions	457,072.59	114,268.15		
Total	457,072.59	114,268.15		

3. Unrecognized deferred tax assets

Item	Closing balance	Opening balance
Provision for impairment of assets	26,191.64	197,029.44
Deferred income	63,323,392.40	65,586,133.20
Deductible losses	22,771,782.22	17,412,890.79
Total	86,121,366.26	83,196,053.43

Note: The reason why deferred income tax assets have not been recognized for asset impairment provision was that Guangxi Tianye Venture Agricultural Technology Co., Ltd., a subsidiary of the Company, was exempt from enterprise income tax for fruit planting; the reason why deferred income tax assets have not been recognized for deferred revenue was that Hubei Iceman Food Co., Ltd., a subsidiary of the Company, was uncertain whether it could obtain enough taxable income in the future; the reason why deferred income tax assets have not been recognized for deductible losses was that Hainan Hainan Tianye Drinks Food Sales Co. Ltd., Hubei Iceman Food Co., Ltd. and Hubei Tianye Nonggu Biological Technology Co., Ltd., which were subsidiaries of the Company, were uncertain whether they could obtain enough taxable income in the future.

4. Deductible losses for which deferred tax assets are not recognised will be expired in the following year

Year	Closing balance	Opening balance
2018	149,449.48	149,449.48
2019	460,015.88	460,015.88
2020	3,207,535.44	3,207,535.44
2021	6,738,381.86	6,738,381.86
2022	6,857,508.13	6,857,508.13
2023	5,358,891.43	
Total	22,771,782.22	17,412,890.79

Note 16. Other non-current assets

Item	Closing balance	Opening balance
Advance payment for Tianye Nonggu Science and Technology Park Project	3,019,370.26	50,654,371.69
Equipment project payment	287,986.90	519,506.55
Advance payment for IPO		2,215,306.95
Enterprise income tax retained		33,968.38
Total	3,307,357.16	53,423,153.57

Note 17. Short-term loans

Item	Closing balance	Opening balance
Pledged loans	5,000,000.00	
Unsecured loans	36,000,000.00	36,000,000.00
Mortgaged and guaranteed loans	60,000,000.00	30,000,000.00
Total	101,000,000.00	66,000,000.00

Note 1: As of December 31, 2018, the short-term loan balance is RMB101 million:

1) On December 19, 2018, Hainan Tianye Drinks Food Sales Co. Ltd., a subsidiary of the Company, signed a "Yixiaotong" General Guaranteed Loan Contract of Hainan Rural Credit Cooperative (HKNSS/H (Z) 2018 LJ (C) Z No. 041) with Haikou Rural Commercial Bank Co., Ltd. The loan type was working capital loan, and the loan purpose was for the daily business turnover of the Company; the loan amount was RMB5 million, and the loan period is from December 19, 2018 to December 19, 2019; the annual interest rate of the loan was 6.8%, plus 2% of the integrity deposit; the guarantee method was margin guarantee: "Hainan Tianye Drinks Food Sales Co. Ltd. provides 100% margin guarantee"; it also signed a pledge guarantee contract (HKNSYS/H (Z) 2018 ZZ No. 042), the pledge was the deposit of RMB5 million deposited in the special deposit account (1013225000000396) of Jinlong Road Sub-branch of Haikou Rural Commercial Bank, and the pledgor was Hainan Tianye Drinks Food Sales Co. Ltd.

2) In August 2018, the Company signed a loan contract (0210700005-2018 (NZ) Z No. 00096) of RMB36 million with Beihai Sub-branch of Industrial and Commercial Bank of China, with a loan period of one year. The mortgaged properties were land use right (HGY (2012) No. 1560), industrial factory buildings and supporting houses (HFQZHPZ No. 017061-017071). In 2013 and 2016, the maximum amount mortgage contract (GYBNZDZ (2013) No. 001) and the change agreement of maximum mortgage contract (GYBNZZGEDYBZ (2016) No. 001) were signed respectively.

3) In December 2018, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd. The credit was granted for three years; the guarantee method was mortgage+guarantee, and the additional integrity deposit was 2%. It also signed a contract (HKNSS/H (Z) 2018 ZBZ No.040), the mortgaged properties were house and state-owned land use right (E (2018) JMSBDCQ No. 0013299), houses (DCZZ No. 0005745, DCZZ No. 0005746, DCZZ No. 0005747, DCZZ No. 0005749), land use rights (DAGY (2010) No. 253, DAGY (2008) No. 23). It also signed two mortgage contracts (HKNSS/H (Z) 2018 GDZ No. 040-1, HKNSS/H (Z) 2018 GDZ No. 040-2), and the guarantors were Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed three guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2, HKNSS/H (Z) 2018 GBZ No. 040-3). As of December 31, 2018, the short-term loan balance of this contract was RMB30 million.

4) In September 2017, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, and Haikou Longhua Sub-branch of Bank of Communications signed a revolving loan contract (QJY (DT) 2017 LDZ No. DC001) of RMB30 million; the credit period was from September 14, 2017 to September 14, 2019 and term for each loan was up to 12 months; the guarantee method was mortgage+guarantee; the mortgaged properties were house (DCZZ No. 0005745 -0005749), land use rights (DAGY (2010) No. 253, DAGY (2008) No. 23), and machinery equipment; and the mortgage contracts with numbers of QJY (DT) 2017 DZ No. DC001 and QJY (DT) 2017 DZ No. DC002 were signed; and the guarantee contracts with the numbers of QJY (DT) 2017 BZ No. DC001 and QJY (DT) 2017 BZ No. DC002 were signed and the guarantors were Tianye Innovation Corporation and Yao Jiuzhi respectively. The maximum creditor's right amount of the above mortgage guarantee was RMB36 million (RMB thirty-six million only). As of December 31, 2018, the short-term loan balance of this contract was RMB30 million.

Note 18. Notes and accounts payable

Item	Closing balance	Opening balance
Notes payable		
Accounts payable	15,537,891.19	28,325,710.25
Total	15,537,891.19	28,325,710.25

1. Disclosure of accounts payable by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	13,247,435.00	85.26	25,359,009.01	89.53
1-2 years	1,023,836.71	6.59	1,285,274.95	4.54
2-3 years	552,693.07	3.56	849,005.03	3.00
>3 years	713,926.41	4.59	832,421.26	2.94
Total	15,537,891.19	100.00	28,325,710.25	100.00

2. Accounts payable classified by nature

Item	Closing balance	Opening balance
Material purchase payment	5,668,113.91	16,518,206.83
Payment related to expenses	2,603,792.52	1,243,499.80
Equipment and project purchase payment	7,234,635.76	10,186,321.28
Others	31,349.00	377,682.34
Total	15,537,891.19	28,325,710.25

3. Significant accounts payable aged over 1 year

Organization name	Closing balance	Relationship with the Company	Reasons for not been repaid or transferred
Jiangsu Kaiyi Intelligent Technology Co., Ltd.	369,200.00	Non-affiliated party	Uncompleted settlement
Xiamen Heguanxin Cryogenic Equipment Co., Ltd.	320,200.01	Non-affiliated party	Uncompleted settlement
Wuhan Sentai Environmental Protection Co., Ltd.	200,000.00	Non-affiliated party	Uncompleted settlement
Yang Deping	111,300.00	Non-affiliated party	Uncompleted settlement
Chen Shixin	100,000.00	Non-affiliated party	Uncompleted settlement
Total	1,100,700.01		

4. Top five accounts payable based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total accounts payable (%)	Aging
Foshan Nanhai District Construction Engineering Co., Ltd.	Equipment and project payment	1,762,384.75	Non-affiliated party	11.34	<1 year
Hu'nan Tianchang Engineering Co., Ltd.	Equipment and project payment	959,545.44	Non-affiliated party	6.18	<1 year
Hainan Anhua Fengyuan Electronic Technology Co., Ltd.	Equipment and project payment	665,000.00	Non-affiliated party	4.28	<1 year
Wuhan Quanding Environmental Protection Technology Co., Ltd.	Equipment and project payment	593,767.00	Non-affiliated party	3.82	<1 year
Hubei Yayunjing Construction Technology Co., Ltd.	Equipment and project payment	592,000.00	Non-affiliated party	3.81	<1 year
Total		4,572,697.19		29.43	

Note 19. Advances from customs

1. Disclosure of advances from customs by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	1,376,462.69	84.04	3,914,521.51	95.75
1-2 years	120,579.25	7.36	155,471.50	3.80
2-3 years	140,921.50	8.60	1,900.00	0.05
>3 years			16,300.00	0.40
Total	1,637,963.44	100.00	4,088,193.01	100.00

2. Disclosure of advances from customs by nature

Item	Closing balance	Opening balance
Payment for goods	1,637,963.44	4,088,193.01
Total	1,637,963.44	4,088,193.01

3. Top five advances from customs based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total advance receipts *(%)*	Aging
Fresh Fruit Juice Co., Ltd.	Payment for goods	353,600.38	Non-affiliated party	21.59	<1 year
Ningbo Xinjiuyuan Trading Co., Ltd.	Payment for goods	326,610.00	Non-affiliated party	19.94	<1 year
He'nan Run'ang Industry Co., Ltd.	Payment for goods	200,850.00	Non-affiliated party	12.26	<1 year
Dalian Yiheng Import & Export Co., Ltd.	Payment for goods	82,399.80	Non-affiliated party	5.03	<1 year
Hainan Suyan Healthy Drink Co., Ltd.	Payment for goods	77,740.00	Non-affiliated party	4.75	<1 year
Total		1,041,200.18		63.57	

Other descriptions of advance receipts: During the reporting period, the Company had not important advance receipts with more than one-year aging.

Note 20. Payroll and employee benefits payable

1. Payroll and employee benefits payable

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Short-term benefits	2,999,558.95	27,417,096.04	27,277,464.61	3,139,190.38
Post-employment benefits — defined contribution plan	42,317.92	1,757,415.99	1,794,328.51	5,405.40
Termination benefits		41,950.00	41,950.00	
Total	3,041,876.87	29,216,462.03	29,113,743.12	3,144,595.78

2. Short-term benefits

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	2,975,975.15	25,207,654.17	25,073,842.39	3,109,786.93
Employee welfare		929,951.23	904,271.68	25,679.55
Social insurance contributions	21,927.80	837,615.34	857,463.24	2,079.90
Including: basic medical insurance premium	18,308.60	723,060.68	739,706.08	1,663.20
Industrial injury insurance premium	2,349.80	64,242.35	66,536.35	55.80
Birth insurance premium	1,269.40	50,312.31	51,220.81	360.90
Housing funds	1,656.00	390,824.50	390,836.50	1,644.00
Labor union and employee education costs		51,050.80	51,050.80	0.00
Total	2,999,558.95	27,417,096.04	27,277,464.61	3,139,190.38

3. Defined contribution plan

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Basic pension insurance	41,066.92	1,709,983.22	1,745,783.34	5,266.80
Unemployment insurance	1,251.00	47,432.77	48,545.17	138.60
Total	42,317.92	1,757,415.99	1,794,328.51	5,405.40

Note 21. Taxes payable

Tax items	Closing balance	Opening balance
VAT	1,556,335.03	1,390,801.38
Enterprise income tax	775,023.85	1,157,903.30
Individual income tax	13,875.57	21,783.73
Urban maintenance and construction tax	75,898.12	64,015.43
Building tax	63,309.90	17,757.88
Land use tax	19,500.00	208,682.73
Education expenses and local surcharges	75,049.42	63,901.93
Stamp duties	3,096.00	3,051.80
Environmental protection tax	3,125.04	
Total	2,585,212.93	2,927,898.18

Note 22. Other payables

Item	Closing balance	Opening balance
Interest payable	857,741.94	
Dividends payable		
Other payables	2,930,036.25	2,705,266.75
Total	3,787,778.19	2,705,266.75

(I) Interest payable

Item	Closing balance	Opening balance
Interest payable	857,741.94	
Total	857,741.94	

(II) Other payables

1. Disclosure of other payables by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	2,197,587.61	75.00	1,918,180.90	70.91
1-2 years	302,349.40	10.32	506,863.22	18.74
2-3 years	272,856.61	9.31	114,510.00	4.23
>3 years	157,242.63	5.37	165,712.63	6.12
Total	2,930,036.25	100.00	2,705,266.75	100.00

2. Disclosure of other payables by nature

Nature of payment	Closing balance	Opening balance
Miscellaneous project payments	301,710.00	628,965.00
Payment related to expenses	2,330,614.79	1,601,670.09
Transaction payment	59,146.40	213,495.40
Collection and payment	204,652.14	198,264.94
Social security fund, etc	598.72	46,291.32
Others	33,314.20	16,580.00
Total	2,930,036.25	2,705,266.75

3. Top five other payables based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total other payables (%)	Aging
Shanghai Liqin Logistics Co., Ltd.	Payment related to expenses	283,600.00	Non-affiliated party	9.68	<1 year
ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special General Partnership)	Payment related to expenses	283,018.87	Non-affiliated party	9.66	<1 year
Xiping Xinguang Freight Service Co., Ltd.	Payment related to expenses	226,882.08	Non-affiliated party	7.74	<1 year
Beijing Wanshang Tianqin Law Firm	Payment related to expenses	188,679.24	Non-affiliated party	6.44	<1 year
Liu Zhonghua	Payment related to expenses	183,675.00	Non-affiliated party	6.27	<1 year
Total		1,165,855.19		39.79	

Note 23. Long-term loans

Item	Closing balance	Opening balance
Fiduciary loan	30,000,000.00	
Total	30,000,000.00	

Note 1: As of December 31, 2018, the long-term loan balance was RMB30 million: In April 2018, Hubei Tianye Nonggu Biological Technology Co., Ltd., a subsidiary of the Company, signed the *RMB Entrusted Loan Contract* with Wusan Farm Sub-branch of the Agricultural Bank of China. The contract number was 2018002. Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. was the loan principal and provided the Company with loan on credit of RMB30 million, with loan term of 2 years and annual interest rate of 7.20%. As of December 31, 2018, the long-term loan balance of this contract is RMB30 million.

Note 24. Long-term accounts payable

Item	Closing balance	Opening balance
Payment due for long-term equipment	397,555.46	
Total	397,555.46	

Note 25. Deferred income

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance	Causes
Government subsidy related to assets	67,657,400.23	2,256,600.00	4,838,902.21	65,075,098.02	See the following note for details
Government subsidy related to revenues	33,000.00			33,000.00	See the following note for details
Total	67,690,400.23	2,256,600.00	4,838,902.21	65,108,098.02	

1. Deferred revenue related to government grants

Item	Opening balance	Amount of subsidy increased in current period	Amount included in the current profits and losses	Other changes	Closing balance	Pertinent to Assets/Income
Financial subsidy for the development of SME in local characteristic industries in 2012	380,000.00		80,000.00		300,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base	323,076.92		215,384.62		107,692.30	Assets related
Infrastructure support subsidies allocated by the government	41,607,650.28		3,644,465.88		37,963,184.40	Assets related

Item	Opening balance	Amount of subsidy increased in current period	Amount included in the current profits and losses	Other changes	Closing balance	Pertinent to Assets/Income
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	461,538.43		65,934.12		395,604.31	Assets related
Financial subsidy for special fruit planting	1,609,600.00				1,609,600.00	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	19,563,390.97		108,685.51		19,454,705.46	Assets related
Technical transformation funds for fruit and vegetable juice pulp production line	400,000.00				400,000.00	Assets related
Special funds for the development of SME in the autonomous region in 2017	1,187,628.87		148,453.56		1,039,175.31	Assets related
Support funds for grain, agriculture and forestry characteristic industries in the autonomous region in 2016	300,000.00				300,000.00	Assets related
Funds for Rural Tourism Construction Project Phase I	800,000.00				800,000.00	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	1,005,635.76		543,284.06		462,351.70	Assets related
Subsidies for purchasing agricultural machinery	18,879.00		1,953.00		16,926.00	Assets related
Tax refund		2,256,600.00	30,741.46		2,225,858.54	Assets related
Research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope)	33,000.00				33,000.00	Revenues related
Total	67,690,400.23	2,256,600.00	4,838,902.21		65,108,098.02	

Note: As of December 31, 2018, the balance of deferred revenue related to government grants was RMB62,882,239.48:

1. According to GCQ [2012] No. 128 "Notice on Issuing Development Funds for Small and Medium-sized Enterprises in Local Characteristic Industries in 2012" issued by Finance Department of Guangxi Zhuang Autonomous Region, the Company received special funds of RMB800,000 for the development of SME from Hepu County Finance Bureau on October 16, 2012 for fruit and vegetable processing projects, and amortization was divided into 10 years according to the life of asset depreciation.

2. According to NCN [2015] No. 164 "Notice of Nanning Finance Bureau on Appropriating Funds for Agricultural Products Standardization Construction Project in 2015" issued by Nanning Finance Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received a subsidy of RMB700,000.00 for the construction of agricultural products standardization demonstration base from Yongning District Agriculture, Forestry and Water Conservancy Bureau of Nanning City on February 5, 2016 and April 19, 2016 respectively. After the acceptance, the remaining amortization period of productive biological assets was determined to be 39 months.

3. According to the "Letter on Subsidizing Infrastructure Support for Comprehensive Development of Production and Processing of Fruits and Vegetables and Quick-frozen Fruits and Vegetables in Hubei Iceman Foods Co., Ltd." issued by Qujialing Management District of Jingmen City on February 9, 2012, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received a total of RMB61,910,003.68 of government infrastructure support subsidies in 2012 and 2013, with the assets amortization life of 20 years.

4. According to *QCQ [2014] No. 2041* "Notice on the Allocation of Funds for the Project Construction of Hainan Export Food and Agricultural Product Quality and Safety Demonstration Zone in 2014" issued by Hainan Provincial Department of Finance, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, received a subsidy fund of RMB500,000.00 for quality and safety demonstration area of export food and agricultural products in Hainan Province on May 14, 2015. The Company amortized this government grant according to the depreciation life of assets.

5. According to the agricultural industrialization development and support work plan of Yongning District, Nanning City in 2016, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received the financial subsidy fund of RMB1,609,600 for newly planted special fruits from Pumiao Town People's Government of Yongning District of Nanning City, which was amortized according to the mature service life of productive biological assets after acceptance.

6. According to the *Interim Measures for Financial Funds to Support Industrial Development in Qujialing Management District*, as of December 31, 2017, the Management Committee of Qujialing Economic Development Zone in Hubei Province had allocated a total of RMB20,165,806 for supporting infrastructure, and the project had not been completed by the end of the reporting period.

7. According to the fixed assets investment plan of Hubei Province in 2016, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received RMB400,000 from the Development and Reform Bureau of Qujialing Management District of Jingmen City for technical transformation of fruit and vegetable juice pulp production line. As of the end of the reporting period, the project had not been completed.

8. According to the second batch of special funds for the development of SME in the autonomous region in 2017 (dry and preserved fruit and vegetable processing production line project) in [2017] No. 21 document of Finance Bureau of Hepu County, Guangxi Zhuang Autonomous Region and the document of Finance Department of Guangxi Zhuang Autonomous Region, the Company received a development special fund subsidy of RMB1,200,000 on December 4, 2017, and such grant was amortized according to the depreciation life of assets.

9. According to GCN [2015] No. 226 "Notice on Organizing the Application of Supporting Funds for Food, Agriculture and Forestry Advantageous Industries in the Autonomous Region in 2016" issued by Region Finance Department Document of Guangxi Zhuang Autonomous, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB300,000 of support funds for food, agriculture and forestry advantageous industries in the autonomous region in 2016 from Yongning District Agriculture and Forestry Water Conservancy Bureau of Nanning on September 20, 2017, which was amortized according to the mature service life of productive biological assets after acceptance.

10. According to the "Notice on Printing and Distributing the Implementation Plan for the Construction of Tourist Toilets in Yongning District in 2017" issued by the Office of the People's Government of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB800,000 of fund for Rural Tourism Construction Project Phase I from Nanning Yongning District Cultural Press, Publication and Sports Bureau on December 8, 2017 and December 27, 2017, which was amortized according to the assets depreciation life after acceptance.

11. According to the *Implementation Plan for the Establishment of Yongning Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone* (YBF [2014] No. 44), Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB4,797,362 of fund related to construction of Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone in Yongning District, Nanning City from Yongning District Agriculture and Forestry Water Conservancy Bureau on June 7, 2017. The Company amortized such government grant according to the income and assets.

12. According to the document "Notice of the Office of the Agricultural Department of Hubei Province on the Implementation of Agricultural Machinery Purchase Subsidy in 2017" issued by the Office of the Agricultural Department of Hubei Province, Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a subsidiary of the Company, received a subsidy of RMB19,530 for purchase of agricultural machinery from the Agricultural Water Bureau of Qujialing Management District of Jingmen City on December 11, 2017, and the company amortized this government grant according to the depreciation life of assets.

13. According to the *Notice on Accelerating the Development of Headquarters Economy in Qujialing Management District*, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received a tax subsidy of RMB2,256,600 from the Finance Bureau of Qujialing Management District in Jingmen City, and the Company amortized the such grant according to the amortization life of assets.

14. According to YFF [2017] No. 7 "Notice on Issuing the First Batch of Scientific Research and Technology Development Projects (Subjects) in Yongning District, Nanning City in 2017" issued by the Finance Bureau of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a

subsidiary of the Company, received RMB33,000 of fund for research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope) from the Treasury Centralized Payment Center in Yongning District, Nanning City on December 5, 2017; such fund was included in the current profits and losses after acceptance.

Note 26. Share capital

Item	Opening balance	Changes in the current period, increase (+) and decrease (-)					Closing balance
		New shares issued	Share donation	Capitalization of capital reserve	Others	Subtotal	
Number of shares	240,000,000.00						240,000,000.00

Note 27. Capital reserves

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Capital premium	244,109,726.71			244,109,726.71
Other capital reserves	2,190,367.24			2,190,367.24
Total	246,300,093.95			246,300,093.95

Note 28. Other comprehensive income

Item	Opening balance	Amount of current period: Incurred amount before income tax of current period	Amount of current period: Less: transferring other comprehensive income recorded in the previous period into the losses and profits of current period	Amount of current period: Less: Income tax expenses	Amount of current period: Attributable to the parent company after tax	Amount of current period: Attributable to minority shareholders after tax	Amount of current period: Less: carry-over amount Changes caused by remeasurement and re-definition of benefit plan	Closing balance
I. Other comprehensive income not allowed to be re-classified into profits and losses		-3,096,720.00		-464,508.00	-2,632,212.00			-2,632,212.00
1. Changes caused by remeasurement and re-definition of benefit plan								
2. Other comprehensive profits that cannot be transferred into profit and loss under the equity method		-3,096,720.00		-464,508.00	-2,632,212.00			-2,632,212.00
II. Other comprehensive income allowed to be re-classified into profits and losses								
1. Other comprehensive income that can be converted into losses and profits under the equity law								
2. Gains and losses from changes in fair value of available-for-sale financial assets								
3. Profits and losses of salable financial asset re-classified from the investments which will be held to their maturity								
4. Losses and profits of cash flow hedging in force								
5. Balance arising from the translation of foreign currency statements								
6. Disposal income generated by a package of disposal subsidiaries before losing control								
7. Conversion of other assets into investment real estate measured by fair value model								
Total amount of other comprehensive incomes		-3,096,720.00		-464,508.00	-2,632,212.00			-2,632,212.00

Note 29. Surplus reserve

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Statutory surplus reserves	10,523,286.40	518,816.78		11,042,103.18
Total	10,523,286.40	518,816.78		11,042,103.18

Note: The surplus reserve refers to the statutory surplus reserve accrued according to 10% of the net profit of the parent company.

Note 30. Undistributed profits

Changes in undistributed profits

Item	Amount	Proportion of withdrawal or allocation (%)
Undistributed profits at the end of last year before adjustment	209,869,499.89	—
Total undistributed profit at the beginning of adjustment (increase +, decrease -)		—
Undistributed profits at the beginning of the period after adjustment	209,869,499.89	—
Add: net profit attributable to owner of parent company in current period	23,941,884.70	—
Less: withdrawal of statutory surplus reserves	518,816.78	According to 10% of the parent company's net profit
Withdrawal of discretionary surplus reserves		
Common stock dividends payable	4,800,000.00	
Common stock dividends converted into share capital		
Other distributions to shareholders		
Other profits distribution		
Other internal carry-over of owner's equity		
Undistributed profits at the end of the period	228,492,567.81	

Note 31. Operating incomes and operating costs

1. Operating income, operating costs

Item	Amount of current period		Amount of last period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	258,435,753.75	181,881,408.84	202,888,674.85	126,895,163.45
Others			244,650.00	221,862.60
Total	258,435,753.75	181,881,408.84	203,133,324.85	127,117,026.05

2. Principal operating activities (by products)

Product name	Amount of current period Operating income	Amount of current period Operating cost	Amount of last period Operating income	Amount of last period Operating cost
Raw fruit juice	103,217,845.09	64,136,028.46	104,616,357.55	64,460,536.48
Quick-frozen fruit and vegetable	48,377,896.55	33,684,603.56	50,202,394.78	32,897,826.68
Fresh fruit	15,421,293.00	6,255,783.93	29,909,081.72	14,080,122.30
Others	91,418,719.11	77,804,992.89	18,160,840.80	15,456,677.99
Total	258,435,753.75	181,881,408.84	202,888,674.85	126,895,163.45

3. Operating income of the top five customers of the Company

Customer	Amount of current period	Proportion in the Company's total operating income (%)
Guangdong Nanfenghang Agriculture Investment Co., Ltd.	40,149,013.99	15.54
Fresh Fruit Juice *(Note)*	23,494,532.65	9.09
Nongfu Spring *(Note)*	18,937,855.37	7.33
Gerui Juice Industry (Tianjin) Co., Ltd.	9,226,457.99	3.57
Wahaha *(Note)*	8,331,538.08	3.23
Total	100,139,398.08	38.76

Contd.

Customer	Amount of last period	Proportion in the Company's total operating income (%)
Fresh Fruit Juice *(Note)*	16,319,181.04	8.03
Shandong Yipintang Industrial Co., Ltd.	12,289,805.09	6.05
Nongfu Spring *(Note)*	11,964,827.72	5.89
Zhumadian Yuliang Biological Technology Co., Ltd.	7,669,572.65	3.78
Wahaha *(Note)*	7,017,175.19	3.45
Total	55,260,561.69	27.20

Note: Fresh Fruit Juice, Nongfu Spring and Wahaha customers implemented centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 32. Taxes and surcharges

Taxes	Amount of current period	Amount of last period
Urban construction tax	615,340.97	546,203.12
Educational surcharges	369,204.50	327,699.58
Local educational surcharges	238,470.51	218,258.16
Stamp duties	185,626.70	185,120.90
Building tax	1,516,825.82	582,154.47
Land use tax	1,041,688.01	338,574.07
Environmental protection tax	11,969.43	
Other taxes and costs	8,113.66	4,848.60
Total	3,987,239.60	2,202,858.90

Note 33. Selling expenses

Item	Amount of current period	Amount of last period
Warehousing and logistics expenses	8,400,514.39	7,527,043.21
Labor expenses	1,038,865.51	713,394.17
Advertising and promotion expenses	370,833.24	239,399.48
Others	390,837.83	421,844.78
Total	10,201,050.97	8,901,681.64

Note 34. General and administration expenses

Item	Amount of current period	Amount of last period
Labor expenses	11,017,566.84	8,407,099.14
Office expense	2,166,964.72	1,977,388.51
Depreciation and amortization	9,353,188.10	8,758,326.75
Agency service expenses	4,888,656.41	2,331,716.36
Business reception expenses	909,582.87	877,018.79
Traveling expenses	639,302.05	1,213,128.49
Taxes	133,583.80	105,412.74
Others	2,520,796.17	1,061,725.91
Total	31,629,640.96	24,731,816.69

Note 35. Research and development expenses

Item	Amount of current period	Amount of last period
Direct input costs	387,158.22	480,828.99
Personnel and labor cost	1,076,479.23	1,164,514.53
Depreciation and amortization	71,553.18	131,076.58
Equipment commissioning fee and testing fee	796.70	258,862.91
Entrusted external R&D expenses	194,774.76	
Other Fee		43,943.91
Total	1,730,762.09	2,079,226.92

Note 36. Financial expenses

Item	Amount of current period	Amount of last period
Interest expense	2,316,078.80	3,261,961.98
Less: interest revenue	585,908.38	822,098.71
Net income and loss from exchange	-5,162.77	66,625.45
Others	43,109.61	33,163.02
Total	1,768,117.26	2,539,651.74

Note 37. Losses of asset impairment

Item	Amount of current period	Amount of last period
Bad-debt loss	250,086.15	-136,610.41
Impairment loss on fixed assets		52,940.40
Impairment loss on goodwill		2,749,838.60
Total	250,086.15	2,666,168.59

Note 38. Other incomes

1. Details of other incomes

Item	Amount of current period	Amount of last period
Government grants	5,949,486.80	9,774,455.20
Total	5,949,486.80	9,774,455.20

2. Governmental grants recorded into other income

Item	Amount of current period	Amount of last period	Assets related Revenues related
Financial subsidy for the development of SME in local characteristic industries in 2012	80,000.00	80,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base	215,384.62	215,384.62	Assets related
Infrastructure support subsidies allocated by the government	3,644,465.88	3,644,465.88	Assets related
Research and application subsidy project of key technology in coconut milk production stored at room temperature		90,000.00	Assets related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	65,934.12	38,461.57	Assets related
Financial support for newly planted fruits		592,000.00	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	108,685.51		Assets related
Special funds for the development of SME in the autonomous region in 2017	148,453.56	12,371.13	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	543,284.06	3,791,726.24	Assets related
Subsidies for purchasing agricultural machinery	1,953.00	651.00	Assets related
Environmental impact assessment subsidy		61,500.00	Revenues related
Grants for stable position	16,562.00	46,542.00	Revenues related
Special funds subsidy for foreign trade and economic development	7,136.00	40,000.00	Revenues related
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	110,000.00	160,000.00	Revenues related
Famous Brand Quality Award of Beihai Municipal Bureau of Quality and Technical Supervision	50,000.00		Revenues related
"Beautiful Beihai Rural Construction" Fund of Hepu Industry and Information Technology Committee	40,000.00		Revenues related
Exhibition subsidy for product exhibition	4,832.00		Revenues related
Return of individual income tax service changes	7,726.59		Revenues related
Tax refund	905,069.46		Pertinent to Assets/Income
Support funds for enterprises listed in 2017		1,000,000.00	Revenues related
Others		1,352.76	Revenues related
Total	5,949,486.80	9,774,455.20	

Note 39. Investment revenue

1. Details of investment revenue

Source of investment revenue	Amount of current period	Amount of last period
Income from long-term equity investments under equity method	-3,219,330.68	1,152,130.51
Total	-3,219,330.68	1,152,130.51

Note: The long-term equity investment revenue accounted by the equity method is the profits or losses that the Company should enjoy from the investment in Tianjin Fangfu Tianye Investment Center (Limited Partnership) according to the share agreed in the partnership agreement.

Note 40. Assets disposal income

Item	Amount of current period	Amount of last period
Revenue from disposal of biological assets	-1,868,405.19	
Income from fixed assets disposal	-332,511.42	42,750.85
Incomes of disposal of intangible assets		26,382.87
Total	-2,200,916.61	69,133.72

Note 41. Non-operating income

Item	Amount of current period	Amount of last period
Government grants not related to the daily activities of the Company	225,000.00	
Income from liquidated damages	25,885.42	
Unpayable payment	100,000.00	
Penalty income	900.00	
Others	256.04	33.98
Total	352,041.46	33.98

1. Amount included in non-recurring profits and losses of each period

Item	Amount of current period	Amount of last period
Government subsidiaries not related to the daily activities of the Company	225,000.00	
Income from liquidated damages	25,885.42	
Unpayable payment	100,000.00	
Penalty income	900.00	
Others	256.04	33.98
Total	352,041.46	33.98

2. Government grants included in current profits and losses

Subsidy item	Amount of current period	Amount of last period	Pertinent to Assets/Income
Award for three-star rural tourist area	200,000.00		Revenues related
Training subsidy for agricultural technology promotion	15,000.00		Revenues related
Fund subsidy for drought relief	10,000.00		Revenues related
Total	225,000.00		

Note 42. Non-operating expenses

Item	Amount of current period	Amount of last period
Donation outlay	100,000.00	5,000.00
Penalties and fines for delaying payment	670.52	7,307.88
Scrap loss of current assets	450,363.42	546,784.81
Scrap loss of non-current assets	18,681.00	149,897.74
Others	29,189.57	
Total	598,904.51	708,990.43

1. The amounts included in the non-recurring profits and losses of each period are listed as follows:

Item	Amount of current period	Amount of last period
Donation outlay	100,000.00	5,000.00
Penalties and fines for delaying payment	670.52	7,307.88
Scrap loss of current assets	450,363.42	546,784.81
Scrap loss of non-current assets	18,681.00	149,897.74
Others	29,189.57	
Total	598,904.51	708,990.43

Note 43. Income tax expense

Item	Amount of current period	Amount of last period
Current tax expenses	3,084,603.10	1,332,105.39
Deferred income tax expense	243,336.54	-233,116.67
Total	3,327,939.64	1,098,988.72

1. Reconciliation of income tax expenses to the accounting profit

Item	Amount of current period	Amount of last period
Total profits	27,269,824.34	43,181,657.30
Income tax expense calculated at statutory/applicable tax rate	4,090,473.65	5,435,257.60
Effect of different tax rates applicable to subsidiaries	2,726,982.43	2,854,156.07
Effect of adjustment to income tax of prior periods	134,249.88	-352,447.59
Effect of non-taxable income	-4,779,167.37	-10,444,082.90
Effect of non-deductible costs, expenses and losses	190,929.10	1,899,251.13
Effect of using deductible losses for which deferred tax assets were previously not recognised	-250,020.09	
Effect of deductible temporary differences or deductible losses unrecognized in the current period	1,214,492.04	1,706,854.41
Income tax expense	3,327,939.64	1,098,988.72

Note 44. Notes to items of cash flow statement

1. Cash received relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	777,523.81	130,836.60
Government grants	1,361,256.59	10,374,278.00
Credit interest	585,908.38	822,098.71
Other income	26,641.46	
Total	2,751,330.24	11,327,213.31

2. Cash paid relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	10,211,739.17	884,280.84
Cash payment	20,186,028.14	13,373,147.99
Reserve fund	102,638.33	590,449.61
Total	30,500,405.64	14,847,878.44

3. Cash paid relating to other financing activities

Item	Amount of current period	Amount of last period
IPO expenses		2,253,547.26
Loan deposit	5,000,000.00	
Total	5,000,000.00	2,253,547.26

Note 45. Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary materials	Amount of current period	Amount of last period
1. Cash flows converted from net profits for business operation activities:		
Net Profit	23,941,884.70	42,082,668.58
Add: provision for asset impairment	250,086.15	2,666,168.59
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	20,706,105.43	20,173,396.83
Amortization of intangible assets	1,840,225.16	1,847,237.60
Amortization of long-term deferred expenses	5,459,627.72	4,517,660.52
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by "-")	2,200,916.61	80,764.02
Losses on retirement of fixed assets (gain is indicated by "-")	18,681.00	
Loss on changes in fair value (gain is indicated by "-")		
Financial expenses (gain is indicated by "-")	3,216,078.80	3,471,919.98
Losses arising from investments (gain is indicated by "-")	3,219,330.68	-1,152,130.51
Decrease in deferred tax assets (increase is indicated by "-")	129,068.39	451,898.72
Increase in deferred tax liabilities (decrease is indicated by "-")	114,268.15	
Decrease in inventory (increase is indicated by "-")	4,278,777.47	-7,794,899.72
Decrease in receivables from operating activities (increase is indicated by "-")	4,710,678.16	4,778,333.31
Increase in payables from operating activities (decrease is indicated by "-")	-19,073,117.34	3,347,621.01
Others		
Net cash flows from operating activities	51,012,611.08	74,470,638.93
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 acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	214,674,020.33	211,052,482.61
Less: opening balance of cash	211,052,482.61	325,379,442.47
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalent		
Net increase in cash and cash equivalents	3,621,537.72	-114,326,959.86

2. Composition of cash and cash equivalent

Item	Amount of current period	Amount of last period
I. Cash	214,674,020.33	211,052,482.61
Including: cash on hand	5,182.32	17,127.50
Bank deposit ready for payment at any time	214,658,850.80	211,035,355.11
Other monetary fund ready for payment at any time	9,987.21	
II. Cash equivalents		
Including: bond investments due in three months		
III. Closing balance of cash and cash equivalents	214,674,020.33	211,052,482.61
Including: restricted cash and cash equivalents used by parent company or subsidiaries	5,000,000.00	

Note 46. Assets with restricted ownership or right of use

Item	Closing book value	Reasons for being restricted
Other monetary funds	5,000,000.00	Pledge loans
Fixed assets	74,948,360.27	Mortgage loan
Construction in progress	42,635,026.75	Mortgage loan
Intangible assets	31,158,042.53	Mortgage loan
Total	153,741,429.55	

Note: Please refer to Note VI "Note 17 Short-term loan" for details of mortgage loan.

Note 47. Government grants

1. Basic information of government subsidies initially recognized in this period

		Assets related		Revenues related				
Subsidy item	Amount	Deferred income	Offset of the book value of assets	Deferred income	Other incomes	Non-operating income	Amount for cost offset	Actually received?
Grants for stable position	16,562.00				16,562.00			Yes
Special funds subsidy for foreign trade and economic development	7,136.00				7,136.00			Yes
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	110,000.00				110,000.00			Yes
Famous Brand Quality Award of Beihai Municipal Bureau of Quality and Technical Supervision	50,000.00				50,000.00			Yes
"Beautiful Beihai Rural Construction" Fund of Hepu Industry and Information Technology Committee	40,000.00				40,000.00			Yes
Exhibition subsidy for product exhibition	4,832.00				4,832.00			Yes
Return of individual income tax service changes	7,726.59				7,726.59			Yes
Tax refund	3,130,928.00	2,256,600.00			874,328.00			Yes
Award for three-star rural tourist area	200,000.00					200,000.00		Yes
Training subsidy for agricultural technology promotion	15,000.00					15,000.00		Yes
Fund subsidy for drought relief	10,000.00					10,000.00		Yes
Loan with discounted interest	900,000.00						900,000.00	Yes
Total	4,492,184.59	2,256,600.00			1,110,584.59	225,000.00	900,000.00	

2. Government grants included in current profits and losses

Subsidy item	Type	Included in other revenues	Included in non-operating income	Amount for cost offset
Financial subsidy for the development of SME in local characteristic industries in 2012	Financial appropriation	80,000.00		
Subsidy for the construction of agricultural product standardization demonstration base	Financial appropriation	215,384.62		
Infrastructure support subsidies allocated by the government	Financial appropriation	3,644,465.88		
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	Financial appropriation	65,934.12		
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	Financial appropriation	108,685.51		
Special funds for the development of SME in the autonomous region in 2017	Financial appropriation	148,453.56		
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	Financial appropriation	543,284.06		
Subsidies for purchasing agricultural machinery	Financial appropriation	1,953.00		
Grants for stable position	Financial appropriation	16,562.00		
Special funds subsidy for foreign trade and economic development	Financial appropriation	7,136.00		
Special funds for foreign trade and economic development subsidies for logistics projects outside the region	Financial appropriation	110,000.00		
Famous Brand Quality Award of Beihai Municipal Bureau of Quality and Technical Supervision	Financial appropriation	50,000.00		
"Beautiful Beihai Rural Construction" Fund of Hepu Industry and Information Technology Committee	Financial appropriation	40,000.00		
Exhibition subsidy for product exhibition	Financial appropriation	4,832.00		
Return of individual income tax service changes	Others	7,726.59		
Tax refund	Tax refund	905,069.46		
Award for three-star rural tourist area	Others		200,000.00	
Training subsidy for agricultural technology promotion	Financial appropriation		15,000.00	
Fund subsidy for drought relief	Financial appropriation		10,000.00	
Loan with discounted interest	Financial discount			900,000.00
Total		5,949,486.80	225,000.00	900,000.00

VII. Changes of the Scope of Consolidation

(I) Business combination involving entities not under common control

During the reporting period, there was no business combination involving entities not under common control.

(II) Business combination involving entities under common control

During the reporting period, there was no business combination under common control.

(III) Reverse acquisition

During the reporting period, there was no reverse acquisition.

(IV) Disposal of subsidiaries

During the reporting period, the Company did not dispose of its subsidiaries.

(V) Changes in the consolidation scope due to other reasons

During the reporting period, the Company did not change the scope of consolidation due to other reasons.

VIII. Equity in other Entities

(I) Equity in subsidiaries

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Hainan Dachuan Food Co., Ltd.	Ding'an, Hainan	Ding'an, Hainan	Processing and sales of agricultural products	100.00		Business combination not under the same control
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Nanning, Guangxi	Nanning, Guangxi	Agricultural planting and sales, technology R&D promotion and achievement transfer	100.00		Established through investment
Hainan Tianye Drinks Food Sales Co. Ltd.	Ding'an, Hainan	Ding'an, Hainan	Sales of fruit food and drink	100.00		Established through investment
Hubei Iceman Foods Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Processing and sales of agricultural products	100.00		Business combination not under the same control
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	R&D, production and sales of agricultural products	100.00		Established through investment

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Acquisition method
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Agricultural planting and sales	100.00		Established through investment

(II) Equity in associates

1. Significant associates

(1) General information

Name of associates	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Accounting treatment for associates
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	Tianjin	Tianjin	Investment in modern agriculture, food industry, commercial chain industry and mobile internet industry; investment consulting.	99.00		Equity method

(2) Explanation that the shareholding ratio in the associated enterprise is different from the voting right ratio

Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership. According to the partnership agreement, Tianjin Fangfu Tianye Investment Center (Limited Partnership) has set up an Investment Decision-making Committee, which consists of five members, including four representatives appointed by the general partner and one member elected by the limited partner. Investment Decision-making Committee is responsible for the final decision-making of partnership investment, and the investment decision-making can only be implemented by unanimous approval of all members. The resolutions of the Investment Decision-making Committee shall be implemented by the general partner and shall be legally binding on the partnership enterprise. The voting system of the Investment Decision-making Committee is one vote for one person, and the Investment Decision-making Committee shall implement the related party avoidance voting system in the process of investment decision-making. Therefore, the voting ratio of the Company to Tianjin Fangfu Tianye Investment Center (Limited Partnership) is different from the shareholding ratio.

2. Main financial information of important associates

Item	December 31, 2018/2018 Tianjin Fangfu Tianye Investment Center (Limited Partnership)	December 31, 2017/2017 Tianjin Fangfu Tianye Investment Center (Limited Partnership)
Current assets	2,741,574.39	11,171,023.56
Non-current assets	16,872,000.00	29,200,000.00
Total assets	19,613,574.39	40,371,023.56
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority shareholders' equity		
Shareholder's equity attributable to the parent company	19,613,574.39	40,371,023.56
Net asset share calculated in accordance with shareholding ratio	18,924,216.78	39,967,313.32
Adjustment items		
— Goodwill		
— Unrealized profits in internal transaction		
— Others	-689,357.61	-340,174.47
Book value of equity investment in associated enterprises	18,924,216.78	39,627,138.80
Fair value of equity investment with public offer		
Operating income		
Net Profit	-3,251,849.17	1,395,552.90
Net profits under discontinued operation		
Other comprehensive income	757,000.00	4,810,000.00
Total comprehensive income	-6,379,849.17	6,205,552.90
Dividends received from associated enterprises in the current period		

Note: According to the partnership agreement, the investment revenue of Tianjin Fangfu Tianye Investment Center (Limited Partnership) is distributed according to individual project, and the investment revenue of individual projects = the profit distribution part of the investee + the revenue realized by the investee, assets or shares through listing, resale, secondary acquisition, etc. — the investment cost of individual project; loss sharing: (1) If the amount of loss incurred due to normal investment matters is not greater than the actual contribution of the partner, the loss shall be borne according to the actual contribution ratio of the partner. (2) If the loss incurred due to normal investment matters is greater than the actual contribution of the partners, it shall be borne by the general partners, unless otherwise agreed by all partners. (3) All losses due to reasons other than normal investment matters shall be borne by the general partner, unless otherwise agreed by all partners.

IX. Risk Disclosure Related to Financial Instruments

The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and bears the ultimate responsibility for them. The management manages and monitors these risks to ensure that the risks are controlled within a limited range. The Company's main financial instruments include notes receivable, accounts receivable, accounts payable, loans, etc. Please refer to the relevant items in this note for details of various financial instruments. The risks related to these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows:

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

The objective of risk management of the Company is to strike a proper balance between risks and benefits, reduce the negative impact of risks on the operating performance of the Company to the lowest level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze various risks faced by the company, establish an appropriate risk tolerance bottom line, supervise various risks in a timely and reliable manner, and formulate risk management policies to reduce risks as much as possible without excessively affecting the competitiveness and resilience of the Company.

(I) Credit risk

The credit risk of the Company mainly comes from monetary funds, notes receivable, accounts receivable and other receivables. The management has formulated appropriate credit policies and continuously monitored the exposure of these credit risks.

The monetary funds held by the Company are mainly deposited in large commercial banks and other financial institutions, and the management thinks that these commercial banks have high reputation and asset status and low credit risk.

For notes receivable, accounts receivable and other receivables, the Company sets relevant policies to control credit risk exposure. The Company evaluates the customer's credit qualification and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantee from a third party, credit history and other factors such as the current market situation. The Company will regularly monitor customer credit records to ensure that the overall credit risk of the Company is within the controllable range.

As of December 31, 2018, the accounts receivable of the top five customers of the Company accounted for 43.36% of the total accounts receivable of the Company. The maximum credit exposure of the Company is the book value of each financial asset in the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

(II) Liquidity risk

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

In order to control this risk, the Company comprehensively uses various financing means such as bank loans and adopts a combination of long-term and short-term financing to optimize the financing structure and maintain the continuity and flexibility of financing. The Company has obtained bank credit lines from a number of banks to meet working capital requirements and capital expenditure.

As of December 31, 2018, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

Item	Net book amount	Original book value	Closing balance <1 year	1-2 years	2-3 years	>3 years
Monetary funds	219,674,020.33	219,674,020.33	219,674,020.33			
Accounts receivable	42,295,833.29	44,994,500.60	39,212,043.24	4,983,360.36	799,097.00	
Other receivables	10,166,089.03	10,878,087.64	10,292,375.76	306,500.00	14,380.69	264,831.19
Subtotal	272,135,942.65	275,546,608.57	269,178,439.33	5,289,860.36	813,477.69	264,831.19
Short-term loans	101,000,000.00	101,000,000.00	101,000,000.00			
Accounts payable	15,537,891.19	15,537,891.19	13,247,435.00	1,023,836.71	552,693.07	713,926.41
Other payables	3,787,778.19	3,787,778.19	3,055,329.55	302,349.40	272,856.61	157,242.63
Subtotal	120,325,669.38	120,325,669.38	117,302,764.55	1,326,186.11	825,549.68	871,169.04

As of December 31, 2017, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

Item	Net book amount	Original book value	Opening balance <1 year	1-2 years	2-3 years	>3 years
Monetary funds	211,052,482.61	211,052,482.61	211,052,482.61			
Accounts receivable	54,959,777.56	57,944,561.81	56,196,638.71	1,747,523.10		400.00
Other receivables	1,002,578.02	1,178,373.54	888,161.66	14,380.69	204,831.19	71,000.00
Subtotal	267,014,838.19	270,175,417.96	268,137,282.98	1,761,903.79	204,831.19	71,400.00
Short-term loans	66,000,000.00	66,000,000.00	66,000,000.00			
Accounts payable	28,325,710.25	28,325,710.25	25,677,009.01	1,285,274.95	531,005.03	832,421.26
Other payables	2,705,266.75	2,705,266.75	1,918,180.90	506,863.22	114,510.00	165,712.63
Subtotal	97,030,977.00	97,030,977.00	93,595,189.91	1,792,138.17	645,515.03	998,133.89

(III) Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to the change of market price, which mainly includes foreign exchange risk and interest rate risk.

1. Foreign exchange risk

During the reporting period, the Company's operations gradually faced foreign countries, and its export business was mainly settled in US dollars. The foreign currency assets and liabilities and future foreign currency transactions (the foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) recognized by the Company have foreign exchange risks. The financial department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the foreign exchange risks faced; therefore, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risks.

(1) The Company has not signed any forward foreign exchange contracts or currency swap contracts this year;

(2) As of December 31, 2018, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is as follows:

	Closing balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	235,460.02			235,460.02
Subtotal	235,460.02			235,460.02

Contd.:

	Opening balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	1,378,205.09			1,378,205.09
Subtotal	1,378,205.09			1,378,205.09

2. Interest rate risk

The Company's interest rate risk is mainly caused by the financial liabilities with floating interest rate of bank loans, which make the Company face cash flow interest rate risk, while the financial liabilities with fixed interest rate make the Company face fair value interest rate risk. The Company determines the relative proportion of fixed and floating interest rate contracts based on the prevailing market environment.

The financial department of the Company continuously monitors the interest rate level of the Company. Rising interest rate will increase the cost of newly added interest-bearing debt and the interest expense of the company's unpaid interest-bearing debt with floating interest rate, and will have a significant adverse impact on the Company's financial performance. The management will make timely adjustments according to the latest market conditions, which may be the arrangement of interest rate swap to reduce interest rate risk.

(1) During the reporting period, the Company had no interest rate swap arrangement.

X. Financial Instruments Measured at Fair Value

(I) Financial instruments measured at fair value

As of December 31, 2018, the Company had no financial instruments measured at fair value.

(II) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include monetary funds, notes receivable, receivables, short-term loans, payables, non-current liabilities due within one year and long-term loans.

The difference between book value and fair value of above financial assets and financial liabilities of the Company not measured at fair value is very small.

XI. Related Parties and Transactions

(I) Actual controller of the Company

Name of the company or natural person	Related relationship	Organization code or ID number	Shareholding ratio to the Company (%)	Voting right ratio to the Company (%)
Yao Jiuzhi	One of the actual controllers	44522219710503****	17.7963	17.7963
Yao Linhao	One of the actual controllers	44522219670725****	3.075	3.075
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by Yao Jiuzhuang	915328223096945813	4.2396	4.2396
Yao Jiuzhuang	One of the actual controllers	44522219680626****		

Notes:

1. The above shareholding ratio is the shareholding ratio as of December 31, 2018.

2. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang are the actual joint controllers of the Company. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang signed the *Concerted Action Agreement* on September 26, 2012, in which the three parties agreed to jointly exercise major decision-making power as concerted action party. If the three parties could not reach an agreement on the matters under consideration, Yao Jiuzhi's opinion and voting intention shall prevail.

(II) See Note VII (I) "Interests in subsidiaries" for details of subsidiaries of the Company

(III) Information on the Company's associated enterprises

See Note VIII (II) "Interests in associated enterprises" for details of important associated enterprises of the Company.

(IV) Other related parties

Names of other related parties	Relationship between other related parties and the Company
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Shan Dan	Directors, general managers and shareholders
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	Subsidiaries of companies controlled by shareholders and actual controllers

(V) Related parties' transactions

1. For the subsidiaries under control relationship and included in the scope of consolidated financial statements, the transactions among them and their parent companies have been offset.

2. Related transactions by selling products and providing labors

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	Drinks sales	3,071.00	
Total		3,071.00	

3. Related transactions on purchase of goods and labor service acceptance

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	Training Services	21,685.00	
Total		21,685.00	

4. Related guarantee

The Company as the warrantee

Guarantor	Amount guaranteed	Start date of guarantee	Expiring date of guarantee	Guarantee performed fully or not
Yao Jiuzhi	36,000,000.00	14/SEP/2017	September 14, 2019	No
Yao Jiuzhi	75,000,000.00	December 19, 2018	December 19, 2021	No

Note: In September 2017, Yao Jiuzhi, the chairman of the Company, signed a guarantee contract ((DT) 2017 BZ No. DC002) with Haikou Longhua Sub-branch of Bank of Communications for providing joint liability guarantee for the loan contract ((DT) 2017 LDZ No. DC001) of RMB30 million signed by Hainan Dachuan Food Co., Ltd. (a subsidiary of the Company) and Haikou Longhua Sub-branch of Bank of Communications; the scope of guarantee includes principal, interest, compound interest, penalty interest, liquidated damages, compensation for damage and expenses for realizing creditor's rights under the main contract. 2) In December 2018, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd., and the guarantor was Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed three guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2, HKNSS/H (Z) 2018 GBZ No. 040-3), and the scope of guarantee includes principal, interest, compound interest, penalty interest, liquidated damages, compensation for damage and expenses for realizing creditor's rights under the main contract.

5. Balance of related parties' receivables and payables

(1) The Company's receivables from related parties

Name	Related parties	Closing balance		Opening balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,071.00	153.55		

(2) The Company's payables to related parties

Name	Related parties	Closing balance	Opening balance
Other payables	Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	21,685.00	

XII. Share-based Payment

During the reporting period, no matters related to share-based payment occurred in the Company.

XIII. Commitments and Contingencies

(I) Major commitments

1. The signed lease contracts being or to be performed and their financial impact

Since 2013, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, has successively signed land lease agreements with villagers in Guangliang Village, Pumiao Town, Yongning District, Nanning City. The details of the contracts are as follows:

Lessor	Land location	Contract or subcontract period	Land area (mu)	Contract amount	Payment method of rent
Villagers in Guangliang Village	Guangliang Village, Pumiao Town, Yongning District, Nanning City	10 years/13 years/16 years/25 years/39 years	9,406.85	The rent is RMB520/mu/year and paid once every four years, which is implemented according to the contract	4-year period and 5-year period

Except for the above commitments, as of December 31, 2018, the Company had no other major commitments that should be disclosed but not disclosed.

(II) Contingencies at the balance sheet date

The Company has no significant contingencies to be disclosed as of December 31, 2018.

XIV. Events after the Balance Sheet Date

(I) Important non-adjustment events

1. Disposal of subsidiaries

Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, suffered a major flood in July 2016, which caused the inventory of Hubei Iceman Foods Co., Ltd. to be damaged and its equipment and houses to be soaked in water. The Company decided to stop the production and operation of Hubei Iceman Foods Co., Ltd. As of the reporting date of this financial statement, Hubei Iceman Foods Co., Ltd. was still in a state of suspension of production.

On March 20, 2018, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, and Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. signed an asset acquisition framework agreement. According to the agreement, Hubei Iceman Foods Co., Ltd. plans to transfer the land and factory buildings (with price no less than RMB47 million) to Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. As of the reporting date of this financial statement, no formal agreement has been signed for sale of assets of Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, the completion time of the transaction is difficult to predict under the current circumstances.

2. Important external investment

The 19th meeting of the second Board of Directors of the Company was held on July 30, 2018. The meeting deliberated and approved the proposal of setting up a wholly-owned subsidiary of Guangxi Tianye Innovation Agricultural Technology Co., Ltd. The name of the wholly-owned subsidiary is Guangxi Xiangliuhu Tourism Industry Investment Co., Ltd., with a registered capital of RMB2 million. The wholly-owned subsidiary has completed the industrial and commercial registration on January 9, 2019 and obtained the Business License of Enterprise Legal Person issued by Yongning District Administration for Industry and Commerce of Nanning City.

XV. Other Important Events

(I) Events not yet contributed by the associated enterprises

According to the partnership agreement of Tianjin Fangfu Tianye Investment Center (Limited Partnership), Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership.

At the end of 2016, the company actually contributed RMB50.7 million, accounting for 99.00% of the actual contribution, and Beijing Fangfu Capital Management Co., Ltd. actually contributed RMB512,100, accounting for 1.00% of the actual contribution. The partnership agreement did not stipulate the subscription period. According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2017, it was agreed to refund the Company's capital contribution of RMB12 million; according to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2018, it is agreed to refund the Company's contribution of RMB14,377,600. As of the approved reporting date of this financial statement, the Company has actually contributed RMB24,322,400, with RMB74,677,600 to be contributed.

XVI. Notes to Main Items of the Parent Company's Financial Statements

Note 1. Notes and accounts receivable

Item	Closing balance	Opening balance
Notes receivable		
Accounts receivable	15,580,194.18	22,893,672.26
Total	15,580,194.18	22,893,672.26

1. Disclosure of accounts receivable by category

Category	Closing balance				
	Book balance		Bad-debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	16,589,997.32	100.00	1,009,803.14	6.09	15,580,194.18
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	16,525,047.28	99.61	1,009,803.14	6.11	15,515,244.14
Accounts receivable not withdrawing bad-debt provision	64,950.04	0.39			64,950.04
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	16,589,997.32	100.00	1,009,803.14	6.09	15,580,194.18

Contd.:

Category	Opening balance				
	Book balance		Bad-debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable with individually significant amount and individual provision for bad debt					
Accounts receivables with bad-debt provision withdrawn through credit risk characteristic combination	24,053,072.32	100.00	1,159,400.06	4.82	22,893,672.26
Including: Accounts receivable for withdrawing bad-debt provision by aging analysis method	22,273,518.17	92.60	1,159,400.06	5.21	21,114,118.11
Accounts receivable not withdrawing bad-debt provision	1,779,554.15	7.40			1,779,554.15
Accounts receivable without individually significant amounts but individual provision for bad debt					
Total	24,053,072.32	100.00	1,159,400.06	4.82	22,893,672.26

(1) Receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	13,330,649.52	666,532.48	5.00
1-2 years	3,075,243.36	307,524.34	10.00
2-3 years	119,154.40	35,746.32	30.00
Total	16,525,047.28	1,009,803.14	6.11

Contd.:

Aging	Opening balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	21,359,035.17	1,067,951.76	5.00
1-2 years	914,483.00	91,448.30	10.00
2-3 years			
3-4 years			
4-5 years			
>5 years			
Total	22,273,518.17	1,159,400.06	5.21

(2) Accounts receivable not withdrawing bad-debt provision in combination

	Closing balance			
Organization name	Accounts receivable	Bad-debt provision	Proportion (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	44,374.16			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	20,575.88			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	64,950.04			

2. Provision, recovery or reversal and write-off of provision for bad-debt in current period

In current period, the provision for bad debts of accounts receivable is RMB149,596.92.

3. There is no write-off of accounts receivable in current period.

4. Top five accounts receivable based on debtors

Organization name	**Closing balance**	**Relationship with the Company**	**Proportion in closing balance of accounts receivable** *(%)*	**Provision for bad-debt**
Gerui Juice Industry (Tianjin) Co., Ltd.	2,583,500.00	Non-affiliated party	15.57	129,175.00
Hangzhou Haiguo Trading Co., Ltd.	2,137,380.00	Non-affiliated party	12.88	109,659.00
Shanghai Yuguo Food Sales Co., Ltd.	1,084,760.00	Non-affiliated party	6.54	54,238.00
Beijing Haitai Foods Co., Ltd.	972,000.00	Non-affiliated party	5.86	97,200.00
Wuxi Chengbao Foods Co., Ltd.	939,120.00	Non-affiliated party	5.66	46,956.00
Total	7,716,760.00		46.51	437,228.00

Note 2. Other receivables

Item	**Closing balance**	**Opening balance**
Interests receivable		
Dividends receivable		
Other receivables	283,921,064.71	284,122,869.33
Total	283,921,064.71	284,122,869.33

1. Disclosure of other receivables by category

Category	Closing balance Book balance Amount	Proportion (%)	Bad-debt provision Amount	Proportion (%)	Book value
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	283,926,090.75	100.00	5,026.04		283,921,064.71
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	91,420.77	0.05	5,026.04	5.50	86,394.73
Other receivables not withdrawing bad-debt provision	283,834,669.98	99.95			283,834,669.98
Other receivables without individually significant amount but with individual provision for bad debt					
Total	283,926,090.75	100.00	5,026.04		283,921,064.71

Contd.:

Category	Opening balance Book balance Amount	Proportion (%)	Bad-debt provision Amount	Proportion (%)	Book value
Other receivables with individually significant amount and individual provision for bad debt					
Other receivables with bad-debt provision withdrawn through credit risk characteristic combination	284,148,310.43	100.00	25,441.10	0.01	284,122,869.33
Including: Other receivables for withdrawing bad-debt provision by aging analysis method	508,821.95	0.18	25,441.10	5.00	483,380.85
Other receivables not withdrawing bad-debt provision	283,639,488.48	99.82			283,639,488.48
Other receivables without individually significant amount but with individual provision for bad debt					
Total	284,148,310.43	100.00	25,441.10	0.01	284,122,869.33

Description of other receivables category:

(1) Other receivables for withdrawing bad-debt provision by aging analysis method in combination

Aging	Closing balance Other receivables	Bad-debt provision	Proportion
			(%)
<1 year	82,320.77	4,116.04	5.00
1-2 years	9,100.00	910.00	10.00
Total	91,420.77	5,026.04	5.50

Contd.:

Aging	Opening balance Other receivables	Bad-debt provision	Proportion
			(%)
<1 year	508,821.95	25,441.10	5.00
1-2 years			
2-3 years			
Total	508,821.95	25,441.10	5.00

(2) Other receivables not withdrawing bad-debt provision in combination

	Closing balance			
Organization name	Other receivables	Bad-debt provision	Proportion	Reason for withdrawal
			(%)	
Hubei Tianye Nonggu Biological Technology Co., Ltd.	248,120,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Iceman Foods Co., Ltd.	32,225,698.44			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	3,288,971.54			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	200,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	283,834,669.98			

2. Provision, recovery or reversal and write-off of provision for bad-debt in current period

The amount of bad-debt reserve reversed in current period is RMB20,415.06.

3. There is no write-off of other receivables in current period.

4. Disclosure of other receivables by nature

Nature of payment	Closing balance	Opening balance
Transaction payment	283,876,214.89	283,639,488.48
Reserve fund	18,578.60	474,664.65
Withholding social security, etc	28,399.26	34,157.30
Margin	1,158.00	
Others	1,740.00	
Total	283,926,090.75	284,148,310.43

5. Top five other accounts receivable based on debtors

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Bad-debt provision Closing balance
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Transaction payment	248,120,000.00	Non-affiliated party	<3 years	87.39	
Hubei Iceman Foods Co., Ltd.	Transaction payment	32,225,698.44	Non-affiliated party	Within 4 years	11.35	
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Transaction payment	3,288,971.54	Non-affiliated party	Within 2 years	1.16	
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Transaction payment	200,000.00	Non-affiliated party	<1 year	0.07	
Beihai Hepu Power Supply Bureau of CSG Guangxi Power Grid Corporation	Transaction payment	39,571.91	Non-affiliated party	<1 year	0.01	1,978.60
Total		283,874,241.89			99.98	1,978.60

Note 3. Long-term equity investment

Item	Closing balance Book balance	Closing balance Bad-debt provision	Closing balance Book value	Opening balance Book balance	Opening balance Bad-debt provision	Opening balance Book value
Investment in subsidiaries	113,737,642.83	10,230,275.57	103,507,367.26	113,737,642.83	10,230,275.57	103,507,367.26
Investment in associated enterprises	18,924,216.78		18,924,216.78	39,617,867.46		39,617,867.46
Total	132,661,859.61	10,230,275.57	122,431,584.04	153,355,510.29	10,230,275.57	143,125,234.72

1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase of current period	Decrease of current period	Closing balance	Depreciation reserves in current period	Closing balance of provision for impairment
Hainan Dachuan Food Co., Ltd.	33,737,641.83	33,737,641.83			33,737,641.83		
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00		
Hainan Tianye Drinks Food Sales Co. Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		2,432,889.97
Hubei Iceman Foods Co., Ltd.	15,000,001.00	15,000,001.00			15,000,001.00		7,797,385.60
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25,000,000.00	25,000,000.00			25,000,000.00		
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		
Total	113,737,642.83	113,737,642.83			113,737,642.83		10,230,275.57

2. Investment in associates

Investee	Opening balance	Increase and decrease of current period: Additional investment	Negative investment	Profits and losses on investments recognized by equity method	Adjustment of other comprehensive incomes
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	39,617,867.46		14,377,600.00	-3,219,330.68	-3,096,720.00
Total	39,617,867.46		14,377,600.00	-3,219,330.68	-3,096,720.00

Contd.:

Investee	Increase and decrease of current period: Other equity changes	Distribution of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					18,924,216.78	
Total					18,924,216.78	

Note: See "Note 8 Long-term equity investment" in "VI. Main Notes to Consolidated Financial Statements" in this note for details.

Note 4. Operating incomes and operating costs

1. *Operating income, operating costs*

Item	Amount of current period Revenue	Cost	Amount of last period Revenue	Cost
Principal operating activities	89,610,086.49	62,672,313.57	93,159,791.94	62,031,145.25
Others				
Total	89,610,086.49	62,672,313.57	93,159,791.94	62,031,145.25

2. *Principal operating activities (by products)*

Product name	Amount of current period Operating income	Operating cost	Amount of last period Operating income	Operating cost
Raw fruit juice	36,928,289.00	24,969,213.04	38,231,282.30	25,988,078.77
Quick-frozen fruit and vegetable	49,824,181.35	34,955,023.74	49,656,345.47	32,391,733.90
Others	2,857,616.14	2,748,076.79	5,272,164.17	3,651,332.58
Total	89,610,086.49	62,672,313.57	93,159,791.94	62,031,145.25

3. *Operating income of the top five customers of the Company*

Customer	Amount of operating income in 2018	Proportion in the Company's total operating income (%)
Fresh Fruit Juice (Note)	19,885,587.02	22.19
Gerui Juice Industry (Tianjin) Co., Ltd.	9,132,362.12	10.19
Hainan Dachuan Food Co., Ltd.	8,010,340.79	8.94
Shanghai Zhaoyi Trading Co., Ltd.	5,097,433.66	5.69
Shanghai Yuguo Food Sales Co., Ltd.	4,641,394.21	5.18
Total	46,767,117.80	52.19

Contd.

Customer	Amount of operating income in 2017	Proportion in the Company's total operating income (%)
Fresh Fruit Juice (Note)	12,914,279.27	13.86
Dalian Yiheng Import & Export Co., Ltd.	6,766,152.55	7.26
Shanghai Yuguo Food Sales Co., Ltd.	6,391,561.53	6.86
Zhumadian Yuliang Biological Technology Co., Ltd.	4,491,589.74	4.82
Shandong Yipintang Industrial Co., Ltd.	4,390,353.84	4.71
Total	34,953,936.93	37.51

Note: Fresh Fruit Juice customers implemented centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 5. Investment revenue

1. Details of investment revenue

Source of investment revenue	Amount of current period	Amount of last period
Long-term equity investment income measured by equity method	-3,219,330.68	1,152,130.51
Total	-3,219,330.68	1,152,130.51

XVII. Supplementary information

(I) Detailed statement of non-recurring profits and losses

Item	Amount of current period	Amount of last period
Profits and loss on disposal of non-current assets, including the write-off part of the provision for impairment of assets	-2,219,597.61	-683,179.05
Tax returns, reductions, and exemptions with unauthorized approval or without official approval documents with occurrence		
Government grant included in the current profits and losses (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	7,074,486.80	10,586,828.23
Fund possession cost charged from non-financial enterprises including in current profits and losses		
The investment cost for acquiring subsidiaries, associated enterprises and cooperative enterprises is less than the income generated by the fair value of the identifiable net assets of the merged unit when acquiring investment		
Exchange losses of non-monetary assets		
Profits and losses of assets invested or managed by entrustment		
Assets for impairment withdrawn due to force majeure such as natural disasters		
Profits and losses on debt restructuring		
Corporate restructuring costs, such as fees on staffing and integration		
Profits and losses exceeding the fair value part due to an unfair transaction price during the transaction		
Net profits and losses of the subsidiaries in the current period from the beginning of period to the date of merger due to the merger of enterprises under the common control		
Profit and loss caused by contingencies that are irrelevant to Company's normal businesses		

Item	Amount of current period	Amount of last period
Profits and losses from variation of fair value by holding transactional financial assets, transactional financial liability and investment incomes from handling transactional financial assets, transactional financial liability and salable financial assets, in addition to the valid arbitrage hedging business related to normal corporate business		
Reversing assets impairment of receivables for independent impairment test		
Losses and profits obtained from foreign entrusted loans		
Profit and loss from fair value variation of investment real estate by adopting fair value mode for follow-up calculation		
Influence on the current profit and loss by one-time adjustment as per laws and regulations on taxes and accounting		
Trustee fee income from entrusted operation		
Non-operating income and expenses in addition to the above-mentioned items	-453,182.05	-559,058.71
Other profit and loss items that conform to the definition of non-recurring profit and loss.		
Subtotal	4,401,707.14	9,344,590.47
Less: income tax affected amount	-81,030.75	351,824.37
Minority equity affected amount (after tax)		
Total	4,482,737.89	8,992,766.10

(II) Rate of return on common stockholders' equity and earnings per share

	2018		
Profits during reporting period	**Weighted-average Income rate of net assets (%)**	**Earnings per share (EPS) Basic EPS**	**Diluted EPS**
Net profits attributable to common corporate shareholders	3.34	0.0998	0.0998
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	2.72	0.0811	0.0811

Contd.:

	2017		
Profits during reporting period	**Weighted-average Income rate of net assets (%)**	**Earnings per share (EPS)**	
		Basic EPS	**Diluted EPS**
Net profits attributable to common corporate shareholders	6.14	0.1753	0.1753
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	4.83	0.1379	0.1379

Tianye Innovation Corporation

(Official Stamp)

Legal representative:

Head of Accounting Department:

Chief Accountant:

April 24, 2019

Auditor's Report

ZXHSZ (2020) No. 010110

To all shareholders of Tianye Innovation Corporation:

I. Audit Opinions

We have audited the accompanying financial statements of Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), which comprise the consolidated and the parent company's balance sheet as at December 31, 2019, the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in shareholders' equity for the year 2019 and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the company's financial position as at December 31, 2019,and its consolidated and the company's financial performance and cash flows for the year 2019 in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. Basis for Formation of Audit Opinions

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

III. Other Information

The management of Tianye Innovation (hereinafter referred to as the management) is responsible for the other information. The other information comprises all the information included in 2019 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

IV. Responsibilities of the Management and the Governance for Financial Statements

The Management is responsible for preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial report process of the Company.

V. Responsibilities of CPAs for the Audit of Financial Statements

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

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

(1) Identify and assess the risks of material misstatement of financial statements, whether due to fraud or errors, design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of the audit, and assume full responsibility for the audit opinions.

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

ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP	CPA:
Beijing, China	CPA:

June 5, 2020

Consolidated Balance Sheet
31-Dec-19

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Closing balance	Opening balance	Closing balance of last year
Current assets:				
Monetary funds	*VI. Note 1*	257,597,234.88	219,674,020.33	219,674,020.33
Trading financial assets				
Derivative financial assets				
Notes receivable				
Accounts receivable	*VI. Note 2*	59,114,385.02	42,295,833.29	42,295,833.29
Accounts receivable financing Prepayment	*VI. Note 3*	2,134,373.39	3,321,692.49	3,321,692.49
Other receivables	*VI. Note 4*	1,222,410.16	10,166,089.03	10,166,089.03
Inventories	*VI. Note 5*	50,593,198.72	49,148,296.79	49,148,296.79
Held-for-sale assets				
Non-current assets due within one year				
Other current assets	*VI. Note 6*	10,836,905.92	12,725,447.33	12,725,447.33
Total current assets		381,498,508.09	337,331,379.26	337,331,379.26
Non-current assets:				
Equity investment				
Other equity investments				
Available-for-sale financial assets				
Long-term receivables				
Long-term equity investment	*VI. Note 7*	17,758,310.00	18,924,216.78	18,924,216.78
Other equity instrument investments				
Other non-current financial assets				
Investment real estate properties				
Fixed assets	*VI. Note 8*	320,015,617.97	238,320,812.64	238,320,812.64
Construction in progress	*VI. Note 9*	129,213,004.74	204,547,782.04	204,547,782.04
Productive biological assets	*VI. Note 10*	33,572,076.42	27,473,763.77	27,473,763.77
Oil & gas assets				
Intangible assets	*VI. Note 11*	85,556,427.37	87,388,363.15	87,388,363.15
Development expenditures				
Goodwill	*VI. Note 12*	14,857,682.84	14,857,682.84	14,857,682.84
Long-term deferred expenses	*VI. Note 13*	8,008,571.90	12,892,387.40	12,892,387.40
Deferred income tax assets	*VI. Note 14*	1,816,166.31	1,472,171.06	1,472,171.06
Other non-current assets	*VI. Note 15*	10,499,412.40	3,307,357.16	3,307,357.16
Total non-current assets		621,297,269.95	609,184,536.84	609,184,536.84
Total assets		1,002,795,778.04	946,515,916.10	946,515,916.10

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

Consolidated Balance Sheet (Cont.)
31-Dec-19

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	Notes	Closing balance	Opening balance	Closing balance of last year
Current liabilities:				
Short-term loans	VI. Note 16	114,084,728.03	101,000,000.00	101,000,000.00
Derivative financial liabilities				
Notes payable				
Trade payables	VI. Note 17	34,109,853.27	15,537,891.19	15,537,891.19
Advances from customers	VI. Note 18	2,692,363.10	1,637,963.44	1,637,963.44
Payroll and employee benefits payable	VI. Note 19	3,717,302.13	3,144,595.78	3,144,595.78
Taxes payable	VI. Note 20	3,081,368.31	2,585,212.93	2,585,212.93
Accounts payable	VI. Note 21	4,160,084.72	2,930,036.25	3,787,778.19
Holding-for-sale liabilities				
Current portion of non-current liabilities	VI. Note 22	31,657,741.94		
Other current liabilities				
Total current liabilities		193,503,441.50	126,835,699.59	127,693,441.53
Non-current liabilities:				
Long-term loans	VI. Note 23		30,857,741.94	30,000,000.00
Bonds payable				
Include: preferred stocks				
Perpetual bonds				
Long-term payables	VI. Note 24	381,371.52	397,555.46	397,555.46
Long-term employee compensation				
Estimated liabilities				
Deferred income	VI. Note 25	61,326,677.13	65,108,098.02	65,108,098.02
Deferred income tax liabilities	VI. Note 14		114,268.15	114,268.15
Other non-current liabilities				
Total non-current liabilities		61,708,048.65	96,477,663.57	95,619,921.63
Total liabilities		255,211,490.15	223,313,363.16	223,313,363.16
Shareholders' equity:				
Share capital	VI. Note 26	240,000,000.00	240,000,000.00	240,000,000.00
Other equity instruments				
Including: preferred stocks				
Perpetual bonds				
Capital reserves	VI. Note 27	246,300,093.95	246,300,093.95	246,300,093.95
Minus: treasury shares				
Other comprehensive incomes	VI. Note 28	-2,632,212.00	-2,632,212.00	-2,632,212.00
Special reserve				
Surplus reserve	VI. Note 29	11,367,901.03	11,042,103.18	11,042,103.18
Undistributed profit	VI. Note 30	252,548,504.91	228,492,567.81	228,492,567.81
Total shareholders' equities attributable to parent company		747,584,287.89	723,202,552.94	723,202,552.94
Minority shareholders' equity				
Total shareholders' equities		747,584,287.89	723,202,552.94	723,202,552.94
Total liabilities and shareholders' equities		1,002,795,778.04	946,515,916.10	946,515,916.10

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

Consolidated Profit Statement
FY 2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Total operating income		290,342,840.35	258,435,753.75
Including: operating income	*VI. Note 31*	290,342,840.35	258,435,753.75
II. Total operating cost		270,956,475.91	231,198,219.72
Including: operating costs	*VI. Note 31*	211,831,531.96	181,881,408.84
Taxes and surcharges	*VI. Note 32*	3,689,658.48	3,987,239.60
Selling expenses	*VI. Note 33*	17,850,406.25	10,201,050.97
General and administrative expenses	*VI. Note 34*	30,184,926.45	31,629,640.96
Research and development expenses	*VI. Note 35*	1,598,659.44	1,730,762.09
Financial expenses	*VI. Note 36*	5,801,293.33	1,768,117.26
Including: interest expense		6,475,446.39	2,316,078.80
interest income		835,240.91	585,908.38
Plus: other income	*VI. Note 37*	6,769,495.52	5,949,486.80
Investment income (loss is indicated by "-")	*VI. Note 38*	530,093.22	-3,219,330.68
Including: investment income from affiliates and joint ventures		530,093.22	-3,219,330.68
Income from termination of the recognition of financial assets measured at amortized cost			
Net exposure hedging income (loss is indicated by "-")			
Income from changes in fair value (loss is indicated by "-")			
Credit impairment loss (loss is indicated by "-")	*VI. Note 39*	-1,654,322.31	
Assets impairment loss (loss is indicated by "-")	*VI. Note 40*	-71,400.00	-250,086.15
Income from assets disposal (loss is indicated by "-")	*VI. Note 41*	-12,202.60	-2,200,916.61
III. Operating profit (loss is indicated by "-")		24,948,028.27	27,516,687.39
Add: non-operating income	*VI. Note 42*	976,270.26	352,041.46
Minus: non-operating expenses	*VI. Note 43*	240,457.62	598,904.51
IV. Total profit (total loss is indicated by "-")		25,683,840.91	27,269,824.34
Less: income tax expense	*VI. Note 44*	1,302,105.96	3,327,939.64
V. Net profits (the net loss expressed with "-")		24,381,734.95	23,941,884.70
(I) Classified by operation continuity:			
1. Net profit of continued operations (net loss is indicated by "-")		24,381,734.95	23,941,884.70
2. Net profit of discontinued operations (net loss is indicated by "-")			
(II) Classified by ownership:			
1. Net profits assigned to the parent company's shareholders (net loss is indicated by "-")		24,381,734.95	23,941,884.70
2. Minority shareholders' profits and losses (net loss is indicated by "-")			

Item	*Notes*	Amount of current period	Amount of last period
VI. Net amount of other comprehensive income after tax			-2,632,212.00
(I) Net amount of other comprehensive income after tax attributable to the owners of parent company			-2,632,212.00
1. Other comprehensive income not allowed to be re-classified into profit and loss			-2,632,212.00
(1) Changes caused by re-measurement and re-definition of benefit plan			
(2) Other comprehensive income that cannot be converted into profits and losses under the equity method			-2,632,212.00
(3) Changes in the fair value of other equity instrument investments			
(4) Fair value changes of enterprise own credit risk			
(5) Others			
2. Other comprehensive income to be re-classified into profit and loss			
(1) Other comprehensive income that can be converted into profits and losses under the equity method			
(2) Changes in the fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserve			
(6) Balance arising from the translation of foreign currency financial statements			
(7) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		24,381,734.95	21,309,672.70
(I) Total comprehensive income attributable to the shareholders of parent company		24,381,734.95	21,309,672.70
(II) Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share (EPS):			
Basic earnings per share		0.10	0.10
(II) Diluted earnings per share		0.10	0.10

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CASH FLOW
FY 2019
Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Cash flows from operating activities:			
Cash received from goods sales and service rendering		294,394,064.53	299,322,086.19
Tax refunds received		470,500.00	3,130,928.00
Cash received related to other operating activities	*VI. Note 45*	7,637,728.06	2,751,330.24
Subtotal of cash inflow from operating activities		302,502,292.59	305,204,344.43
Cash paid for purchase of goods and services		163,886,820.50	173,773,936.66
Cash paid to and on behalf of employee		29,714,661.34	28,867,651.50
Cash paid for taxes		15,419,172.45	21,049,739.55
Cash paid related to other operating activities	*VI. Note 45*	27,471,726.36	30,500,405.64
Subtotal of cash outflow from operating activities		236,492,380.65	254,191,733.35
Net cash flows from operating activities		66,009,911.94	51,012,611.08
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,696,000.00	14,377,600.00
Cash received from investment income			
Net amount of cash resulted from disposal of fixed assets, intangible assets and other long term assets		117,528.00	20,670.00
Net cash received from disposal of subsidiaries and other business entities			
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		1,813,528.00	14,398,270.00
Net cashes paid for construction of fixed assets, intangible assets and other long-term assets		44,977,569.96	113,786,381.81
Cash paid for investments			
Cash Paid for disposal of subsidiaries and other business units			
Cash paid related to other investing activities			
Subtotal of cash outflow from investing activities		44,977,569.96	113,786,381.81
Net cash flows from investing activities		-43,164,041.96	-99,388,111.81
III. Cash flows from financing activities:			
Cash received from introducing investment			
Include: cash received by subsidiaries from absorbing minority shareholder's investment			
Cash received from loans		111,000,000.00	131,000,000.00
Cash paid related to other financing activities	*VI. Note 45*	19,066,182.40	
Subtotal of cash inflow from financing activities		130,066,182.40	131,000,000.00
Cash paid for repayment of debts		101,000,000.00	66,000,000.00
Cash paid for distribution of dividends or profits, or interest payment		8,479,613.06	8,016,078.80
Include: dividend and profit paid by subsidiaries to minority shareholders			
Cash paid relating to other financing activities	*VI. Note 45*	1,316,000.07	5,000,000.00
Subtotal of cash outflows from financial activities		110,795,613.13	79,016,078.80
Net cash flows from financing activities		19,270,569.27	51,983,921.20
IV. Effect of exchange rate changes on cash and cash equivalents		39,108.59	13,117.25
V. Net increase of cash and cash equivalents		42,155,547.84	3,621,537.72
Plus: Cash and cash equivalents at beginning of year		214,674,020.33	211,052,482.61
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR		256,829,568.17	214,674,020.33

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES
FY 2019

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of current period												
	Shareholder's equity attributable to the parent company												
		Other equity instruments											
Item	Share capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				246,300,093.95		-2,632,212.00		11,042,103.18	228,492,567.81	723,202,552.94		723,202,552.94
Add: accounting policy changes													
Correction of previous errors													
MISCELLANEOUS													
II. Opening balance of current year	240,000,000.00				246,300,093.95		-2,632,212.00		11,042,103.18	228,492,567.81	723,202,552.94	—	723,202,552.94
III. Increases and decreases of this year (decrease is indicated by "-")									325,797.85	24,055,937.10	24,381,734.95		24,381,734.95
(I) Total comprehensive profits										24,381,734.95	24,381,734.95		24,381,734.95
(II) Capital paid in and reduced by shareholders													
1. Common stock paid in by shareholders													
2. Capital paid in by holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Distribution of profits									325,797.85	-325,797.85			
1. Withdrawal of surplus reserves									325,797.85	-325,797.85			
2. Withdrawal of general risk reserves													
3. Distribution to shareholders													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capital reserve converted into share capital													
2. Surplus reserve converted into share capital													
3. Offsetting of loss by surplus reserves													
4. Changes of defined benefit plans carried forward into retained income													
5. Other comprehensive income carried forward into retained income													
6. Others													
(V) Reasonable reserves													
1. Amount withdrawn for the period													
2. Amount used for the period													
(VI) Others													
IV. Closing balance of current year	240,000,000.00				246,300,093.95		-2,632,212.00		11,367,901.03	252,548,504.91	747,584,287.89		747,584,287.89

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES (CONT.)
FY2019

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of last period												
	Shareholder's equity attributable to the parent company												
		Other equity instruments											
Item	Share capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority shareholders' equity	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				246,300,093.95				10,523,286.40	209,869,499.89	706,692,880.24		706,692,880.24
Add: accounting policy changes													
Correction of previous errors													
MISCELLANEOUS													
II. Opening balance of current year	240,000,000.00				246,300,093.95				10,523,286.40	209,869,499.89	706,692,880.24		706,692,880.24
III. Increases and decreases of this year (decrease is indicated by "-")							-2,632,212.00		518,816.78	18,623,067.92	16,509,672.70		16,509,672.70
(I) Total comprehensive profits							-2,632,212.00			23,941,884.70	21,309,672.70		21,309,672.70
(II) Capital paid in and reduced by shareholders													
1. Common stock paid in by shareholders													
2. Capital paid in by holders of other equity instruments													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													
(III) Distribution of profits									518,816.78	-5,318,816.78	-4,800,000.00		-4,800,000.00
1. Withdrawal of surplus reserves									518,816.78	-518,816.78			
2. Withdrawal of general risk reserves													
3. Distribution to shareholders										-4,800,000.00	-4,800,000.00		-4,800,000.00
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capital reserve converted into share capital													
2. Surplus reserve converted into share capital													
3. Offsetting of loss by surplus reserves													
4. Changes of defined benefit plans carried forward into retained income													
5. Other comprehensive income carried forward into retained income													
6. Others													
(V) Reasonable reserves													
1. Amount withdrawn for the period													
2. Amount used for the period													
(VI) Others													
IV. Closing balance of current year	240,000,000.00				246,300,093.95		-2,632,212.00		11,042,103.18	228,492,567.81	723,202,552.94		723,202,552.94

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET
December 31, 2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Closing balance	Opening balance	Closing balance of last year
Current assets:				
Monetary funds		157,356,660.93	158,231,492.93	158,231,492.93
Trading financial assets				
Derivative financial assets				
Notes receivable				
Accounts receivable	*XVI. Note 1*	19,554,383.43	15,580,194.18	15,580,194.18
Accounts receivable financing				
Prepayment		479,778.29	2,673,526.03	2,673,526.03
Other receivables	*XVI. Note 2*	281,125,796.22	283,921,064.71	283,921,064.71
Inventories		27,684,371.46	25,487,932.56	25,487,932.56
Held-for-sale assets				
Non-current assets due within one year				
Other current assets		569,236.98		
Total current assets		486,770,227.31	485,894,210.41	485,894,210.41
Non-current assets:				
Equity investment				
Available-for-sale financial assets				
Other equity investments				
Long-term receivables				
Long-term equity investment	*XVI. Note 3*	120,898,515.41	122,431,584.04	122,431,584.04
Other equity instrument investments				
Other non-current financial assets				
Investment real estate properties				
Fixed assets		71,878,916.88	76,583,430.17	76,583,430.17
Construction in progress		-0.00	970,157.10	970,157.10
Productive biological assets				
Oil & gas assets				
Intangible assets		10,634,655.83	10,924,692.59	10,924,692.59
Development expenditures				
Goodwill				
Long-term deferred expenses		532,852.38		
Deferred income tax assets		864,440.34	772,608.68	772,608.68
Other non-current assets		514,901.90	135,286.90	135,286.90
Total non-current assets		205,324,282.74	211,817,759.48	211,817,759.48
Total assets		692,094,510.05	697,711,969.89	697,711,969.89

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

BALANCE SHEET (CONT.)
December 31, 2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	Remarks	Closing balance	Opening balance	Closing balance of last year
Current liabilities:				
Short-term loans		36,000,000.00	36,000,000.00	36,000,000.00
Trading financial liabilities				
Derivative financial liabilities				
Notes payable				
Trade payables		23,285,090.91	22,036,006.29	22,036,006.29
Advances from customers		1,817,182.84	15,336,994.62	15,336,994.62
Payroll and employee benefits payable		1,597,823.84	1,329,988.41	1,329,988.41
Taxes payable		285,358.39	961,588.86	961,588.86
Accounts payable		49,641,807.33	45,609,669.91	45,609,669.91
Holding-for-sale liabilities				
Current portion of non-current liabilities				
Other current liabilities				
Total current liabilities		112,627,263.31	121,274,248.09	121,274,248.09
Non-current liabilities:				
Long-term loans				
Bonds payable				
Include: preferred stocks				
Perpetual bonds				
Long-term payables				
Long-term employee compensation				
Estimated liabilities				
Deferred income		1,110,721.75	1,339,175.31	1,339,175.31
Deferred income tax liabilities				
Other non-current liabilities				
Total non-current liabilities		1,110,721.75	1,339,175.31	1,339,175.31
Total liabilities		113,737,985.06	122,613,423.40	122,613,423.40
Shareholders' equity:				
Share capital		240,000,000.00	240,000,000.00	240,000,000.00
Other equity instruments				
Include: preferred stocks				
Perpetual bonds				
Capital reserves		244,109,726.71	244,109,726.71	244,109,726.71
Minus: treasury shares				
Other comprehensive incomes		-2,632,212.00	-2,632,212.00	-2,632,212.00
Special reserve				
Surplus reserve		11,367,901.03	11,042,103.18	11,042,103.18
Undistributed profit		85,511,109.25	82,578,928.60	82,578,928.60
Total shareholders' equities		578,356,524.99	575,098,546.49	575,098,546.49
Total liabilities and shareholders' equities		692,094,510.05	697,711,969.89	697,711,969.89

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

INCOME STATEMENT
FY2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	Amount of current period	Amount of last period
I. Operating revenue	*XVI. Note 4*	101,892,706.74	89,610,086.49
Less: operating cost	*XVI. Note 4*	75,655,499.45	62,672,313.57
Taxes and surcharges		1,038,797.35	1,195,933.31
Selling expenses		11,159,000.17	2,881,253.45
General and administrative expenses		8,152,386.67	12,167,738.44
Research and development expenses		1,598,659.44	1,730,762.09
Financial expenses		478,111.34	399,631.11
Including: interest expense		1,012,818.50	728,328.80
interest income		549,741.44	393,454.73
Plus: other income		314,027.35	456,983.56
Investment income (loss is indicated by "-")	*XVI. Note 5*	530,093.22	-3,219,330.68
Include: investment income from affiliates and joint ventures		530,093.22	-3,219,330.68
Income from termination of the recognition of financial assets measured at amortized cost			
Net exposure hedging income (loss is indicated by "-")			
Income from changes in fair value (loss is indicated by "-")			
Credit impairment loss (loss is indicated by "-")		-760,664.67	
Assets impairment loss (loss is indicated by "-")		-367,161.85	170,011.98
Gains from asset disposals (loss is indicated by "-")		-84,254.94	
II. Operating profit (loss is indicated by "-")		3,442,291.43	5,970,119.38
Add: non-operating income		328,282.50	100,000.00
Minus: non-operating expenses		40,364.26	24,254.29
III. Total profit (total loss is indicated by "-")		3,730,209.67	6,045,865.09
Less: income tax expense		472,231.17	857,697.30
IV. Net profit (net loss is indicated by "-")		3,257,978.50	5,188,167.79
(I) Net profit from continuous operation (net loss is indicated by "-")		3,257,978.50	5,188,167.79
(II) Net profit from discontinuing operation (net loss is indicated by "-")			

Item	Notes	Amount of current period	Amount of last period
V. After-tax net amount of other comprehensive income			-2,632,212.00
(I) Other comprehensive income not allowed to be re-classified into profits and losses			-2,632,212.00
1. Remeasurement of change of defined benefit plans			
2. Other comprehensive income that cannot be converted into profits and losses under the equity method			-2,632,212.00
3. Changes in the fair value of other equity instruments			
4. Fair value changes of enterprise own credit risk			
5. Others			
(II) Other comprehensive income to be reclassified into profits and losses			
1. Other comprehensive income that can be converted into profits and losses under the equity method			
2. Changes in the fair value of other debt investments			
3. Amount of financial assets reclassified and included in other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Balance arising from the translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive incomes		3,257,978.50	2,555,955.79

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative:	Chief Accountant:	Head of Accounting Department:

CASH FLOW STATEMENT
FY2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	*Notes*	**Amount of current period**	**Amount of last period**
I. Cash flows from operating activities:			
Cash received from goods sales and service rendering		105,554,049.68	121,204,346.46
Tax refunds received			
Cash received related to other operating activities		38,340,936.75	85,767,216.69
Subtotal of cash inflow from operating activities		143,894,986.43	206,971,563.15
Cash paid for purchase of goods and services		65,494,903.42	41,913,810.61
Cash paid to and on behalf of employee		14,071,219.07	14,618,525.48
Cash paid for taxes		6,655,318.53	7,677,447.81
Cash paid related to other operating activities		54,400,339.72	91,538,057.30
Subtotal of cash outflow from operating activities		140,621,780.74	155,747,841.20
Net cash flows from operating activities		3,273,205.69	51,223,721.95
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,696,000.00	14,377,600.00
Cash received from investment income			
Net amount of cash resulted from disposal of fixed assets, intangible assets and other long term assets		32,528.00	
Cash received related to other investing activities			
Subtotal of cash inflow from investing activities		1,728,528.00	14,377,600.00
Net cashes paid for construction of fixed assets, intangible assets and other long-term assets		4,143,743.15	2,901,077.32
Cash paid for investments			
Cash paid related to other investing activities			
Subtotal of cash outflow from investing activities		4,143,743.15	2,901,077.32
Net cash flows from investing activities		-2,415,215.15	11,476,522.68
III. Cash flows from financing activities:			
Cash received from introducing investment			
Cash received from loans		36,000,000.00	36,000,000.00
Cash received relating to Other fund-raising activities			
Subtotal of cash inflow from financing activities		36,000,000.00	36,000,000.00
Cash paid for repayment of debts		36,000,000.00	36,000,000.00
Cash paid for distribution of dividends or profits, or interest payment		1,732,818.50	6,428,328.80
Cash paid related to other financing activities			
Subtotal of cash outflows from financial activities		37,732,818.50	42,428,328.80
Net cash flows from financing activities		-1,732,818.50	-6,428,328.80
IV. Effect of exchange rate changes on cash and cash equivalents		-4.04	-41,686.18
V. Net increase of cash and cash equivalents		-874,832.00	56,230,229.65
Plus: Cash and cash equivalents at beginning of year		158,231,492.93	102,001,263.28
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR		157,356,660.93	158,231,492.93

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES
FY2019

Prepared by: Tianye Innovation Corporation

Unit: RMB

	Amount of current period										
		Other equity instruments									
Item	Share Capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				244,109,726.71		-2,632,212.00		11,042,103.18	82,578,928.60	575,098,546.49
Add: accounting policy changes											
Correction of previous errors											
MISCELLANEOUS											
II. Opening balance of current year	240,000,000.00				244,109,726.71		-2,632,212.00		11,042,103.18	82,578,928.60	575,098,546.49
III. Increases and decreases of this year (decrease is indicated by "-")									325,797.85	2,932,180.65	3,257,978.50
(I) Total comprehensive profits										3,257,978.50	3,257,978.50
(II) Capital paid in and reduced by shareholders											
1. Common stock paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits									325,797.85	-325,797.85	
1. Withdrawal of surplus reserves									325,797.85	-325,797.85	
2. Withdrawal of general risk reserves											
3. Distribution to shareholders											
4. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capital reserve converted into share capital											
2. Surplus reserve converted into share capital											
3. Offsetting of loss by surplus reserves											
4. Changes of defined benefit plans carried forward into retained income											
5. Other comprehensive income carried forward into retained income											
6. Others											
(V) Reasonable reserves											
1. Amount withdrawn for the period											
2. Amount used for the period											
(VI) Others											
IV. Closing balance of current year	240,000,000.00				244,109,726.71		-2,632,212.00		11,367,901.03	85,511,109.25	578,356,524.99

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: Chief Accountant: Head of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITIES (CONT.)
FY2019

Prepared by: Tianye Innovation Corporation *Unit: RMB*

Item	Amount of last period										
		Other equity instruments									
	Share Capital	Preferred stocks	Perpetual bonds	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equities
I. Closing balance of last year	240,000,000.00				244,109,726.71				10,523,286.40	82,709,577.59	**577,342,590.70**
Add: accounting policy changes											
Correction of previous errors											
MISCELLANEOUS											
II. Opening balance of current year	240,000,000.00				244,109,726.71				10,523,286.40	82,709,577.59	**577,342,590.70**
III. Increases and decreases of this year (decrease is indicated by "-")							-2,632,212.00		518,816.78	-130,648.99	**-2,244,044.21**
(I) Total comprehensive profits							-2,632,212.00			5,188,167.79	**2,555,955.79**
(II) Capital paid in and reduced by shareholders											
1. Common stock paid in by shareholders											
2. Capital paid in by holders of other equity instruments											
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others											
(III) Distribution of profits									518,816.78	-5,318,816.78	**-4,800,000.00**
1. Withdrawal of surplus reserves									518,816.78	-518,816.78	
2. Withdrawal of general risk reserves											
3. Distribution to shareholders										-4,800,000.00	**-4,800,000.00**
4. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capital reserve converted into share capital											
2. Surplus reserve converted into share capital											
3. Offsetting of loss by surplus reserves											
4. Changes of defined benefit plans carried forward into retained income											
5. Other comprehensive income carried forward into retained income											
6. Others											
(V) Reasonable reserves											
1. Amount withdrawn for the period											
2. Amount used for the period											
(VI) Others											
IV. Closing balance of current year	240,000,000.00				244,109,726.71		-2,632,212.00		11,042,103.18	82,578,928.60	**575,098,546.49**

(Notes to Financial Statement attached below are important part of the Financial Statement.)

Legal representative: **Chief Accountant:** **Head of Accounting Department:**

Tianye Innovation Corporation Notes to Financial Statements
For the year ended December 31, 2019

I. GENERAL INFORMATION OF THE COMPANY

(I) Company profile

Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), formerly Beihai Tianye Food Co., Ltd., is a joint-stock company established by Guangxi Tianye Science and Technology Seed Industry Co., Ltd., Beijing Qiuyin Datong Investment Management Center (L.P.), Yao Jiuzhi, Shan Dan, Beijing Haiyan Lifang Venture Capital Center (Limited Partnership) and other shareholders. On February 13, 2015, the Company was listed and traded in the national share transfer system for small and medium-sized enterprises, with the stock code of 832023.

As of December 31, 2019, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Yao Jiuzhi	4,271.10	17.7963
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.1667
3	Zhang Yimin	935.00	3.8958
4	Li Qing	760.20	3.1675
5	Shan Dan	650.00	2.7083
6	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	601.30	2.5054
7	Gongtou Zhaochen Investment Management Co., Ltd.	569.80	2.3742
8	Yao Linhao	558.00	2.3250
9	Yang Yunping	469.60	1.9567
10	Qi Xiaohong	453.60	1.8900
11	Other investors	13,731.40	57.2141
Total		24,000.00	100.00

Unified Social Credit Code:	914505007968370834
Registered address:	Chuangye Avenue, Hepu Industrial Park, Beihai City
Legal representative:	Yao Jiuzhi

(II) Business scope

The Company's business scope: production and sales of beverages (fruit juice and vegetable juice), quick-frozen foods [quick-frozen other foods (quick-frozen fruit and vegetable products)], dried fruits and vegetables and preserved fruits; acquisition, processing and sales of agricultural and sideline products (which can only be operated after obtaining environmental impact acceptance and fire protection permit); comprehensive development of agricultural products projects; self-management and agent for import and export of various commodities and technologies (except commodities and technologies that are restricted by the state or prohibited from import and export).

(III) The nature of business and main operating activities of the Company

The Company's main products: fruit juice, quick-frozen foods, fresh fruits, etc.

The Company belongs to the "vegetable, fruit and nut processing industry" in the "agricultural and sideline food processing industry".

(IV) Approval of the financial statements

The financial statements have been authorized for issuance by the Board of Directors of the Company on June 5, 2020.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the reporting period, there were 6 subsidiaries included in the consolidated financial statements, including:

Subsidiary	Subsidiary type	Level	Shareholding ratio	Ratio of voting right
			(%)	*(%)*
Hainan Dachuan Food Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hainan Tianye Drinks Food Sales Co. Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Iceman Foods Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00

Note:

Refer to "Note VII. Change of consolidation scope" for details of the subject of consolidation scope change.

III. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(I) Basis for the preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* and concrete accounting standards, and *Accounting Standards for Business Enterprises — Application Guidelines*, the Accounting Standards for Business Enterprises — Interpretations issued by the Ministry of Finance and other relevant provisions (hereinafter collectively referred to as — Accounting Standards for Business Enterprises), and as well as *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports* (Rev. 2014) issued by China Securities Regulatory Commission.

(II) Going concern

The Company has assessed its ability to continually operate for the next 12 months from the end of the reporting period. There are no major events that will affect the Company's operational ability,. Therefore, the financial statements are prepared on the basis of going-concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company in the reporting period.

(II) Accounting period

The accounting year of the Company begins on January 1 and ends on December 31.

(III) Recording currency

The recording currency of the Company is RMB.

(IV) Accounting treatment of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

1. If the terms, conditions and economic impacts of each transaction conform to one or more of the following cases in the business combination step by step, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

2. Business combination under same control

The assets and liabilities that the Company obtains in a business combination shall be measured on the basis of the book value of the combined party in the consolidated financial statement of the final controlling party on the combining date (including the business reputation formed after the final controlling party merges the combined party). As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the stocks issued), the share capital premium in capital reserve shall be adjusted; if the share capital premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If there is contingent consideration and the estimated liabilities or assets should be confirmed, the capital reserve (capital premium or capital stock premium) should be adjusted according to the balance between the amount of estimated liabilities or assets and settled amount of follow-up contingent consideration. If the capital reserve is insufficient, the retained income should be adjusted.

If the business combination is finally realized through various transactions and it is a "package deal", the various transactions should have accounting treatment by regarding it as the one acquired the control right. If it is not a "package deal", on the date of obtaining the control right, the capital reserve shall be adjusted according to the difference between initial investment cost of the long-term equity investment and the sum of the book value of long-term equity investment before combination and the book value of new paid consideration of shares that further acquired on combining date; if capital reserve is not enough for offset, the retained income shall be adjusted. For the equity investment held before the combining date, other comprehensive income calculated with the equity method or calculated and confirmed according to standards for recognition and measurement of financial instruments will not have accounting treatment until the disposal of the investment, when the accounting treatment should be conducted on the basis of same assets or liabilities handled directly by the investee. Other changes in owners' equities in net assets of the investee except from the net profits and losses, other comprehensive income and profits accounted and confirmed with the equity method will not have accounting treatment temporarily until the it will be included in current profits and losses during the disposal of the investment.

3. Business combination not under the same control

The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree, i.e. the date on which the control right over the net assets or operation decisions of the acquiree is transferred to the Company. The Company deems the control right is transferred when following conditions are all met:

① The combination contract or agreement has passed the approval of internal authority of the Company.

② Matters related to business combination that require approval of relevant state authorities have been approved by relevant authorities.

③ Necessary property right transfer formalities have been handled.

④ The Company has paid a large part of the combination expenses it is able to and plans to pay the rest expenses.

⑤ The Company has controlled the financial and operation policies of the acquiree in fact and it enjoys relevant interests and bear relevant risks.

The Company shall measure the assets given and liabilities incurred or assumed by an enterprise for a business combination at the acquisition date based on the fair values, and shall take the balances between the fair values and their book value into the profit and loss of the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The balance between the combination cost and the fair value of the identifiable net assets acquired from the acquiree in the business combination shall be included in the current profits and losses after recheck.

If the business combination not under the same control realized through disposal in steps by transactions is a package deal, the combining party shall conduct accounting treatment on all transactions by regarding it as one transaction that has acquired the control. It is not a package deal and the equity investment before the combining date is accounted with the equity method, the initial investment cost of the investment is the sum of the book value of the equity investment held by the acquiree before the acquisition date and the new investment cost on the acquisition date. For other comprehensive income of the equity investment confirmed before acquisition date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment. For the equity investment held before the combining date that are accounted according to the standards for recognition and measurement of financial instruments, the initial investment cost on the combining date is the sum of the book value of the equity investment on the combining date and the new investment cost. For originally held equities, the difference between the book value and the fair value and the cumulative fair value included in other comprehensive income originally shall be all transferred to current investment profits on the combining date.

4. Expenses related to business combination

Commission fees for audit, legal services, assessment and consultation due to business combination and other directly related expenses shall be included in the current profits and losses when they occur. For the transaction expenses for the issuance of equity securities for the business combination, the part directly attributed to equity transactions can be deducted from equities.

(V) BASE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidation scope

The scope of consolidated financial statements the Company shall be confirmed based on the control and all subsidiaries (including individual principal controlled by the Company) shall be included in the consolidation range of the consolidated financial statements.

2. Consolidation procedure

The Company shall prepare consolidated financial statements based on its and its subsidiaries' financial statements according to other relevant data. During preparation of consolidated financial statements, the Company shall consider the whole company as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies, reflecting the Company's overall financial status, operating results and cash flows.

The accounting policies or accounting period adopted by the subsidiary included in the consolidation range shall be in line with the Company. If the accounting policies or accounting period adopted by the subsidiary are not in line with the Company, necessary adjustments shall be made according to the Company's accounting policies and period when preparing consolidated financial statements.

When preparing consolidated financial statement, the effects of the offset of internal transactions between the Company and other subsidiary and the offset of internal transactions between subsidiaries to consolidated balance sheet, consolidated profit statement, consolidated statement of cash flow and consolidated statement of change in shareholders' equity shall be recorded. If the recognition on a same transaction with the Company or its subsidiary as the accounting entity is different from the perspective of consolidated financial statement of the Company, the transaction should be adjusted from the perspective of the Company.

The owners' equity of subsidiaries, current net profits and losses and the shares in total comprehensive income attributable to minority shareholders shall be independently listed in the "owners' equity" in consolidated balance sheet, the "net profits" and "total comprehensive income" in consolidated income statements. If current loss shared by minority shareholders in a subsidiary exceeds the share enjoyed by minority shareholders in the subsidiary's owner's equity at the beginning of the period, the balance shall be written down with the minority shareholders' equity.

If the subsidiary is acquired through combinations under common control, the adjustments are made to the consolidated financial statements based on the book value of its assets and liabilities (including the business reputation formed after the final controlling party merges the combined party) in the consolidated financial statement of the final controlling party.

For a subsidiary acquired through business combination not under the same control, its financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

(1) Increase of subsidiary or business

For the subsidiary or business increased under the same control due to business combination in the reporting period, the opening balance of the consolidated balance sheet shall be adjusted, and the subsidiary and the revenues, expenses and profits from the beginning to the closing period of the current business combination are incorporated into the consolidated profit statement, as well as the cash flow of the same period to the consolidated cash flow statement. Meanwhile, relevant items of the comparative statement are adjusted and the consolidated report subject is regarded to exist from the time the final control party begins to control.

If the investee under the same control can be controlled due to additional investment, it shall be deemed that all parties involved in the combination adjusted the current state/existence when the final controller began to control it. For the equity investment held before the control right over the combined party is obtained, the changes in relevant profits and losses, other comprehensive incomes and other net assets recognized from the later one of the date when the original equity is obtained and the date when the combing party and the combined party are under the same control to the combination date shall respectively be used to offset the retained income at the beginning period of the comparative statement or current profits and losses.

In the reporting period, for the added subsidiary companies or businesses caused by business combination under common control, the beginning balance of the consolidated financial statement shall not be adjusted. The incomes, expenses and profits of the subsidiary or business incurred from the acquisition date to the end of reporting period shall be recorded into consolidated profit statement. The cash flow of the subsidiary or business from the acquisition date to the end of reporting period shall be included into consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment, the Company shall measure again its equity owned from the acquiree prior to the acquisition date in accordance with the fair value of the equity at the acquisition date, and the balance between the fair value and the book value shall be taken into the investment income of the current period. For the held equity from the acquiree before the acquisition date which involves other comprehensive income under accounting with equity method, and changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits shall be changed into the current incomes from investment on the acquisition date, except from other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee.

(2) Disposal of subsidiaries or businesses

1) General disposal method

If the Company disposes its subsidiary or the business within the reporting period, the revenues, expenses and profits occurred from the beginning of the business to the disposal date and of the subsidiary are incorporated into the consolidated income statement and the cash flow produced from the beginning of the period to the disposal date of the subsidiary is included into the consolidated cash flow statement.

If it loses the control on the investee because of disposing part of the equity investment or due to other reasons, the disposed remaining equity investment shall be remeasured by the Company as per the fair value on the date of losing the control. The balance obtained by deducting the portion of net assets reckoned continuously since the acquisition or combination date by the original subsidiary that shall be enjoyed according to the original calculated shareholding ratio with the sum of consideration generated from the disposal and the fair value of the residual equity shall be numbered into the investment income of the current period in which the right of control is lost. Other comprehensive incomes or changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits associated with the equity investments of the original subsidiary are turned into the current investment income at the time the right of control is lost. However, other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee is excluded.

2) Disposal of subsidiary in steps

For investment in subsidiary from disposal in steps by transactions to control loss, if the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, it is commonly acknowledged these transactions shall be handled in an accounting way as a package deal:

A. These transactions are concluded simultaneously or after the consideration of the mutual influence;

B. These transactions can lead to a complete commercial result only when they are in their entirety;

C. The occurrence of a transaction relies on the occurrence of at least another transaction;

D. A transaction alone is deemed uneconomic but economic when together with other transactions.

If various transactions from disposal of subsidiary equity investment to control loss belong to package deal, these transactions shall be disposed in an accounting way as a transaction for subsidiary disposal with control loss. However, for each transaction conducted before control loss, the balance between the disposal price and corresponding net asset share of disposed investment over the subsidiary shall be recognized as other comprehensive income in the consolidated financial statement and transferred to current profits and losses at the time of control loss together.

If various transactions from disposal of subsidiary equity investment to control loss do not belong to package deal, accounting treatment shall be conducted for policies related to equity investment of the subsidiary under the condition of no control right loss. If the control right is lost, accounting treatment shall be conducted with general method for disposal of subsidiary.

(3) Purchase of minority equities in subsidiaries

The stock premium in capital reserve in consolidated balance sheet shall be adjusted for the difference between the net asset shares continuously calculated since acquisition date (or combining date) of subsidiary corporation to be enjoyed by long-term equity investment as a result of purchasing minority interest, as well as calculation on the basis of new shareholding ratio. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(4) Disposal of equity investment of subsidiary partially without loosing control right

The stock premium in capital reserve in consolidated balance sheet shall be adjusted according to the difference of net assets of subsidiary as result of continuous calculation since the acquisition or combining date enjoyed during disposal of price and long-term equity investment due to the disposal of the long-term equity investment of subsidiary partially without losing its control right. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(VI) CASH AND CASH EQUIVALENTS

The Company's cash on hand and deposits available for payment at any time are recognized as cash when the Company prepares its cash flow statement. Any short-term (expires after three months from the purchase date generally) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are confirmed as cash equivalents.

(VII) FOREIGN OPERATIONS AND FOREIGN CURRENCY TRANSLATION

1. Foreign operations

At the time of initial recognition of a foreign currency transaction, the amount shall be translated into RMB at the spot exchange rate of the transaction date.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date into RMB. The balance of exchange arising from the difference of exchange rate, except from the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets which is capitalized, shall be included into profits and losses of the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The resulting difference shall be recognized as the fair value change in the current profit and loss. The resulting difference belonging to the non-monetary items of available-for-sale foreign currency shall be recognized as other comprehensive incomes.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet shall be translated at spot exchange rate on the balance sheet date. Among the owner's equity items, except items in "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot rate of the transaction date. The translation difference of foreign currency financial statements generated according to the above translation shall be included in other comprehensive income.

When disposing of overseas operations, the translation difference of foreign currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income items to the current profits and losses; when part of the equity investment is disposed of or other reasons lead to a decrease in the proportion of overseas business interests, but the right to control overseas business is not lost, the translation difference of foreign currency statements related to the disposal of the overseas business shall be attributed to minority shareholders' interests and shall not be transferred to the current profits and losses. In case of disposal of part of equity of the associated enterprises or cooperative enterprises in the overseas business, the translation balance related to the overseas business shall be translated into the current profits and losses based on the ratio to dispose overseas business.

(VIII) FINANCIAL INSTRUMENTS

The term "financial instruments" refers to the contracts under which the financial assets of a party are formed and the financial liabilities or right instruments of any other party are formed.

1. Recognition and derecognition of financial instruments

A financial asset or financial liability shall be recognized when the Company becomes a party of financial instrument contract. If a financial asset meets one of the following conditions, its recognition shall be terminated:

(1) The contractual right to collect the cash flow of the financial asset is terminated;

(2) The financial asset has been transferred and meets the conditions for the termination of the recognition of financial assets.

When current obligations of a financial liability have been wholly or partly canceled, then the financial liability or part of it shall be wholly or partly de-recognized. The Company (the Debtor) and the Creditor sign the agreement to substitute the new financial liability mode for the existing financial liability. The essences of the contract provisions for the new financial liability and existing financial liability are different, so the recognition of existing financial liability can be terminated and the new financial recognition be recognized at the same time.

Financial assets shall be dealt through conventional methods and their accounting recognition and de-recognition shall be made as per the rate on the transaction date.

2. Classification and measurement of financial assets

According to the Company's business mode to manage financial assets and the contract cash flow characteristics of financial assets, the financial assets, during initial recognition, are classified into three types: the financial assets measured at amortized cost, the financial assets measured at their fair value with changes included in the other comprehensive income, and the financial assets measured at their fair value with changes included in the current profits and losses.

(1) Financial assets measured at amortized cost

The Company classifies financial assets that simultaneously meet the following conditions and are not designated as financial assets measured at fair value with changes included in current profits and losses as financial assets measured at amortized cost:

The business mode of the Company to manage the financial assets is to collect contractual cash flow;

The contractual terms of the financial assets provide that the cash flow generated on a particular date will only be the payment of the principal and interest based on the outstanding principal amount.

After the initial recognition, effective interest method is adopted to measure the financial assets at amortized cost. Profits or losses of financial assets measured at amortized cost and not part of hedging relationship shall be included into current profits and losses upon termination of recognition, amortization or recognition of impairment based on effective interest method.

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

The Company classifies financial assets that simultaneously meet the following conditions and are not designated as financial assets measured at fair value with changes included in current profits and losses as financial assets measured at their fair value with changes included in the other comprehensive income:

The business mode of the Company to manage the financial assets is to collect contract cash flow and sell the financial assets;

The contractual terms of the financial assets provide that the cash flow generated on a particular date will only be the payment of the principal and interest based on the outstanding principal amount.

After the initial recognition, such financial assets are subsequently measured at fair value. Interests, impairment losses or gains calculated by the effective interest method and exchange gains and losses shall be included in the current profits and losses, and other gains or losses shall be included in other comprehensive income. During the derecognition, the accumulated gains or losses included in other comprehensive income before shall be transferred out from other comprehensive income and included in the current profits and losses.

(3) Financial assets measured at fair value with changes included in the current profits and losses

Except the financial assets above measured at the amortized cost and fair value with changes included in other comprehensive income, the Company classifies all other financial assets as financial assets measured at fair value with changes included into current profits and losses. In the initial recognition, to eliminate or significantly reduce accounting mismatches, the Company shall irrevocably designate part of the financial assets that should have been measured at amortized cost or at fair value with changes included in other comprehensive income as financial assets measured at fair value with changes included in current profits and losses.

After the initial recognition, the financial assets shall be subsequently measured at fair value, and the profits or losses (including interest and dividend income) generated shall be included into the current profits and losses, unless the financial assets are part of the hedging relationship.

Financial assets shall be measured at fair value upon initial recognition. For the financial assets measured at their fair values and of which the change is recorded into the current profits and losses, the transaction expenses thereof are directly recorded into the current profits and losses; for other categories of financial assets, the transaction expenses thereof are included into the initial recognition amount. For the accounts receivable arising from sale of products or provision of labor services that do not contain or do not consider significant financing components, the Company shall use the amount of consideration expected to be received as the initially recognized amount.

3. Classification and measurement of financial liabilities

The financial liabilities of the Company, when initially recognized, are classified as the financial liabilities measured at their fair value with changes included in the current profits and losses and the financial liabilities measured at amortized cost. For financial liabilities that are not classified as financial liabilities measured at fair value and vitiation of which is included in current profits and losses, relevant transaction expenses shall be included into initial recognition amount.

(1) Financial liabilities measured at fair value with changes included in the current profits and losses

The financial liabilities which are measured at fair value through profit or loss of the current period, including transactional financial liabilities and the designated financial liabilities measured at their fair values with changes included in the current profits and losses. This kind of financial liabilities shall be measured at the fair value subsequently. Profits and losses generated from variation of fair value and earnings from dividend and interest related to the financial liabilities shall be included in current profits and losses.

(2) Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured by amortized cost using the effective interest method to terminate the profits or losses arising from recognition or amortization to be included in the current profits and losses.

(3) Distinction between financial liabilities and equity instruments

The "financial liabilities" refers to the liabilities meeting any of the following conditions:

① The contractual obligations to deliver cash or other financial assets to any other parties;

② The contractual obligations to exchange financial assets or financial liabilities with other parties under potential unfavorable conditions;

③ The contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, whereby the enterprise will deliver an unfixed amount of equity instruments of its own according to the said contract;

④ The contractual rights to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, excluding the contractual rights to the derivative instruments for which the enterprise will exchange for a fixed amount of its own equity instruments with a fixed amount of cash or any other financial assets.

The "equity instruments" refers to the contracts which can prove that a certain enterprise holds the surplus equities of the assets after the deduction of all the debts.

If the Company fails to avoid performing one contractual obligation by delivering cash or other financial assets, the contractual obligation conforms to the definition of financial liabilities.

If a financial instrument needs to or can be settled with equity instruments of the Company, it shall be considered the equity instruments of the Company used for the settlement of the instrument are used as substitute of cash or other financial assets or used to make the holder of the instrument enjoy the residual interests of the assets after deducing all liabilities. If the exchange rate is determined in the first way, the instrument is financial liability of the Company. If it is determined in the second way, the instrument is equity instrument of the Company.

4. Fair value of financial instruments

The fair value is a price received by the market participants from selling an asset or transferring a liability during orderly transaction at the measurement date.

When the Company measures the relevant assets or liabilities at fair value, it assumes that the orderly transactions of selling assets or transferring liabilities is conducted in the main market of the relevant assets or liabilities; if there is no major market, it assumes that the transaction is conducted in the most advantageous market for the relevant assets or liabilities. The major market (or the most advantageous market) is the trading market in which the Company can enter on the measurement date. The Company adopts the assumption used by the market participants to maximize their economic interests in the process of putting prices on assets or liabilities.

The Company shall determine the fair value of the financial asset or financial liability in the active market by quoting from the active market. For the financial instrument not existing in an active market, its fair value shall be determined by the Company through valuation techniques.

When non-financial assets are measured at fair value, it shall be considered that the market participants' abilities to use the asset for the best purpose for economic interests or abilities to sell the asset to other market participants for the best purpose for economic interests.

The Company uses estimation techniques that are applicable under current circumstances and that are supported by sufficient available data and other information to prioritize the use of relevant observable inputs, it uses the unobservable input values only if observable inputs are not available or are not practicable.

For the assets and liabilities measured or disclosed at fair value in the financial statements, the level of fair value to which they belong is determined according to the lowest-level input value that is significant to the fair value measurement as a whole: The first level input valve is that the input value that can be obtained on measurement date and not adjusted quoted price of same assets or liabilities in active market; second level is the input value that can be directly or indirectly observed by relevant assets or liabilities except from first-level input value; third level is the input value that can not be observed by relevant assets or liabilities.

On each balance sheet date, the Company reassesses the assets and liabilities that are recognized in the financial statements to be consistently measured at fair value to determine whether to shift between levels of fair value measurement.

5. Impairment of financial assets

On the basis of expected credit losses, the Company conducts impairment accounting treatment for the following items and recognizes loss provisions:

(1) Financial assets measured at amortized cost;

(2) Creditors' investment measured at fair value and whose changes are included in other comprehensive income;

(3) Measurement of expected credit loss

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the default risk. Credit loss refers to the difference between all the contractual cash flows receivable under the contract and all the expected cash flows received by the Company discounted at the original effective interest rate, namely the present value of the total cash shortage.

The Company measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument has not increased significantly since initial recognition, in the first stage, the Company measures the loss provision based on the expected credit loss within the next 12 months; if the credit risk of a financial instrument has increased significantly after initial recognition but no credit reduction has occurred, in the second stage, the Company measures the loss provision based on the expected credit loss in the whole duration of the instrument; if the financial instrument has suffered credit impairment since initial recognition, in the third stage, the Company measures the loss provision based on the expected credit loss in the whole duration of the instrument.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since initial recognition, and measures the loss provision based on the expected credit loss in the next 12 months.

The expected credit loss in the whole duration refers to the expected credit loss caused by all possible default events in the whole duration of a financial instrument. The expected credit loss in the next 12 months refers to the expected credit loss caused by possible default events of a financial instrument within 12 months after the balance sheet date (if the expected duration of the financial instrument is less than 12 months, the expected duration shall prevail), and it is part of the expected credit loss in the whole duration.

For the measurement of the expected credit loss, the longest period to be considered by the Company is the longest contract period that the Company faces credit risk (including consideration of the right to choose renewal or not).

For financial instruments that are in the first and second stages and with lower credit risk, the Company calculates interest income based on the book balance and actual interest rate without deducting the provision for impairment. For financial instruments in the third phase, the Company calculates interest income based on the book balance minus the amortized cost after the withdrawal of the provision for impairment and the actual interest rate.

The Company withdraws bad-debt provision for all receivables according to the expected amount of credit losses in the whole duration. On the basis of actual loss rate of accounts receivable in previous years, judgment of future recovery risk and analysis of credit risk characteristics, the expected loss rate is determined and for bad-debt provision is withdrawn accordingly.

The Company classifies and combines notes receivable, accounts receivable, other receivables and long-term receivables according to the credit risk characteristics, and calculates the expected credit loss on the basis of combination. The basis for determining the combination is as follows:

Item	**Expected loss provision ratio**
Combination 1	This combination takes the aging of receivables as the credit risk feature
Combination 2	Accounts receivable between enterprises included in the scope of consolidation of the Company are generally excluded from withdrawal of credit impairment losses
Combination 3	This combination is accounts receivable including all kinds of margins, deposits, reserve funds, advance payments and temporary payments that should be collected in daily activities.

For accounts receivable that are divided into combination 1, the Company prepares a comparison table of accounts receivable aging and the expected credit loss rate for the whole duration and calculates the expected credit loss by referring to the historical credit loss experience and combining the current situation and the forecast of the future economic situation.

Aging	Withdrawing proportion of receivables *(%)*
Less than 1 year (including 1 year, the same below)	5.00
1-2 years	10.00
2-3 years	30.00
3-4 years	50.00
4-5 years	80.00
>5 years	100.00

For other receivables and long-term receivables that are divided into combination 3, the Company evaluates their credit risk on each balance sheet date, and divides them into three stages to calculate the expected credit loss.

	Withdrawal Proportion *(%)*		
Category	**Phase I**	**Phase II**	**Phase III**
Margin, deposit, advance payment and temporary payment	10.00	50.00	100.00

(4) Evaluation of a significant increase in credit risk

The Company compares the default risk of a financial instrument on the balance sheet date with its default risk on the initial recognition date to determine the relative change of the default risk in the expected duration of the financial instrument, so as to evaluate whether the credit risk of the financial instrument has increased significantly since its initial recognition based on this condition.

While determining whether the credit risk has significantly increased since the initial recognition, the Company considers the reasonable and evidence-based information that can be obtained without unnecessary additional cost or effort, including prospective information. Information considered by the Company includes:

① the debtor's failure to pay the principal and interest before the contract deadline;

② serious deterioration in the external or internal credit rating (if any) of financial instruments that has occurred or is expected;

③ serious deterioration of the debtor's business performance that has occurred or is expected; and

④ existing or anticipated changes in the technical, market, economic or legal environment that will materially and adversely affect the debtor's ability to repay the Company.

According to the nature of financial instruments, the Company evaluates whether the credit risk has significantly increased on the basis of a single financial instrument or financial instrument combination. When evaluating the financial instruments on the basis of a financial instrument combination, the Company can classify the financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

If the delay exceeds 30 days, the Company determines that the credit risk of the financial instrument has significantly increased.

(5) Financial assets that have experienced credit impairment

On the balance sheet date, the Company evaluates whether credit impairment has occurred in financial assets measured at amortized cost and debt instruments measured at fair value with changes included in other comprehensive income. When one or more events that adversely affect the expected future cash flow of financial assets occur, the financial assets become the financial assets that have experienced credit impairment. Evidence proofing that a financial asset has been credit-impaired includes the following observable information:

① A serious financial difficulty occurs to the issuer or debtor;

② The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

③ Out of economic or contractual considerations relating to the debtor's financial difficulties, the Company grants the debtor concessions that would not be made under any other circumstances;

④ The debtor is likely to become bankrupt or carry out other financial reorganizations;

⑤ The financial difficulties of the issuer or the debtor cause the disappearance of active market for the financial asset.

(6) Presentation of provision for expected credit loss

To reflect the changes in the credit risk of financial instruments since the initial recognition, the Company shall re-measure the expected credit loss on each balance sheet date and the increased or reversed amount of the provision for loss formed on this account shall be included in the current profits and losses as impairment losses or gains. For the financial assets measured at amortized cost, the loss provision shall offset the book value of the financial assets listed in the balance sheet; for the debt investments measured at fair value with changes included in other comprehensive income, the Company shall recognize the loss provision in other comprehensive income, and shall not offset the book value of the financial assets.

(7) Verification and cancellation

If the Company no longer expects with reason the cash flow of the financial asset contract to be recovered in whole or in part, the book balance of the financial asset shall be directly written down. Such writedowns constitute termination recognition of the relevant financial assets. Such situation usually occurs when the Company determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, in accordance with the Company's procedures for recovering due payments, the financial assets that have been written down may still be affected by execution activities.

If financial assets that have been written down is recovered later, it shall be recorded as impairment loss in the current period of recovery.

6. Transfer of financial assets

The term "transfer of a financial asset" refers to transferring or delivering a financial asset to a party other than the issuer of the financial asset (the transferee).

In the event that the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. In case it has retained nearly all of the risks and rewards associated with the ownership of the financial asset, the financial asset shall not be derecognized.

In the event the Company has neither transferred nor retained almost all the risks and rewards of ownership of financial assets, the following cases shall be considered: if the control of the financial assets is abandoned, the financial assets are derecognized and the assets and liabilities are recognized; if the financial assets are controlled, the relevant financial assets are recognized according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized accordingly.

7. Offset of financial assets and financial liabilities

If the Company is legally entitled to offset the confirmed financial assets and financial liabilities, and it is able to perform the legal rights, moreover, it plans to settle accounts in net amount or simultaneously cash the financial assets and pay off the financial liabilities, the amount after mutual offset of financial assets and financial liabilities shall be listed in balance sheet. In all other situations they are presented separately in the balance sheet and are not offset.

(IX) INVENTORIES

1. Classification of inventories

The term "inventories" refer to finished products or merchandise possessed by the Company for sale in the daily business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. It mainly includes raw materials, turnover materials, entrusted processing materials, in-process products and finished products (inventory goods), etc.

2. Inventory valuation method

After the inventories are obtained, its initial measurement shall be carried out based on their cost, including purchase cost, processing cost and other costs. The method of weighted mean is adopted for valuation of sending inventories.

3. Determination basis of net realizable value of inventories and method of provision for depreciation

After complete check on inventory at the end of the period, inventory falling price reserves shall be withdrawn or adjusted at the lower of inventory cost and net realizable value. For merchandise inventory which is directly for sale like finished products, commodity stocks, and material for sale, during normal production and marketing process, net realizable value of which shall be determined by subtracting estimated selling expenses and relevant taxes from the estimated sale price; for material inventory needs to be processed, during normal production and marketing process, net realizable value of which shall be determined by subtracting the cost going to happen, the estimated marketing expenses and relevant taxes from the estimated sale price of finished products; for inventory held for performing sales contract or labor contract, net realizable value of which shall be determined on the basis of contract price, if the quantity of inventory is more than the quantity purchases by sales contract, net realizable value of the surplus part shall be calculated as per average sales price.

The inventory falling price reserves shall be withdrawn as per the single inventory item at the end of the period generally, and for inventories with large quantity and relatively low unit prices, the inventory falling price reserves shall be withdrawn according to the inventory type. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar there to, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

4. Inventory system for inventories

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and wrappage

(1) One-time amortization method is adopted for the amortization of low priced and easily worn articles;

(2) One-time amortization method is adopted for the amortization of packing materials.

(3) Other turnover materials are amortized by one-time write-off method.

(X) HELD-FOR-SALE ASSETS

1. Determination standards for held-for-sale assets

The non-current assets meeting the following conditions or disposal groups shall be categorized into held-for-sale assets:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the Company has made a resolution on a sale plan and obtained a firm purchase commitment, and it is estimated that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as the transaction price, time, and heavy penalty for breach of contract that lead to the smallest possibility to adjust largely or cancel the agreement.

2. Accounting method for held-for-sale assets

For held-for-sale non-current assets for which depreciation or amortization are not be carried out, if the book value is higher than the net value of fair value minus the sales expense, the book value should be written down to the nut value after the fair value minus the dales expense. The write-down amount shall be recognized as the loss of asset impairment and be recorded as the profits or losses for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly.

For the non-current assets or disposal groups classified as held-for-sale type on the obtaining date, they shall be measured at the lower one of the initially measured value when it is not classified as held-for-sale type and the net value of fair value minus the sales expense.

The principles above are applicable to all non-current assets, excluding the investment real estate adopting fair value pattern for subsequent measurement, the biological assets measured at the net value of fair value minus the sales expense, the assets formed by employee payroll, the deferred income tax assets, financial assets meeting accounting standards for financial instruments and the rights generated from the insurance contract meeting relevant accounting standards for insurance contracts.

(XI) LONG-TERM EQUITY INVESTMENT

1. Determination of initial investment cost

(1) For the long-term equity investment formed by business combination, please refer to Note IV/(IV) for specific accounting policies

Accounting arrangement methods for business combination under and not under the same control.

(2) Long-term equity investment formed by other modes

For long-term equity investment obtained by cash payment, the initial investment cost is the amount actually paid for the purchase. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of long-term equity investment received or surrendered can be reliably measured, the initial investment cost of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the initial investment cost of long-term equity investment.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be determined on the basis of fair value.

2. Subsequent measurement and profit and loss determination

(1) Cost method

The long term equity investment on the invested enterprise shall be accounted by employing the cost method and it shall be evaluated based on its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted.

Except from cost actually paid in investment and cash dividends or profits declared but not distributed included in consideration, the Company will enjoy the investment income recognized in current period according to cash dividends or profits declared to distribute by the invested company.

(2) Equity method

Equity method shall be applied for the accounting of long-term equity investment of associated enterprise and cooperative enterprise. For equity investment of associated enterprise partially and indirectly held by the Company as a result of investment to risk investment organization, mutual fund, trust company or similar entities such as unit-linked fund, the Company shall account the indirect investment as per its fair value and record its variation into the benefits and losses.

If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

After long-term equity investment is acquired, the investor shall determine the return on investment and other consolidated income according to the net profits and losses and other income of the investee in the same year it shall be enjoyed and shared, and adjust the fair value of the long-term equity investment; the investor shall calculate the proportion enjoyed of the profit or cash dividend announced by the investee to be distributed, reduce the fair value of the long-term equity investment accordingly, and adjust the fair value of the long-term equity investment and include it into the owners' equity in terms of other changes to the owners' equity other than net profits and losses, other consolidated income, and profit distribution.

On the ground of the fair value of all identifiable assets of the investee when the Company obtains the investment, the attributable share of the net profits and losses of the investee shall be recognized after the net profits of the investee are adjusted. The Company's entitled part of unrealized profits and losses from internal transaction between the Company and associated enterprises or cooperative enterprises shall be offset according to the Company's entitled proportion. On such basis the investment profits/losses are confirmed.

If Company decides to share the losses of investee, deal with the matter in the following order: firstly, write down the book value of long-term equity investment. If the book value of the long-term equity investment is insufficient for offset, the recognition of the investment losses is continued based on the book value of the long-term equities of the net investment of the investee to offset the book value of long-term receivables. Finally, after the treatment above, if the investment contract or agreement agrees the enterprise shall still bear extra obligations, the accrued liabilities shall be recognized according to obligations to be shouldered and included into current investment losses.

If the investee achieves profitability in the future, Company shall deal with it in the reverse order after deducting the unconfirmed loss sharing amount, write down the book balance of confirmed accrued liabilities, recover the book value of long-term interests of net investment and long-term equity investment constituted on investee substantially and confirm the investment income.

3. Conversion of long-term equity investment by accounting method

(1) Conversion from fair value measurement to accounting by equity method

With regard to the equity investment having accounting treatment according to financial instrument recognition and measurement standard originally held by the Company that does not have control, joint control or significant influence on the invested entity, if the Company is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment or other reasons, the fair value of original equity investment added to new investment cost in accordance with the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* shall be regarded as initial investment cost measured by employing the equity method.

If the original equity investment is categorized as sellable financial assets, the difference between the fair value and the book value, along with the change in the accumulated total fair value originally included in other comprehensive income, shall be transferred to the current profit and loss accounted by the equity method which has been transferred to.

If the initial investment cost calculated with the equity method is smaller than the fair value of the net identifiable assets of the investee enjoyed on the date of increase in investment calculated and determined with the new shareholding ratio, the book value of long-term equity investment shall be adjusted with the balance and included into the current non-operating income.

(2) Conversion from measurement based on fair value or accounting by equity method to accounting by cost method

For the equity investments held by the Company that have no control, joint control, or significant influence on the investee in accordance with the standards for recognition and measurement of financial instruments, or originally held long-term equity investments in cooperative enterprises or associated enterprises that can control the investee not under the same control due to additional investment and other reasons, in individual financial statement, the sum of book value of original equity investment and newly increased investment cost shall be regarded as the initial investment cost measured by employing the cost method.

For other comprehensive income of the equity investment confirmed before purchase date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment.

If the equity investment held prior to the acquisition date is put under accounting treatment in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the accumulated fair value changes previously included in other comprehensive income are transferred to the current profit and loss after the cost method is adopted.

(3) Conversion from accounting by equity method to measurement based on fair value

If significant influence or joint control of the Company is lost due to reasons including the disposal of part of the equity investment, the residual equity after disposal shall be confirmed through financial instrument and accounted according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the difference between the fair value and the book value of the remaining equity on the date of loss shall be included in the current profit and loss.

For other comprehensive income of the original equity investment recognized by the equity method, at the time that the equity method stops being employed, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities.

(4) Conversion from cost method to equity method

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is able to carry out joint control and significant influences to the invested company, the equity method shall be used for accounting, and the surplus equity shall be regarded to be accounted and adjusted by equity method same to the equity originally obtained.

(5) Conversion from measurement with cost method to measurement based on fair value

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is unable to carry out joint control and significant influences to the invested company, it shall be accounted as per *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between fair value and book value on the date when losing the joint control shall be included in the current benefits and losses.

4. Disposal of long-term equity investment

During the disposal of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For long-term equity investments checked by the equity method, when the investments are disposed of, the same basis as the investee's direct disposal of the relevant assets or liabilities shall be used, and the part originally included in other comprehensive income is treated in accordance with the corresponding proportion.

If the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

If the Company losses control over a subsidiary due to partial disposal of equity investment or other reasons and it is not package deal, individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In some financial statements, for disposed equity, the difference between its book value and the actual purchase price shall be included in the current profits and losses. The remaining equity after disposing is recognized and measured by equity method if it is able to have joint control over or significant impact on the investee, and are adjusted also by equity method from the time of obtaining; In case of failing to have joint control or impact on the investee, the remaining equity is recognized according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value when losing the joint control occurring is included in current profits and losses.

(2) During preparation of consolidated financial statement, for transactions before losing the control on subsidiaries, disposal of price and long-term equity investment can enjoy the difference of net assets of subsidiary as result of continuous calculation since the date of purchasing or acquisition, the adjust capital reserve (capital premium) should be adjusted, If the capital reserve is insufficient for offset, adjust retained incomes. When the control over subsidiary is lost, the remaining equity shall be recalculated according to its fair value on control loss date. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the original subsidiary calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost and offset for the business reputation. Other comprehensive income related to equity investment in the subsidiary is transferred to investment gain at the time of control lost.

If the transactions from the disposal of equity investment to the subsidiary till the loss of control belong to package deal, the transactions shall have accounting treatment by taking it as a transaction that disposes the equity investment to the subsidiary and causes control loss. Individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In individual financial statement, the balance between each disposal price and the book value of the long-term equity investment corresponding to the disposed equities is recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

(2) In consolidated financial statement, the balance between each disposal price and corresponding net asset proportion of disposed investment over the subsidiary before the control loss shall be recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

5. *Judgment standards of joint control or significant influences*

If the Company controls one arrangement with other parties jointly according to regulations and the decisions having significant influences on the return from the arrangement can only exist after consensus from the parties sharing the control right is obtained, it means the arrangement is under joint control of the Company and the other parties and the arrangement is the joint venture arrangement.

If the joint venture arrangement is achieved through an independent entity, the independent entity shall be taken as joint venture when the rights of the Company on the net assets of the independent entity are judged and equity method shall be used for accounting. If it is judged the Company does not have rights on the net assets of the independent entity according to regulations, the independent entity shall confirm items related to profits from joint operation with the Company and have accounting treatment according to Accounting Standards for Business Enterprises.

Significant influence refers to the right of participation in the decisions of financial and operational policies of the investee, not including the right to control, or jointly control with other participants. The Company is judged to have significant influence on the investee through following conditions and after all facts and conditions are considered. (1) The Company has appointed representatives to the board of directors of the investee or such institutions; (2) The Company participates in the preparation of financial and operational policies of the investee; (3) The Company has important transactions with the investee; (4) The Company has appointed management personnel to the investee; and (5) The Company provides key technical data to the investee.

(XII) FIXED ASSETS

1. Recognition condition of fixed assets

Fixed assets are tangible assets whose service life is in excess of one accounting year and who are held for the sake of producing commodities, rendering labor service, renting or business management. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

(1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes including import tariff, and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) For the fixed assets invested by the investor, their value agreed in the investment contract or agreement shall be ascertained as the entry value. Those assets with unfair value as stipulated in the contract or agreement shall take fair value as the entry value.

(4) If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Fixed assets' depreciation was calculated within estimated service life after reducing estimated net residual value from the entry value of fixed assets. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the carrying amounts less impairment over their remaining useful lives.

Fixed assets that have been fully depreciated but are still in use shall not be depreciated.

According to the nature and use of various fixed assets, the service life and net residual value of fixed assets can be determined. And review the service life and salvage value of fixed asset as well as depreciation method at the end of the year. Make corresponding adjustment if the review results are different from the previously estimated amounts.

The depreciation method, depreciation life and yearly depreciation of various fixed assets are as follows:

Category	Depreciation method	Depreciation Life *(year)*	Residuals rate *(%)*	Yearly depreciation *(%)*
Pant and buildings	Straight-line depreciation	20－30	5	3.17－4.75
Machinery and equipment	Straight-line depreciation	5－10	5	9.50－19.00
Vehicles	Straight-line depreciation	10	5	9.50
Office equipment	Straight-line depreciation	3-5	5	19.00-31.67
Others	Straight-line depreciation	3-5	5	19.00-31.67

(2) Subsequent expenses of fixed assets

If the subsequent expenses related to fixed assets conform to the confirmation conditions of the fixed assets, and then such subsequent expenses shall be included in the costs of the fixed assets; If not conforming to the confirmation conditions of these fixed assets, such subsequent expenses shall be included in the current profits and losses while occurred.

(3) Fixed Assets Disposal

The book values of fixed assets are derecognized when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. Disposal consideration amount from sale, transfer, scrap or damage of fixed assets shall be included in current profits and losses after deducting the book value and related taxes.

4. Basis of recognition for fixed assets acquired under financial leases, valuation and depreciation methods

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial lease:

(1) The ownership of the leased asset is transferred to the lessee when the term of lease expires.

(2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.

(3) Even if the ownership of assets is not transferred, the lease term accounts for the largest proportion of the service life of the leased asset.

(4) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

(5) The leased assets are of a specialized nature that only the Company can use them without making major modifications.

With regard to the fixed assets under financing lease, a lessee shall record the lower one from the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account. The balance between the recorded amount of the leased asset and the long-term account payable shall be treated as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charges shall be amortized by effective interest method during the periods within the lease term.

In calculating the depreciation of a leased asset under financial lease, the Company shall adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its service life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XIII) CONSTRUCTION IN PROGRESS

1. Types of construction in progress

The construction in progress self-constructed by the Company shall be evaluated at its actual cost. The actual cost of it shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use, including the material cost, labor cost, relevant taxes paid, borrowing expenses to be capitalized and indirect expenses to be amortized. The construction in progress of the Company is accounted by project classification.

2. Standards and time point of carrying forward construction in progress as fixed assets

As for construction in progress, all expenses occurred during the construction period before the assets achieve the predetermined serviceable condition shall be recognized as entry value of the fixed assets. Construction of fixed assets in progress whose construction is complete and has achieved the predetermined serviceable condition, but whose final settlement of account has not been processed, shall be transferred to fixed assets by the estimated value according to the project budget, construction cost or the actual cost of the project since the date that they achieved the predetermined serviceable condition. In addition, the depreciation of these fixed assets shall be withdrawn according to the Company's fixed asset depreciation policy. After the final settlement of account is processed, the previously estimated value shall be adjusted according to the actual cost. The previously withdrawn depreciated value shall not be adjusted.

(XIV) BORROWING COSTS

1. Recognition principle for borrowing costs capitalization

Where the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized if they meet the capitalization conditions and included in the relevant asset costs; other borrowing costs, when incurred, shall be recognized as expenses according to the amount incurred, and included in the current profits and losses.

The term "assets eligible for capitalization" refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take a quite long time to get ready for its intended use or for sale.

Capitalization can only be started if the borrowing costs meet the following conditions at the same time:

(1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction for preparing assets eligible for capitalization;

(2) The borrowing costs have already incurred;

(3) Purchase, construction or production activities required for the assets to fulfill the expected serviceable or salable condition have begun.

2. Borrowing costs capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When parts of the project of the qualified asset under acquisition and construction or production is ready for the intended use or sale are complete and used separately, the capitalization of the borrowing costs of these parts shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3. Capitalization suspension period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. Capitalization shall resume after the borrowing costs incurred during such period are recorded into the profits and losses of the current period, and the acquisition and construction or production of the asset restarts.

4. Computation methods of capitalized amount of the borrowing costs

Specifically borrowed loans interest cost (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and auxiliary expenses shall be capitalized before the qualified asset under acquisition and construction or production is ready for the intended use or sale.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be determined according to the weighted average interest rate of the general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(XV) BIOLOGICAL ASSETS

The Company's biological assets include consumable biological assets and productive biological assets.

1. Recognition conditions of biological assets

No biological asset shall be recognized unless it meets the conditions as follows simultaneously:

(1) The enterprise owns or controls the biological assets due to past transactions or events;

(2) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

(3) The cost of this biological asset can be measured reliably.

2. Initial measurement of biological assets

(1) Consumable biological assets

① The cost of a purchased consumable biological assets consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of the assets.

② For the expendable biological assets invested by investors, the entry value of the expendable biological assets shall be the value agreed in the investment contract or agreement plus the relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

(3) The cost of self-cultivated, propagated or farmed consumable biological assets consists of the necessary expenses such as the cost of materials including seedlings, fertilizers and pesticides consumed before harvest, labor costs and indirect expenses to be shared.

(2) Productive biological assets

① The cost of purchased productive biological assets consists of the purchase price, relevant taxes, transportation fees, insurance premiums and other expenses that may be directly attributable to the purchase of the assets.

② For the productive biological assets invested by investors, the entry value of the productive biological assets shall be the value agreed in the investment contract or agreement plus relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ For the productive biological assets planted by the Company, the cost shall be determined according to the necessary expenses such as seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses consumed before achieving the expected production and business objectives (and before harvest).

Achieving the intended production and operation objectives means that the productive biological assets enter the normal production period, and can continuously and stably produce agricultural products, provide labor services or rent for many years. The specific conditions are as follows: starting to bear fruits and picking them as the standard for turning into maturity.

1) Accounting methods for immature productive biological assets

Necessary expenditures of immature productive biological assets during the immature period, including seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses, shall be directly included in the asset cost. Among them, seedlings costs, direct labor costs, fertilizers costs and land rent costs which can be directly classified into each plot shall be collected in the subject of "productive biological assets-immature productive biological assets", and indirect costs such as material consumption shall be collected in the "manufacturing expenses" first when they occur, and then included in each plot according to the area apportion.

2) Accounting methods for mature productive biological assets

The related expenses incurred after the mature productive biological assets, including labor costs, material costs, fertilizers costs, utilities, land lease costs and other indirect expenses, shall be collected in the subject of "production cost"; the book value of the carried-over mature productive biological assets shall be depreciated according to the depreciation period, and the depreciation expenses shall be also included in the "production cost"; after the fruits are picked, the "production cost" shall be carried over to "inventory goods".

3. Subsequent measurement of productive biological assets

(1) Depreciation of productive biological assets

The Company accrues depreciation for productive biological assets, and the depreciation method adopts the straight-line depreciation. The Company determines the service life and estimated net residual value of productive biological assets according to their nature, usage and expected realization of relevant economic benefits. At the end of the year, the Company reviews the service life, estimated net residual value and depreciation method of productive biological assets, and make corresponding adjustments if there are differences with the original estimates.

The Company's productive biological assets are estimated to have no net residual value, and the estimated service life and annual depreciation rate are as follows:

Asset type	**Estimated service life** *(year)*	**Yearly depreciation** *(%)*
Passion fruit	2	50.00
Mango	10	10.00
Pitaya	4	25.00
Pineapple	2	50.00
Banana	2	50.00
Sugarcane	2	50.00
Papaya	3	33.33
Guava	4	25.00

(2) Disposal of biological assets

When harvesting or selling consumable biological assets, the weighted average method is used to carry over the cost; the cost of biological assets after use conversion is determined according to the book value at the time of use conversion; when the biological assets are sold, damaged or in short supply, the balance of the disposal income after deducting the book value and related taxes and fees shall be included in the current profit and loss.

4. Impairment of biological assets

The Company shall, at least at the end of each year, review the consumptive biological assets and productive biological assets. If any well established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset is lower than its book value as a result of natural disaster, plant diseases and insect pests or change of market demand, the enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in the current profits and losses.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the amount of write down shall be restored and reversed within the amount of the original provision for falling price, and the amount reversed shall be included in the current profits and losses. Once the provision for impairment of a productive biological asset is withdrawn, it shall not be reversed.

On the balance sheet date, the Company measures the productive biological assets according to the lower of book value and recoverable amount, and withdraw the provision for impairment of productive biological assets according to the difference between the recoverable amount of individual assets and book value. Once the impairment loss of productive biological assets is recognized, it will not be reversed in the following accounting period.

(XVI) INTANGIBLE ASSETS AND DEVELOPMENT EXPENSES

Intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Company which have no physical shape. It includes land use right, patent right, trademark right and software, etc.

1. Initial measurement of intangible assets

Cost of the outsourcing intangible assets shall include purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for expected purpose. The price of buying intangible assets exceeds the delayed payment at normal credit condition, which actually has a financing property, the cost of the intangible assets shall be determined based on the present value of the price.

For the intangible assets used for debt payment, the fair value of the intangible assets shall be used as basis for its entry value determination. The balance between the book value and the fair value of the intangible assets used for debt payment shall be included into current loses and gains.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of intangible assets received or surrendered can be reliably measured, the entry value of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the cost of intangible asset and no profits and losses will be recognized.

The entry value of intangible asset obtained by consolidation merger of enterprises under the same control shall be recognized based on the book value of merged enterprise; the entry value of intangible asset obtained by consolidation merger of enterprises not under the same control shall be recognized based on the fair value of merged enterprise.

The costs of internal self-developed intangible assets shall include: the cost of materials consumed, labor cost and registration charges occurred while developing the intangible assets; the amortization charge of other patents and franchises used as well as the interest cost spent to meet the capitalization requirements during the development process; as well as other direct costs attributable to intangible assets for the expected purpose.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when it obtains intangible assets and they are classified as intangible assets with limited service life and intangible assets with limited service life without undetermined service life.

(1) Intangible assets with limited service life

Intangible assets with limited service life shall be amortized by straight-line method in the period in which economic benefits are brought for the Company. Expected service life of intangible assets with limited service life and calculation basis:

Item	Expected useful life	Basis
Land use right	40 years/50 years/70 years	The service life is determined by the contract or by reference to the period that can bring economic benefits to the Company
Patent right	10 years	
Trademark right	10 years	
Software	3-5 years	

At the end of each year, the service life and the amortization method of intangible assets with limited service life shall be rechecked. Make corresponding adjustment if the review results are different from the previously estimated amounts.

According to the review, the service life and amortization method of intangible assets at the end of this period do not differ from previous estimation.

(2) Intangible assets with uncertain service life

During the reporting period, the Company had no intangible assets with uncertain service life.

3. Detailed standards for dividing research and development stages of internal R&D projects:

Research stage: The stage of creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development stage: The stage that the research results or other knowledge is used for a plan or design to produce something new or substantive improved materials, devices and products before commercial production or use.

The expenditure occurred during the research stage of internal R&D project shall be included into the profits and losses of current period when it occurred.

4. Detailed conditions for the capitalization of expenses during the development stage

Expenditures incurred during the development stage of internal research and development project that simultaneously meet the following conditions shall be recognized as intangible assets:

(1) It is feasible technically to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

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

The expenditure not meeting conditions above is included into the profits and losses of current period when it occurs. Development expenses accounted into profits and losses in previous period are no longer re-confirmed as assets. Expenses at the development stage capitalized are listed as development expenses in the balance sheet, and are converted into intangible assets when the Project reaches the estimated usable conditions.

(XVII) IMPAIRMENT OF LONG-TERM ASSETS

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible impairment of long-term assets. If the long-term assets have sign of possible impairment, recoverable amount should be estimated by the Company based on single assets. If it is not possible to estimate the recoverable amount of single assets, the recoverable amount of the asset group to which the asset belongs is recognized.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its book value, the book value of the long-term asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of long-term asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

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

No matter there is any sign of possible assets impairment or not, the business reputation formed by business combination and intangible assets with uncertain service life are subject to impairment test at the end of each year.

In impairment test for business reputation, book value of business reputation shall be amortized to assets groups or combination of assets groups which are expected to benefit from the synergy effect of business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the enterprise shall first make an impairment test on the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the enterprise shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

(XVIII) LONG-TERM UNAMORTIZED EXPENSES

1. Amortization method

Long-term unamortized expenses refer to the Company's various costs that have occurred and are apportioned by the current and future periods which is longer than 1 year. Long-term unamortized expenses shall be amortized within benefit period by method of line.

2. Amortization life (year)

Category	Amortization life *(year)*	Remarks
Decoration and reconstruction expenditure	3-5	
Land lease expense	Settlement period agreed in the contract	The settlement period of the leased land of the Company has different settlement periods such as 4 years and 5 years

(XIX) EMPLOYEE COMPENSATION

Employee compensation refers to the remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees or terminating labor relationships. Employee compensation includes short-term compensation, post-employment benefit, dismission benefit, and other long-term employee benefit.

1. Short-term compensation

Short-term compensation refers to employee compensation that shall be fully paid by the Company within 12 months after annual report period of related services provided by employees, except post-employment welfare, dismission welfare. In the accounting period when the employees provide services to the Company, the short-term compensation payable shall be confirmed as liabilities, and shall be included in related asset costs and fees according to the benefit objects of the service provided by the employees.

2. Post-employment welfare

Post-employment welfare refers to the various forms of remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees after employee retirement or termination of labor relations with the Company, except for short-term compensation and dismission welfare. The Company classifies post-employment welfare plan as defined contribution plan and defined benefit plan.

The defined contribution plan is mainly to participate in social basic endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions; during the accounting period when employees provide services for the Company, the amount of deposit payable calculated according to the defined contribution plan is recognized as a liability and included in the current profits and losses or related asset costs.

After paying the above funds regularly according to the standard specified by the State, the Company will be free of other payment obligations.

3. Dismission welfare

Dismission welfare refers to the compensation made by the Company to the employees for the termination of the labor relationship with any employee prior to the expiration of the relevant labor contract or for encouraging the employee to accept a layoff. When the Company cannot unilaterally withdraw the dismission welfare stated on labor service relationship termination plan or layoff proposal or the Company is confirming the cost and expense in relation to the restructuring of paying dismission welfare (the earlier one shall be applied), liabilities caused by dismission welfare shall be confirmed and included in current profits and losses.

4. Other long-term employee welfare

Other long-term employee welfare refers to other employee welfare except from short-term salaries, post-employment welfare and dismission welfare.

For other long-term employee welfare conforming to defined contribution plan, within accounting period during which employees provide service for the company, the amount payable shall be determined as liability and included into current profits and losses or relevant asset cost. For other long-term employee welfare except that mentioned above, the amount shall be calculated with the expected cumulative welfare unit method on the balance sheet date and the welfare obligations produced by the defined benefit plan shall be attributed to the period during which employees provide service and be included into current profits and losses or relevant asset cost.

(XX) ESTIMATED LIABILITIES

1. Recognition principles for estimated liabilities

The obligation pertinent to contingencies shall be recognized as an estimated liability when the following conditions are satisfied simultaneously:

The obligation is the current obligation assumed by the Company;

The performance of this obligation is likely to lead to an outflow of economic interests;

The amount of the obligation can be reliably measured.

2. Measurement methods of accrued liabilities

The estimated liabilities of the Company shall be initially measured in accordance with the liability estimate of the necessary expenses for the performance of the current obligation.

The Company takes into account the contingencies related risk, uncertainty, time value of money, and other factors when determining the best estimate. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations respectively:

If there is a continuous range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, i.e. the average number of the maximum amount and minimum amount.

In the event that there is no continuous range (or interval) or that there is a continuous range but the outcomes within this range are unlikely to occur equally, if single item is involved in the contingencies, the best estimate shall be determined based on the amount most likely to occur; and if several items are involved in the contingencies, the best estimate shall be determined based on various possible outcomes and relevant probability calculation.

If all or some of the expenses necessary for the liquidation of estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset when it is virtually certain that the reimbursement will be obtained and the compensation recognized shall not be in excess of the estimated liability book value.

(XXI) REVENUE

1. Standard for determining the time of revenue recognition from goods sales

The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; when relevant cost incurred or to be incurred can be reliably measured, recognize the sales revenue.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

Specific methods to recognize the Company's revenue:

The Company mainly sells fruit juice, quick-frozen products, fresh fruits and other products.

(1) Revenue recognition of domestic products: the products are delivered to the buyer according to the contract, and the Company recognizes the revenue according to the date of the receipt; if there is no receipt, the revenue is recognized after the acceptance objection period determined according to the contract.

(2) Revenue recognition of export products: the export products of the Company are mainly in FOB form, and the delivery place is offshore port, and the bill of lading is obtained as the evidence for collection, and the date of customs declaration, shipment and export is taken as the time point for revenue recognition.

2. Basis of determining revenue from transferring use right of the assets

When the revenue amount can be reliably measured, it is likely that economic benefits relating to trades will flow into the company. The amount of revenue resulting from alienating asset-use right shall be determined respectively in the following situations:

(1) The amount of interest revenue shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the actual interest rate.

(2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3. Basis and method of determining the revenue from providing labor services

If the result of the labor service transaction can be estimated reliably on the balance sheet date, the revenue from the labor service transaction shall be recognized by the completion percentage method, and the completion progress of the labor service transaction shall be determined according to the proportion of the already incurred labor cost to the estimated total cost.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

(1) The revenue amount can be measured reliably;

(2) Relevant economic benefits are likely to flow into the Company;

(3) The completion schedule of the transaction can be reliably determined;

(4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

The Company ascertains the total revenue from the providing of labor services in accordance with the received or to-be-received price as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

(1) If the labor cost incurred is expected to be compensated, the labor service income shall be recognized according to the amount of labor service costs incurred and carried forward at the same amount.

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred shall be included in the current profits and losses, and no revenue from the rendering of service shall be recognized.

Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services. If the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services.

(XXII) GOVERNMENT GRANTS

1. Type

A government grants refers to the monetary and non-monetary assets obtained by an company from the government free of charge, excluding the capital invested by the government as the owner of the company. Based on the objects regulated by governmental documents, the government grants are classified into government grants related to assets and government grants related to income.

The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants.

2. Recognition of government grants

If the Company meets the financial support policy and receives financial support funds, the government grants shall be recognized according to the actual amount received.

If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government grant is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1). The government grants measured at their nominal amounts shall be directly included in the profits and losses of current period.

3. Accounting arrangement method

The government grants pertinent to assets shall be recognized as the deferred income and they shall be included to the profits or losses on a reasonable and systematic basis within the service life of constructed or purchased assets;

The government grants pertinent to income and used for compensating the related future expenses or losses of an enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized. The grants used for compensating the related expenses or losses of the enterprise incurred shall be directly included in the current profits and losses at receiving.

Government grants related to daily activities of the Company are included in other income and others are included in non-operating income.

The received government grants related to preferential policy loans are used to offset related borrowing costs. When the recognized government grants needs to be refunded, if there is related deferred income balance, the book balance of the deferred income shall be written down, while the excessive part shall be included in the current profits and losses; if there is no relevant deferred income, the subsidy shall be directly included in the current profits and losses.

(XXIII) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising from the tax bases of assets and liabilities and their book value. On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis of recognizing deferred tax assets

The Company sets the income tax payable likely to be acquired to offset against the deductible temporary difference and deductible loss and tax credits that can be carried forward to the next year as the deadline to recognize the deferred tax assets generated by the deductible temporary difference. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) business combination; (2) transactions or events directly recognized in owner's equity.

As for the deductible temporary difference of taxable relevant to the investment of associated enterprises, the corresponding deferred tax assets can be recognized when it can simultaneously meet the following the conditions: the temporary difference is likely to turn back, and the amount of the taxable can be obtained to offset the deductible temporary difference at a high possibility in the future.

2. Basis for confirming deferred tax liabilities

The Company confirms the taxable temporary differences payable but unpaid in current period and previous period as the deferred tax liabilities. but excluding:

(1) The temporary differences generated through initial recognition of business reputation;

(2) Transactions formed by business combination or transactions or events directly recognized in owner's equity;

(3) The turning-back time of the temporary difference of taxable relevant to the investment of subsidiaries and associated enterprises can be controlled, or the temporary difference will not turn back at a very high possibility in a foreseeable future.

3. When meeting all the following conditions, the deferred tax assets and liabilities are listed as net amount after offset

(1) The Company is entitled to settle the current income tax assets and current income tax liabilities in net amount;

(2) The deferred tax assets and deferred tax liabilities are associated with the income tax imposed for the same subject of taxation or different subject of taxation by the same tax collection and management department. However, during each important deferred tax assets and liabilities reverse period in the future, the subject of taxation involved is intended to settle the current income tax assets and liabilities or acquiring assets to pay off debts.

(XXIV) OPERATING LEASE AND FINANCING LEASE

If the leasing clauses transfer in substance all the risks and rewards related to the ownership of an asset to the leasee, it is a financial lease. Otherwise, it is operating lease.

1. Accounting treatment method of operating lease

(1) Assets leased in under operating lease

Lease expense paid by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be included into current expenses. The initial direct costs pertinent to lease transactions paid by the Company are included into current expenses.

If the assets leasor has paid the fees pertinent to leasing that shall be paid by the Company, the Company will deduct the fees from the total rental and amortize the remaining rental within the lease term and include it into current expenses.

(2) Assets leased out under operating lease

lease expense collected by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be recognized as rental income. Initial direct costs pertinent to lease transactions paid by the Company should be included into current expenses. If the amount is large, the initial direct cost should be capitalized and included into current profits on the basis of basic installation of the equal rental income within the entire lease term.

If the Company has paid the fees pertinent to leasing which shall be paid by the leasee, it will deduct the fees from total rental and amortize the remaining within the lease term.

2. Accounting arrangement method of financial lease

(1) Assets leased in under financial lease: On the lease beginning date, a lessee shall record the lower one between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry value in an account of long-term account payable, and take their difference as unrecognized financing cost. Please see Note IV/(XII) "Fixed assets" for the conditions of recognition, valuation and depreciation methods for assets under financial lease.

For the financing expenses not recognized, the Company adopts the effective interest rate method for amortization in assets leasing period and includes them to financial expenses.

(2) Assets leasing leased out under financial lease: On the beginning date of the lease term, the leasor shall recognize the balance between the sum of receivable financial lease payment and unguaranteed residual value and the current value as unrealized financing income and recognize the rent received in the future as rental income. The initial direct expenses pertinent to leasing transaction should be included into initial measurement of receivable financial lease payment and confirmed amount of revenue received within lease term should be reduced.

(XXV) CHANGES IN MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Change in accounting policy

Since January 1, 2019, the Company has implemented the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24 — Hedging Accounting*, and *Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments* revised by the Ministry of Finance in 2017 (the above four documents are collectively referred to as the "New Financial Instrument Standards"); if the standards for recognition and measurement of financial instruments before January 1, 2019 are inconsistent with the requirements of the New Financial Instrument Standards, the Company shall make adjustment in accordance with the requirements of the New Financial Instrument Standards. In case that the data of financial statements involved in the previous comparison are inconsistent with the requirements of the New Financial Instrument Standards, the Company has not adjusted the information of comparable periods, and the implementation of the New Financial Instrument Standards has no impact on the Company's opening balance sheet of current period.

2. Change in accounting estimates

There is no change in accounting estimates in the reporting period.

(XXVI) NOTES TO CHANGE OF LISTING ITEMS OF THE FINANCIAL STATEMENTS

On April 30, 2019, the Ministry of Finance issued the *Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019* (CK [2019] No. 6) to amend the format of general enterprises' financial statements, break up some items of balance sheet and adjust some items of income statement. The Company has prepared financial statement according to new requirements for enterprise financial statement form, so that the reported items in the financial statement also have changed. The Company has adjusted the comparative data during the comparable period according to the related regulations, such as *Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statement*.

The Company adjusts the comparative data of the comparable period according to CK [2019] No. 6. Influences on items and amount in financial statement presentation during comparable period are as follows:

① Items affected by consolidated financial statements

Item	Book value before adjustment (December 31st, 2018)	Adjusted amount	Book Value after Regulation (January 1, 2019)
Notes and accounts receivable	42,295,833.29	-42,295,833.29	
Notes receivable			
Accounts receivable		42,295,833.29	42,295,833.29
Notes and accounts payable	15,537,891.19	-15,537,891.19	
Notes payable			
Accounts payable		15,537,891.19	15,537,891.19
Other payables	3,787,778.19	-857,741.94	2,930,036.25
Long-term loans	30,000,000.00	857,741.94	30,857,741.94

② Items affected by the financial statements of the parent company

Item	Book value before adjustment (December 31st, 2018)	Adjusted amount	Book Value after Regulation (January 1, 2019)
Notes and accounts receivable	15,580,194.18	-15,580,194.18	
Notes receivable			
Accounts receivable		15,580,194.18	15,580,194.18
Notes and accounts payable	22,036,006.29	-22,036,006.29	
Notes payable			
Accounts payable		22,036,006.29	22,036,006.29

V. TAXES

(I) Main tax categories and tax rates of the Company

Tax type	Taxation basis	Tax rates
VAT	Sales of goods	16%, 13%, 12%, 10%, 9%
Urban maintenance and construction tax	Paid-in turnover tax	5%
Educational surcharges	Paid-in turnover tax	3%
Local educational surcharges	Paid-in turnover tax	2%
Enterprise income tax	Taxable income	15%, 25%

(II) Description of enterprise income tax rate of different taxpayers:

Name of taxpayer	Income tax rate
Tianye Innovation Corporation	15%
Hainan Dachuan Food Co., Ltd.	25%
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	25%
Hainan Tianye Drinks Food Sales Co. Ltd.	25%
Hubei Iceman Foods Co., Ltd.	25%
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25%
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	25%

(III) Policies and basis of tax preference

1. VAT tax preference

According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article XV (I) Self-produced agricultural products sold by agricultural producers shall be exempted from value-added tax", with the approval of Nanning State Taxation Bureau and Nanning Yongning State Taxation Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, shall be exempted from value-added tax on its own crops and fruits and vegetables, which will be implemented from January 1, 2014.

2. Tax preference for enterprise income tax

(1) Tianye Innovation Corporation

According to Article 2 of the *Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation on Tax Policy Issues Concerning In-depth Implementation of the Strategy of Developing the Western Region* (CS [2011] No. 58), the Company is an encouraged industrial enterprise in the western region. From January 1, 2017 to December 31, 2020, the Company paid enterprise income tax at a reduced rate of 15%.

According to the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council of the People's Republic of China), the *Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax (Trial)* (CS [2008] No. 149) and the provisions on "primary processing of agricultural products shall be exempted from enterprise income tax", the Company's products (quick-frozen pineapple, corn, mango, papaya, seedless passion fruit puree) belong to the primary processing of agricultural products and are exempt from enterprise income tax. The preferential policies for reducing and exempting enterprise income tax have been audited and filed by the State Taxation Bureau of Hepu County (HGSBZ [2013] No. 201), and the preferential enterprise income tax policy has been implemented from January 1, 2012.

(2) Hainan Dachuan Food Co., Ltd.

1) According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, CS [2011] No. 26, GSBF [2011] No. 132, Announcement of State Administration of Taxation (No. 2 [2010]) and Announcement of State Administration of Taxation Announcement (No. 48 [2011]), the puree juice produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, belongs to the primary processing range of agricultural products and is exempt from enterprise income tax. The preferential reduction and exemption of enterprise income tax has been examined and approved by the State Taxation Bureau of Ding'an County, Hainan Province (DGST [2013] No. 258) and has been implemented from January 1, 2011.

2) According to the *Notice on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax* (CS [2008] No. 149) issued by the Ministry of Finance and the State Administration of Taxation, the fruit and vegetable juice products produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, are primary processed products of fruits and vegetables, which have been exempted from enterprise income tax as determined by the State Taxation Bureau of Ding'an County, such exemption has been implemented from January 1, 2013.

(3) Guangxi Tianye Innovation Agricultural Technology Co., Ltd.

According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, GSH [2008] No. 890, GSH [2009] No. 779, CS [2011] No. 26 and Announcement of the State Administration of Taxation (No. 8 [2011]), the fruits planted by Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, has been exempted from enterprise income tax. Preferential policies for reducing and exempting enterprise income tax have been audited and filed by Nanning State Taxation Bureau.

VI. NOTES TO MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

Note 1. Monetary funds

Item	Closing balance	Closing balance of last year
Cash on hand	6,855.47	5,182.32
Bank deposit	256,736,477.57	214,658,850.80
Other monetary funds	853,901.84	5,009,987.21
Total	257,597,234.88	219,674,020.33

The details of the restricted monetary funds are as follows:

Item	Closing balance	Closing balance of last year
Bank deposits used for pledge loans	767,666.71	5,000,000.00
Total	767,666.71	5,000,000.00

Note 2. Accounts receivable

1. *Disclosure of accounts receivable by aging*

Aging	Closing balance	Closing balance of last year
<1 year	52,566,886.06	39,212,043.24
1-2 years	7,277,231.45	4,983,360.36
2-3 years	3,181,123.50	799,097.00
3-4 years	799,097.00	
4-5 years		
>5 years		
Subtotal	63,824,338.01	44,994,500.60
Less: bad debt provision	4,709,952.99	2,698,667.31
Total	59,114,385.02	42,295,833.29

2. *Disclosed by bad debt provision methods*

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02
Including: combination 1	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02
Combination 2					
Total	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29
Including: combination 1	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29
Combination 2					
Total	44,994,500.60	100.00	2,698,667.31	6.00	42,295,833.29

3. Accounts receivable for which provision for bad debts is set aside in portfolios

(1) Combination 1

	Closing balance		
Aging	Accounts receivable	Bad-debt provision	Proportion of provision (%)
<1 year	52,566,886.06	2,628,344.30	5.00
1-2 years	7,277,231.45	727,723.14	10.00
2-3 years	3,181,123.50	954,337.05	30.00
3-4 years	799,097.00	399,548.50	50.00
4-5 years			80.00
>5 years			100.00
Total	63,824,338.01	4,709,952.99	7.38

Contd.:

Aging	Closing balance of last year Accounts receivable	Bad-debt provision	Proportion of provision (%)
<1 year	39,212,043.24	1,960,602.17	5.00
1-2 years	4,983,360.36	498,336.04	10.00
2-3 years	799,097.00	239,729.10	30.00
3-4 years			
4-5 years			
>5 years			
Total	44,994,500.60	2,698,667.31	6.00

4. Provision, recovery or reversal of provision for bad-debt in current period

Category	Opening balance	Changes in current period Provision	Recovery or reversal	Write-off	Other changes	Closing balance
Accounts receivable for which bad debts reserve is set aside individually						
Accounts receivable for which provision for bad debts is set aside in portfolios	2,698,667.31	2,011,285.68				4,709,952.99
Including: combination 1	2,698,667.31	2,011,285.68				4,709,952.99
Combination 2						
Total	2,698,667.31	2,011,285.68				4,709,952.99

5. There is no write-off of accounts receivable in current period.

6. Top five accounts receivable based on debtors

Organization name	Closing balance	Relationship with the Company	Proportion in closing balance of accounts receivable (%)	Provision for bad-debt
Guangzhou Yuekai Trading Co., Ltd.	7,245,240.00	Non-affiliated party	11.35	362,262.00
Hangzhou Haiguo Trading Co., Ltd.	5,613,121.42	Non-affiliated party	8.79	393,493.36
Youdianai (Chuzhou) Healthy Technology Co., Ltd.	4,835,213.50	Non-affiliated party	7.58	336,338.35
Xinfeng Nongfu Spring Beverages Co., Ltd.	4,693,926.00	Non-affiliated party	7.35	234,696.30
Nongfu Spring (Jiande) Xin'anjiang Drinking Water Co., Ltd.	4,615,632.00	Non-affiliated party	7.23	230,781.60
Total	27,003,132.92		42.30	1,557,571.61

Note 3. Prepayments

1. Disclosure of prepayments by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Closing balance of last year Amount	Closing balance of last year Proportion (%)
<1 year	1,667,393.62	78.12	3,310,932.00	99.68
1-2 years	466,979.77	21.88	10,760.49	0.32
2-3 years				
>3 years				
Total	2,134,373.39	100.00	3,321,692.49	100.00

2. Top five prepayments based on the payers

Organization name	Closing balance	Relationship with the Company	Proportion in total advance payment (%)	Reason for unsettlement
Jinglin Industry (Shenzhen) Co., Ltd.	901,636.98	Non-affiliated party	42.24	Transaction pending
Shenzhen Asia Global Logistics Co., Ltd.	407,496.00	Non-affiliated party	19.09	Transaction pending
Zhangjiagang Xujiadong Machinery Equipment Co., Ltd.	113,400.00	Non-affiliated party	5.31	Transaction pending
Zhongshan Yuyong Import & Export Trading Co., Ltd.	105,175.71	Non-affiliated party	4.93	Transaction pending
Huazhong Agricultural University	100,000.00	Non-affiliated party	4.69	Transaction pending
Total	1,627,708.69		76.26	

3. At the end of the period, there are no prepayments with an age of more than one year and an important amount that have not been settled in time

Note 4. Other receivables

Item	Closing balance	Closing balance of last year
Interests receivable		
Dividends receivable		
Other receivables	1,222,410.16	10,166,089.03
Total	1,222,410.16	10,166,089.03

1. Disclosure of other receivables by aging

Aging	Closing balance	Closing balance of last year
<1 year	986,199.92	10,292,375.76
1-2 years	50,033.60	306,500.00
2-3 years	274,000.00	14,380.69
3-4 years	14,380.69	204,831.19
4-5 years	204,831.19	
>5 years	48,000.00	60,000.00
Subtotal	1,577,445.40	10,878,087.64
Less: bad debt provision	355,035.24	711,998.61
Total	1,222,410.16	10,166,089.03

2. Disclosed by bad-debt provision method

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Other accounts receivable for expected credit losses by single provision					
Other accounts receivable for expected credit losses by combination	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16
Including: combination 1					
Combination 2					
Combination 3	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16
Total	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16

Contd.:

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Other accounts receivable for expected credit losses by single provision					
Other accounts receivable for expected credit losses by combination	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03
Including: combination 1					
Combination 2					
Combination 3	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03
Total	10,878,087.64	100.00	711,998.61	6.55	10,166,089.03

3. Other accounts receivable for expected credit losses by combination

(1) Combination 3

Item	Closing balance Other receivables	Bad-debt provision	Proportion of provision (%)
Margin, deposit, advance payment and temporary payment, etc.	1,577,445.40	355,035.24	22.51
Total	1,577,445.40	355,035.24	22.51

Contd.:

Aging	Closing balance of last year Other receivables	Bad-debt provision	Proportion of provision (%)
<1 year	10,292,375.76	514,618.80	5.00
1-2 years	306,500.00	30,650.00	10.00
2-3 years	14,380.69	4,314.21	30.00
3-4 years	204,831.19	102,415.60	50.00
4-5 years			80.00
>5 years	60,000.00	60,000.00	100.00
Total	10,878,087.64	711,998.61	6.55

4. Provision, recovery or reversal of provision for bad-debt in current period

Bad-debt provision	Phase I Expected credit loss in the next 12 months	Phase II Anticipated credit loss in the entire duration (not incurred credit impairment)	Phase III Anticipated credit loss in the entire duration (incurred credit impairment)	Total
Opening balance	711,998.61			711,998.61
Opening balance in current period				
— Converted to the second stage				
— Transferred into phase III			106,729.81	106,729.81
— Transferred back to phase II				
— Reversed to the first stage				
Provision of current period			112,482.07	112,482.07
Reversal of the current period	469,445.44			469,445.44
Write-off of the current period				
Verification of the current period				
Other changes				
Closing balance	135,823.36		219,211.88	355,035.24

5. There is no write-off of other receivables in current period.

6. Category of other receivables by nature

Nature of payment	Closing balance	Closing balance of last year
Transaction payment	327,611.88	10,430,898.78
Margin	331,770.46	210,769.00
Reserve fund	183,384.16	102,638.33
Withholding social security, etc	148,604.07	105,841.53
Others	586,074.83	27,940.00
Total	1,577,445.40	10,878,087.64

7. Top five other receivables based on debtors

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Closing balance of Bad-debt provision
Hepu Yulong Pipeline Gas Co., Ltd.	Others	353,948.79	Non-affiliated party	<1 year	22.44	35,394.88
Fang Henghui (former shareholder of Hubei Iceman Foods Co., Ltd.)	Transaction payment	219,211.88	Non-affiliated party	Within 4 years	13.90	21,921.19
Human Resources and Social Security Bureau of Qujialing Management District, Jingmen City	Margin	200,000.00	Non-affiliated party	<1 year	12.68	20,000.00
Du Jian	Reserve fund	57,639.09	Non-affiliated party	<1 year	3.65	5,763.91
Tang Xiaohui	Others	142,459.03	Non-affiliated party	<1 year	9.03	14,245.90
Total		973,258.79			61.70	97,325.88

Note 5. Inventories

Item	Closing balance Amount	Closing balance Provision for depreciation	Closing balance Book value	Closing balance of last year Amount	Closing balance of last year Provision for depreciation	Closing balance of last year Book value
Raw materials	6,337,615.33	71,400.00	6,266,215.33	3,505,355.49		3,505,355.49
Revolving materials	1,367,004.65		1,367,004.65	787,841.86		787,841.86
Finished goods	41,606,948.47		41,606,948.47	40,140,701.68		40,140,701.68
Delivered goods	1,344,674.74		1,344,674.74	3,029,491.90		3,029,491.90
Outsourced materials						
Goods in process	8,355.53		8,355.53	1,684,905.86		1,684,905.86
Total	50,664,598.72	71,400.00	50,593,198.72	49,148,296.79		49,148,296.79

Note 6. Other current assets

Item	Closing balance	Closing balance of last year
Added-value tax retained	7,730,553.11	3,106,466.75
Input tax with VAT to be certified	3,284.79	8,324,371.61
Payment of enterprise income tax in advance	315,567.74	1,294,608.97
Land lease expense	137,500.00	
Other withholding taxes	2,650,000.28	
Total	10,836,905.92	12,725,447.33

Note 7.Long-term equity investment

		Increase and decrease of current period			
Investee	Opening balance	Additional investment	Decrease in investment	Profits and losses on investments recognized under equity method	Adjustment to other comprehensive incomes
Associated enterprise:					
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	18,924,216.78		1,696,000.00	530,093.22	
Total	18,924,216.78		1,696,000.00	530,093.22	

Contd.:

	Increase and decrease of current period					
Investee	Other equity changes	Declared cash dividend or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Associated enterprise:						
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					17,758,310.00	
Total					17,758,310.00	

Note:

According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2019, it is agreed to refund the Company's investment of RMB1,696,000.

Note 8. Fixed assets

1. Information about fixed assets

Item	Pant and buildings	Machinery and equipment	Vehicles	Office equipment	Other equipment	Total
I. Total original book value						
1. Opening balance	217,388,013.24	109,812,404.23	4,168,007.91	2,576,580.40	395,677.68	334,340,683.46
2. Increase of the current period	86,209,732.19	13,155,378.75	51,440.00	3,056,897.59		102,473,448.53
Acquisition	84,315.34	2,467,687.26	51,440.00	206,897.59		2,810,340.19
Transfers from construction in progress	86,125,416.85	10,687,691.49		2,850,000.00		99,663,108.34
3. Decrease of the current period	1,822,420.00	2,650,310.94	6,450.00	33,808.81		4,512,989.75
Disposal or scrapping	1,822,420.00	1,586,249.41	6,450.00	33,808.81		3,448,928.22
Other transfer-out		1,064,061.53				1,064,061.53
4. Closing balance	301,775,325.43	120,317,472.04	4,212,997.91	5,599,669.18	395,677.68	432,301,142.24
II. Accumulated depreciation						
1. Opening balance	37,199,236.48	54,632,781.76	1,895,398.44	1,564,276.65	318,326.48	95,610,019.81
2. Increase of the current period	8,388,866.67	10,175,151.93	420,253.42	506,791.39	13,801.74	19,504,865.15
Withdrawal	8,388,866.67	10,175,151.93	420,253.42	506,791.39	13,801.74	19,504,865.15
3. Decrease of the current period	872,863.56	2,295,777.41	4,505.99	31,820.89		3,204,967.85
Disposal or scrapping	872,863.56	1,439,355.05	4,505.99	31,820.89		2,348,545.49
Other transfer-out		856,422.36				856,422.36
4. Closing balance	44,715,239.59	62,512,156.28	2,311,145.87	2,039,247.15	332,128.22	111,909,917.11
III. Impairment provision						
1. Opening balance		382,851.13	26,999.88			409,851.01
2. Increase of the current period						
Withdrawal						
3. Decrease of the current period		34,243.85				34,243.85
Disposal or scrapping		34,243.85				34,243.85
Other transfer-out						
4. Closing balance		348,607.28	26,999.88			375,607.16
IV. Total book value						
1. Closing book value	257,060,085.84	57,456,708.48	1,874,852.16	3,560,422.03	63,549.46	320,015,617.97
2. Opening book value	180,188,776.76	54,796,771.34	2,245,609.59	1,012,303.75	77,351.20	238,320,812.64

2. Idle fixed assets at the end of the period

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remarks
Plant and buildings	45,252,012.55	16,078,903.81		29,173,108.74	
Machinery and equipment	798,054.29	758,151.52	25,427.01	14,475.76	
Total	46,050,066.84	16,837,055.33	25,427.01	29,187,584.50	

3. Fixed assets that have not completed the title certificate at the end of the period

Item	Book value	Reasons for incomplete certificates of title
Plant and buildings	10,661,032.40	Coordination in progress
Total	10,661,032.40	

4. Fixed assets for mortgage at the end of the period

See Note 47 for details of the fixed assets mortgaged at the end of the period.

Note 9. Construction in progress

1. Construction in process

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Tianye Nonggu Science and Technology Park Project	98,711,669.49		98,711,669.49	172,918,193.57		172,918,193.57
Fermented juice production line	5,451,159.96	265,943.86	5,185,216.10	5,318,877.28	265,943.86	5,052,933.42
Workshop Reconstruction and Expansion Project				970,157.10		970,157.10
Supporting facilities of characteristic agricultural demonstration area	25,316,119.15		25,316,119.15	25,309,084.15		25,309,084.15
Equipment installation works				297,413.80		297,413.80
Total	129,478,948.60	265,943.86	129,213,004.74	204,813,725.90	265,943.86	204,547,782.04

2. Changes in significant construction in progress of the current period

Project name	Opening balance	Increase of current period	Decrease of current period			Closing balance
			Transferred to productive biological assets	Transferred to fixed assets	Others Decrease	
Tianye Nonggu Science and Technology Park Project	172,918,193.57	20,040,509.66		94,247,033.74		98,711,669.49
Fermented juice production line	5,318,877.28	132,282.68				5,451,159.96
Workshop Reconstruction and Expansion Project	970,157.10	3,936,042.62		4,906,199.72		
Supporting facilities of characteristic agricultural demonstration area	25,309,084.15	7,035.00				25,316,119.15
Equipment installation works	297,413.80			297,413.80		
Total	204,813,725.90	24,115,869.96		99,450,647.26		129,478,948.60

Contd.:

Project name	Budget amount (RMB10,000)	Proportion of project investment in budget (%)	Construction progress (%)	Accumulated amount of capitalization of interest	Include: amount of capitalization of interest of current period	Capitalization rate of interest of current period (%)	Source of fund
Tianye Nonggu Science and Technology Park Project	39,739.33	71.16	71.16		3,097,741.94		Investment Project
Fermented juice production line	546.89	99.68	99.68				Self-raised
Workshop Reconstruction and Expansion Project	490.62	100.00	100.00				Self-raised
Supporting facilities of characteristic agricultural demonstration area	3,513.78	77.85	77.85				Self-raised
Equipment Installation and Reconstruction Project	29.74	100.00	100.00				Self-raised
Total	44,320.36				3,097,741.94		

3. Construction in progress for mortgage at the end of the period

See Note 47 for details of the construction in progress for mortgage at the end of the period.

4. Other descriptions of construction in progress

Notes:

(1) The Tianye Nonggu Science and Technology Park Project is funded by the Company, with a total investment of RMB454,899,100, including RMB104,490,400 for civil works, RMB20,362,100 for ancillary facilities and structures, RMB15,270,000 for land purchase and leveling, RMB257,270,800 for equipment and instrument purchase and installation, RMB500,000 for technology and other investment, RMB7,005,800 for preparation cost and RMB50 million for working capital. (2) The budget of Tianye Nonggu Science and Technology Park Project includes civil works investment, ancillary facilities and structures, land purchase and leveling, equipment and instrument purchase and installation fees.

Note 10. Productive biological assets

1. Productive biological assets measured by cost

Item	Planting industry				
	Passion fruit	Pitaya	Guava	Mango	Total
I. Total original book value					
1. Opening balance	2,990,213.71	1,200,634.81	2,605,289.79	25,228,697.54	32,024,835.85
2. Increase of current period	2,746,324.22			5,003,803.18	7,750,127.40
Purchased					
Self-planted	2,746,324.22			5,003,803.18	7,750,127.40
Increase in corporation merger					
Invested by shareholders					

Item	Planting industry Passion fruit	Pitaya	Guava	Mango	Total
Other transfer-in					
3. Decrease of current period	1,427,797.06				1,427,797.06
Disposal	1,427,797.06				1,427,797.06
Other transfer-out					
4. Closing balance	4,308,740.87	1,200,634.81	2,605,289.79	30,232,500.72	38,347,166.19
II. Accumulated depreciation					
1. Opening balance	1,492,897.75	1,104,207.01	1,953,967.32		4,551,072.08
2. Increase of current period	904,064.48	96,427.80	651,322.47		1,651,814.75
Withdrawal	904,064.48	96,427.80	651,322.47		1,651,814.75
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period	1,427,797.06				1,427,797.06
Disposal	1,427,797.06				1,427,797.06
Other transfer-out					
4. Closing balance	969,165.17	1,200,634.81	2,605,289.79		4,775,089.77
III. Impairment provision					
1. Opening balance					
2. Increase of current period					
Withdrawal					
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance					
IV. Book value					
1. Book value at end of period	3,339,575.70			30,232,500.72	33,572,076.42
2. Book value at beginning of period	1,497,315.96	96,427.80	651,322.47	25,228,697.54	27,473,763.77

2. During the reporting period of productive biological assets, there is no need to make provision for impairment.

Note 11. Intangible assets

Item	Land use right	Patent right	Trademark right	Software	Total
I. Original book value					
1. Opening balance	118,455,340.67	15,485.00	10,900.00	65,540.00	118,547,265.67
2. Increase of current period					
Acquisition					
Internal R&D					
Other transfer-in					
2. Decrease of current period					
Disposal					
Other transfer-out					
3. Ending balance	118,455,340.67	15,485.00	10,900.00	65,540.00	118,547,265.67
II. Accumulated amortisation					
1. Opening balance	11,006,712.10	10,608.40	9,174.13	37,539.96	11,064,034.59
2. Increase of current period	1,823,075.82	770.04	1,089.96	6,999.96	1,831,935.78
Withdrawal	1,823,075.82	770.04	1,089.96	6,999.96	1,831,935.78
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	12,829,787.92	11,378.44	10,264.09	44,539.92	12,895,970.37
III. Impairment provision					
1. Opening balance	20,094,867.93				20,094,867.93
2. Increase of current period					
Withdrawal					
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	20,094,867.93				20,094,867.93
IV. Total book value					
1. Book value at end of period	85,530,684.82	4,106.56	635.91	21,000.08	85,556,427.37
2. Book value at beginning of period	87,353,760.64	4,876.60	1,725.87	28,000.04	87,388,363.15

Note:

See Note 47 for details of intangible assets mortgaged at the end of the period.

Note 12. Goodwill

1. The original book value of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Arising from business combination	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.	17,607,521.44					17,607,521.44
Total	17,607,521.44					17,607,521.44

Calculation process of goodwill: In order to effectively integrate the resources and advantages of both parties, enlarge and strengthen the main business, and form a highly competitive production enterprise of fruit juice and fruit and vegetable products, the Company realized the equity acquisition and business restructuring of Hubei Iceman Foods Co., Ltd. On the purchase date (November 16, 2015); the book value of identifiable net assets of Hubei Iceman Foods Co., Ltd. was RMB-24,361,162.41; the fair value of identifiable net assets based on the purchase date was RMB-17,607,520.44. According to the Equity Merger Agreement signed between the Company and the original shareholders of Hubei Iceman Foods Co., Ltd., the consideration for equity merger was RMB1, so the goodwill formed by this merger was RMB17,607,521.44.

2. Provision for impairment of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Provision	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.	2,749,838.60					2,749,838.60
Total	2,749,838.60					2,749,838.60

Goodwill impairment test process, parameters and recognition method of goodwill impairment loss: Hubei Iceman Foods Co., Ltd. is taken as a separate asset group for impairment test, and the recoverable amount of goodwill impairment test is determined by fair value minus disposal expenses. RMB2,749,838.60 has been withdrawn for goodwill impairment at the beginning of the period. At the end of current period, according to the Appraisal Report (LHZHPBZ (2020) No. 6078) issued by Fujian United Zhonghe Assets Appraisal Land and Real Estate Appraisal Co., Ltd. on March 25, 2020, with the base date of appraisal of December 31, 2019, the goodwill has been tested for impairment; the book value of the asset group including goodwill was RMB43,714,245.61, the recoverable amount of the asset group was RMB67,420,767.28, and the book value of the asset group was less than the recoverable amount of the asset group, so there was no impairment of goodwill.

Note 13. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization for the current period	Other decrease	Closing balance
Land lease expense	10,810,111.35	79,233.00	4,837,098.60		6,052,245.75
Plant Decoration Project	1,211,716.79	570,913.26	486,478.20		1,296,151.85
Other projects in characteristic agricultural demonstration areas	870,559.26	210,384.96			660,174.30
Total	12,892,387.40	650,146.26	5,533,961.76		8,008,571.90

Note 14. Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	4,932,871.27	1,073,518.44	3,384,474.33	744,635.68
Internal unrealized profit	81,315.84	12,197.38		
Deductible losses				
Government grants	1,420,058.66	265,942.49	1,467,779.65	263,027.38
Changes in fair value of long-term equity investment	3,096,720.00	464,508.00	3,096,720.00	464,508.00
Total	9,530,965.77	1,816,166.31	7,948,973.98	1,472,171.06

2. Deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Unrealized losses in internal transactions			457,072.59	114,268.15
Changes in fair value of long-term equity investment				
Total			457,072.59	114,268.15

3. Unrecognized deferred tax assets

Item	Closing balance	Closing balance of last year
Provision for impairment of assets	132,116.96	26,191.64
Deferred income	59,906,618.47	63,323,392.40
Deductible losses	22,743,346.76	22,771,782.22
Total	82,782,082.19	86,121,366.26

Note:

The reason why deferred income tax assets have not been recognized for asset impairment provision was that Guangxi Tianye Venture Agricultural Technology Co., Ltd., a subsidiary of the Company, was exempt from enterprise income tax for fruit planting; the reason why deferred income tax assets have not been recognized for deferred revenue was that Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, was uncertain whether it could obtain enough taxable income in the future; the reason why deferred income tax assets have not been recognized for deductible losses was that Hainan Tianye Drinks Food Sales Co. Ltd., Hubei Iceman Foods Co., Ltd., Hubei Tianye Nonggu Biological Technology Co., Ltd., and Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., which were subsidiaries of the Company, were uncertain whether they could obtain enough taxable income in the future.

4. Deductible losses for which deferred tax assets are not recognised will be expired in the following year

Year	Closing balance	Closing balance of last year
2018		149,449.48
2019		460,015.88
2020	3,207,535.44	3,207,535.44
2021	6,738,381.86	6,738,381.86
2022	6,857,508.13	6,857,508.13
2023	5,358,891.43	5,358,891.43
2024	1581,029.90	
Total	22,743,346.76	22,771,782.22

Note 15. Other non-current assets

Item	Closing balance	Closing balance of last year
Advance payment for Tianye Nonggu Science and Technology Park Project	9,984,510.50	3,019,370.26
Equipment project payment	514,901.90	287,986.90
Total	10,499,412.40	3,307,357.16

Note 16. Short-term loans

Item	Closing balance	Opening balance
Unsecured loans	2,928,894.70	
Pledged loans		5,000,000.00
Mortgage loans	36,000,000.00	36,000,000.00
Mortgaged and guaranteed loans	75,000,000.00	60,000,000.00
Accrued interest on short-term loans	155,833.33	
Total	114,084,728.03	101,000,000.00

Note 1:

RMB113,928,894.70 of the short-term loan balance as of December 31, 2019: 1) Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed an accounts receivable purchase agreement with Shanghai Branch of JPMorgan Chase Bank (China) Co., Ltd., and Hainan Dachuan sold the accounts receivable from customer Coca-Cola Beverage (Shanghai) Co., Ltd. to Shanghai Branch of JPMorgan Chase Bank (China) Co., Ltd.; on the payment due date, Coca-Cola Beverage (Shanghai) Co., Ltd. directly paid the accounts receivable to Shanghai Branch of JPMorgan Chase Bank (China) Co., Ltd. As of December 31, 2019, the total amount of accounts receivable that were not due for payment sold by Hainan Dachuan to Shanghai Branch of JPMorgan Chase Bank (China) Co., Ltd. was RMB2,928,894.70.

2) In July 2019, the Company signed a loan contract (0210700005-2019 (NZ) Z No. 00151) of RMB36 million with Beihai Sub-branch of Industrial and Commercial Bank of China, with a loan period of one year. The mortgaged properties were land use right (HGY (2012) No. 1560), industrial factory buildings and supporting houses (HFQZHPZ No. 017061-017071). In 2013 and 2016, the maximum amount mortgage contract (GYBNZDZ (2013) No. 001) and the change agreement of maximum mortgage contract (GYBNZZGEDYBZ (2016) No. 001) were signed respectively.

3) In December 2018, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd. The credit was granted for three years; the guarantee method was mortgage+guarantee, and the fixed interest rate was 6.8% with the additional integrity deposit of 2%. It also signed a contract (HKNSS/H (Z) 2018 ZBZ No.040), the mortgaged properties were house and state-owned land use right (E (2018) JMSBDCQ No. 0013299), property certificates (DCZZ No. 0005745, DCZZ No. 0005746, DCZZ No. 0005747, DCZZ No. 0005749), land use rights (DAGY (2010) No. 253, DAGY (2008) No. 23), and 56 production machinery equipment and supporting facilities under the name of Hainan Dachuan Food Co., Ltd. It also signed three mortgage contracts (HKNSS/H (Z) 2018 GDZ No. 040-1, HKNSS/H (Z) 2018 GDZ No. 040-2, HKNSS/H (Z) 2018 GDZ No. 040-3), and the guarantors were Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed two guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2). As of December 31, 2019, the short-term loan balance of this contract was RMB75 million.

Note 17. Accounts payable

1. Disclosure of accounts payable by aging

	Closing balance		Closing balance of last year	
Aging	Amount	Proportion (%)	Amount	Proportion (%)
<1 year	30,351,559.30	88.98	13,247,435.00	85.26
1-2 years	1,961,599.60	5.75	1,023,836.71	6.59
2-3 years	650,382.39	1.91	552,693.07	3.56
>3 years	1,146,311.98	3.36	713,926.41	4.59
Total	34,109,853.27	100.00	15,537,891.19	100.00

2. Accounts payable classified by nature

Item	Closing balance	Closing balance of last year
Material purchase payment	25,645,802.70	5,668,113.91
Payment related to expenses	3,433,512.28	2,603,792.52
Equipment and project purchase payment	4,940,770.27	7,234,635.76
Others	89,768.02	31,349.00
Total	34,109,853.27	15,537,891.19

3. Significant accounts payable aged over 1 year

Organization name	Closing balance	Relationship with the Company	Reasons for not been repaid or transferred
Foshan Nanhai District Construction Engineering Co., Ltd.	432,384.75	Non-affiliated party	Uncompleted settlement
Jiangsu Kaiyi Intelligent Technology Co., Ltd.	369,200.00	Non-affiliated party	Uncompleted settlement
Wuhan Quanding Environmental Protection Technology Co., Ltd.	293,767.00	Non-affiliated party	Uncompleted settlement
Zhang Zhiwu	200,000.00	Non-affiliated party	Uncompleted settlement
Wuhan Sentai Environmental Protection Co., Ltd.	200,000.00	Non-affiliated party	Uncompleted settlement
Hunan Xingyu Decoration Co., Ltd.	181,818.18	Non-affiliated party	Uncompleted settlement
Xiamen Heguanxin Cryogenic Equipment Co., Ltd.	160,100.01	Non-affiliated party	Uncompleted settlement
Yang Deping	111,300.00	Non-affiliated party	Uncompleted settlement
Chen Shixin	100,000.00	Non-affiliated party	Uncompleted settlement
Total	2,048,569.94		

4. Top five accounts payable based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total accounts payable (%)	Aging
Shenzhen Shihuida Import & Export Co., Ltd.	Material purchase payment	2,991,375.10	Non-affiliated party	8.77	<1 year
Haikou Guangshunda Packaging Material Co., Ltd.	Material purchase payment	2,573,394.95	Non-affiliated party	7.54	<1 year
Chen Feng	Material purchase payment	2,461,418.00	Non-affiliated party	7.22	<1 year
Dalian Yiheng Import & Export Co., Ltd.	Material purchase payment	1,527,040.00	Non-affiliated party	4.48	<1 year
Wu Changhui	Material purchase payment	1,331,125.00	Non-affiliated party	3.90	<1 year
Total		10,884,353.05		31.91	

Note 18. Advances from customs

1. Disclosure of advances from customs by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Closing balance of last year Amount	Closing balance of last year Proportion (%)
<1 year	2,565,465.15	95.29	1,376,462.69	84.04
1-2 years	51,647.00	1.92	120,579.25	7.36
2-3 years	37,129.45	1.38	140,921.50	8.60
>3 years	38,121.50	1.41		
Total	2,692,363.10	100.00	1,637,963.44	100.00

2. Disclosure of advances from customs by nature

Item	Closing balance	Closing balance of last year
Payment for goods	2,692,363.10	1,637,963.44
Total	2,692,363.10	1,637,963.44

3. Top five advances from customs based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total advance receipts (%)	Aging
Fresh Fruit Juice Co., Ltd.	Payment for goods	1,144,426.19	Non-affiliated party	42.51	<1 year
Hainan Yiluo Technology Co., Ltd.	Payment for goods	433,335.00	Non-affiliated party	16.09	<1 year
He'nan Run'ang Industry Co., Ltd.	Payment for goods	200,850.00	Non-affiliated party	7.46	<1 year
Wuxi Baisite Food Industrial Co., Ltd.	Payment for goods	152,400.00	Non-affiliated party	5.66	<1 year
Shandong Taileyuan Agricultural Technology Co., Ltd.	Payment for goods	103,700.00	Non-affiliated party	3.85	<1 year
Total		2,034,711.19		75.57	

Other descriptions of advance receipts: During the reporting period, the Company had not important advance receipts with more than one-year aging.

Note 19. Payroll and employee benefits payable

1. Payroll and employee benefits payable

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Short-term benefits	3,139,190.38	28,545,412.08	27,967,300.33	3,717,302.13
Post-employment benefits — defined contribution plan	5,405.40	1,717,755.61	1,723,161.01	
Termination benefits		24,200.00	24,200.00	
Total	3,144,595.78	30,287,367.69	29,714,661.34	3,717,302.13

2. Short-term benefits

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	3,109,786.93	26,129,207.94	25,551,710.74	3,687,284.13
Employee welfare	25,679.55	990,571.24	986,232.79	30,018.00
Social insurance contributions	2,079.90	893,796.10	895,876.00	
Including: basic medical insurance	1,663.20	780,190.98	781,854.18	
Work injury insurance	55.80	62,814.51	62,870.31	
Maternity insurance premium	360.90	50,790.61	51,151.51	
Housing funds	1,644.00	479,946.00	481,590.00	
Labor union and employee education costs		51,890.80	51,890.80	
Total	3,139,190.38	28,545,412.08	27,967,300.33	3,717,302.13

3. Defined contribution plan

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Basic pension insurance	5,266.80	1,666,064.13	1,671,330.93	
Unemployment insurance	138.60	51,691.48	51,830.08	
Total	5,405.40	1,717,755.61	1,723,161.01	

Note 20. Taxes payable

Tax items	Closing balance	Closing balance of last year
VAT	931,094.20	1,556,335.03
Enterprise income tax	1,406,938.11	775,023.85
Individual income tax	24,491.89	13,875.57
Urban maintenance and construction tax	46,554.71	75,898.12
Building tax	557,492.95	63,309.90
Land use tax	19,500.00	19,500.00
Education expenses and local surcharges	46,554.71	75,049.42
Stamp duties	45,616.70	3,096.00
Environmental protection tax	3,125.04	3,125.04
Total	3,081,368.31	2,585,212.93

Note 21. Other payables

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	4,160,084.72	2,930,036.25
Total	4,160,084.72	2,930,036.25

1. Disclosure of other payables by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	3,406,181.10	81.88	2,197,587.61	75.00
1-2 years	189,060.98	4.54	302,349.40	10.32
2-3 years	165,275.40	3.97	272,856.61	9.31
>3 years	399,567.24	9.61	157,242.63	5.37
Total	4,160,084.72	100.00	2,930,036.25	100.00

2. Disclosure of other payables by nature

Nature of payment	Closing balance	Opening balance
Miscellaneous project payments	274,942.60	301,710.00
Payment related to expenses	3,486,759.87	2,330,614.79
Transaction payment	128,549.40	59,146.40
Collection and payment	243,601.23	204,652.14
Social security fund, etc	809.62	598.72
Others	25,422.00	33,314.20
Total	4,160,084.72	2,930,036.25

3. Top five other payables based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total other payables (%)	Aging
Shanghai Liqin Logistics Co., Ltd.	Payment related to expenses	715,921.56	Non-affiliated party	17.21	<1 year
Henan Jiankun Supply Chain Management Co., Ltd.	Payment related to expenses	572,020.08	Non-affiliated party	13.75	<1 year
ZHONGXINGHUA CERTIFIED PUBLIC ACCOUNTANTS LLP (Special General Partnership)	Payment related to expenses	566,037.74	Non-affiliated party	13.61	<1 year
Huang Hongkui	Payment related to expenses	422,568.50	Non-affiliated party	10.16	<1 year
Guangxi Beibuwan Xinyong Cold-Chain Logistics Co., Ltd.	Payment related to expenses	368,306.27	Non-affiliated party	8.85	<1 year
Total		2,644,854.15		63.58	

Note 22. Current portion of non-current liabilities

Item	Closing balance	Closing balance of last year
Unsecured loans	30,000,000.00	
Interest payable on non-current capital liabilities due within one year	1,657,741.94	
Total	31,657,741.94	

Note 1:

As of December 31, 2019, the balance of non-current capital liabilities due within one year was RMB30 million: In April 2018, Hubei Tianye Nonggu Biological Technology Co., Ltd., a subsidiary of the Company, signed the *RMB Entrusted Loan Contract* with Wusan Farm Sub-branch of the Agricultural Bank of China. The contract number was 2018002. Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. was the loan principal and provided the Company with loan on credit of RMB30 million, with loan term of 2 years and annual interest rate of 7.20%. As of December 31, 2019, the long-term loan balance of this contract is RMB30 million.

Note 23. Long-term loans

Item	Closing balance	Closing balance of last year
Unsecured loans		30,000,000.00
Interest payable on long-term loans		857,741.94
Total		30,857,741.94

Note 24. Long-term accounts payable

Item	Closing balance	Closing balance of last year
Payment due for long-term equipment	381,371.52	397,555.46
Total	381,371.52	397,555.46

Note 25. Deferred income

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance	Causes
Government grants related to assets	65,075,098.02	1,098,700.00	4,880,120.89	61,293,677.13	See the following note for details
Government grants related to revenues	33,000.00			33,000.00	See the following note for details
Total	65,108,098.02	1,098,700.00	4,880,120.89	61,326,677.13	

1. Deferred revenue related to government grants

Item	Opening balance	Amount of subsidy increased in current period	Amount included in the current profits and losses	Other changes	Closing balance	Pertinent to Assets/Income
Financial subsidy for the development of SME in local characteristic industries in 2012	300,000.00		80,000.00		220,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base	107,692.30		107,692.30			Assets related
Infrastructure support subsidies allocated by the government	37,963,184.40		3,644,465.88		34,318,718.52	Assets related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	395,604.31		65,934.12		329,670.19	Assets related
Financial subsidy for special fruit planting	1,609,600.00				1,609,600.00	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	19,454,705.46	918,700.00	657,392.88		19,716,012.58	Assets related
Technical transformation funds for fruit and vegetable juice pulp production line	400,000.00				400,000.00	Assets related
Special funds for the development of SME in the autonomous region in 2017	1,039,175.31		148,453.56		890,721.75	Assets related
Support funds for grain, agriculture and forestry characteristic industries in the autonomous region in 2016	300,000.00				300,000.00	Assets related
Funds for Rural Tourism Construction Project Phase I	800,000.00				800,000.00	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	462,351.70		119,907.35		342,444.35	Assets related
Subsidies for purchasing agricultural machinery	16,926.00		1,953.00		14,973.00	Assets related
Tax refund	2,225,858.54		40,988.52		2,184,870.02	Assets related
Special funds for energy-saving and circular economy		180,000.00	13,333.28		166,666.72	Assets related
Research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope)	33,000.00				33,000.00	Revenues related
Total	65,108,098.02	1,098,700.00	4,880,120.89		61,326,677.13	

Note:

As of December 31, 2019, the balance of deferred revenue related to government grants was RMB61,326,677.13:

1. According to GCQ [2012] No. 128 "Notice on Issuing Development Funds for Small and Medium-sized Enterprises in Local Characteristic Industries in 2012" issued by Finance Department of Guangxi Zhuang Autonomous Region, the Company received special funds of RMB800,000 for the development of SME from Hepu County Finance Bureau on October 16, 2012 for fruit and vegetable processing projects, and amortization was divided into 10 years according to the life of asset depreciation.

2. According to NCN [2015] No. 164 "Notice of Nanning Finance Bureau on Appropriating Funds for Agricultural Products Standardization Construction Project in 2015" issued by Nanning Finance Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received a subsidy of RMB700,000.00 for the construction of agricultural products standardization demonstration base from Yongning District Agriculture, Forestry and Water Conservancy Bureau of Nanning City on February 5, 2016 and April 19, 2016 respectively. After the acceptance, the remaining amortization period of productive biological assets was determined to be 39 months.

3. According to the "Letter on Subsidizing Infrastructure Support for Comprehensive Development of Production and Processing of Fruits and Vegetables and Quick-frozen Fruits and Vegetables in Hubei Iceman Foods Co., Ltd." issued by Qujialing Management District of Jingmen City on February 9, 2012, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received a total of RMB61,910,003.68 of government infrastructure support subsidies in 2012 and 2013, with the assets amortization life of 20 years.

4. According to *QCQ [2014] No. 2041* "Notice on the Allocation of Funds for the Project Construction of Hainan Export Food and Agricultural Product Quality and Safety Demonstration Zone in 2014" issued by Hainan Provincial Department of Finance, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, received a subsidy fund of RMB500,000.00 for quality and safety demonstration area of export food and agricultural products in Hainan Province on May 14, 2015. The Company amortized this government grant according to the depreciation life of assets.

5. According to the agricultural industrialization development and support work plan of Yongning District, Nanning City in 2016, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received the financial subsidy fund of RMB1,609,600 for newly planted special fruits from Pumiao Town People's Government of Yongning District of Nanning City, which was amortized according to the mature service life of productive biological assets after acceptance.

6. According to the *Interim Measures for Financial Funds to Support Industrial Development in Qujialing Management District*, as of December 31, 2019, Hubei Tianye Nonggu Biological Technology Co., Ltd., a subsidiary of the Company, received a total of RMB20,482,090.97 support funds for infrastructure allocated by the Management Committee of Qujialing Economic Development Zone of Hubei Province, and the Company amortized the such subsidy according to the depreciation life of assets.

7. According to the fixed assets investment plan of Hubei Province in 2016, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received RMB400,000 from the Development and Reform Bureau of Qujialing Management District of Jingmen City for technical transformation of fruit and vegetable juice pulp production line. As of the end of the reporting period, the project had not been completed.

8. According to the second batch of special funds for the development of SME in the autonomous region in 2017 (dry and preserved fruit and vegetable processing production line project) in [2017] No. 21 document of Finance Bureau of Hepu County, Guangxi Zhuang Autonomous Region and the document of Finance Department of Guangxi Zhuang Autonomous Region, the Company received a development special fund subsidy of RMB1,200,000 on December 4, 2017, and such subsidy was amortized according to the depreciation life of assets.

9. According to GCN [2015] No. 226 "Notice on Organizing the Application of Supporting Funds for Food, Agriculture and Forestry Advantageous Industries in the Autonomous Region in 2016" issued by Region Finance Department Document of Guangxi Zhuang Autonomous, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB300,000 of support funds for food, agriculture and forestry advantageous industries in the autonomous region in 2016 from Yongning District Agriculture and Forestry Water Conservancy Bureau of Nanning on September 20, 2017, which was amortized according to the mature service life of productive biological assets after acceptance.

10. According to the "Notice on Printing and Distributing the Implementation Plan for the Construction of Tourist Toilets in Yongning District in 2017" issued by the Office of the People's Government of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received

RMB800,000 of fund for Rural Tourism Construction Project Phase I from Nanning Yongning District Cultural Press, Publication and Sports Bureau on December 8, 2017 and December 27, 2017, which was amortized according to the assets depreciation life after acceptance.

11. According to the *Implementation Plan for the Establishment of Yongning Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone* (YBF [2014] No. 44), Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB4,797,362 of fund related to construction of Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone in Yongning District, Nanning City from Yongning District Agriculture and Forestry Water Conservancy Bureau on June 7, 2017. The Company amortized such government grant according to the income and assets.

12. According to the document "Notice of the Office of the Agricultural Department of Hubei Province on the Implementation of Agricultural Machinery Purchase Subsidy in 2017" issued by the Office of the Agricultural Department of Hubei Province, Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd., a subsidiary of the Company, received a subsidy of RMB19,530 for purchase of agricultural machinery from the Agricultural Water Bureau of Qujialing Management District of Jingmen City on December 11, 2017, and the company amortized this government grant according to the depreciation life of assets.

13. According to the *Notice on Accelerating the Development of Headquarters Economy in Qujialing Management District*, Hubei Iceman Foods Co., Ltd., a subsidiary of the Company, received a tax subsidy of RMB2,256,600 from the Finance Bureau of Qujialing Management District in Jingmen City on February 2018, and the Company amortized the such subsidy according to the amortization life of assets.

14. According to *QCJ [2018] No. 1954* "*On Allocating Special Funds for Energy-saving and Circular Economy in 2018*" issued by Hainan Provincial Department of Finance, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, received a special fund of RMB180,000 for 2018 energy-saving and circular economy from Ding'an County Industrial Information and Science & Technology Bureau in May 2019. The Company amortized this government grant according to the depreciation life of assets.

15. According to YFF [2017] No. 7 "Notice on Issuing the First Batch of Scientific Research and Technology Development Projects (Subjects) in Yongning District, Nanning City in 2017" issued by the Finance Bureau of Yongning District, Nanning City, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, received RMB33,000 of fund for research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope) from the Treasury Centralized Payment Center in Yongning District, Nanning City on December 5, 2017; such fund was included in the current profits and losses after acceptance.

Note 26. Share capital

		Changes in the current period, increase (+) and decrease (-)					
Item	**Opening balance**	**New shares issued**	**Share donation**	**Capitalization of capital reserve**	**Others**	**Subtotal**	**Closing balance**
Number of shares	240,000,000.00						240,000,000.00

Note 27. Capital reserves

Item	**Opening balance**	**Increase of current period**	**Decrease of current period**	**Closing balance**
Capital premium	244,109,726.71			244,109,726.71
Other capital reserves	2,190,367.24			2,190,367.24
Total	246,300,093.95			246,300,093.95

Note 28. Other comprehensive income

	Amount of current period								
Item	Opening balance	Incurred amount before income tax of current period	Less: transferring other comprehensive income recorded in the previous period into the losses and profits of current period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Less: carry-over amount	Changes caused by remeasurement and re-definition of benefit plan	Closing balance
I. Other comprehensive income not allowed to be re-classified into profits and losses	-2,632,212.00								-2,632,212.00
1. Changes caused by remeasurement and re-definition of benefit plan									
2. Other comprehensive profits that cannot be transferred into profit and loss under the equity method	-2,632,212.00								-2,632,212.00
II. Other comprehensive income allowed to be re-classified into profits and losses									
1. Other comprehensive income that can be converted into losses and profits under the equity law									
2. Gains and losses from changes in fair value of available-for-sale financial assets									
3. Profits and losses of salable financial asset re-classified from the investments which will be held to their maturity									
4. Losses and profits of cash flow hedging in force									
5. Balance arising from the translation of foreign currency statements									
6. Disposal income generated by a package of disposal subsidiaries before losing control									
7. Conversion of other assets into investment real estate measured by fair value model									
Total amount of other comprehensive incomes	-2,632,212.00								-2,632,212.00

Note 29. Surplus reserve

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Statutory surplus reserves	11,042,103.18	325,797.85		11,367,901.03
Total	11,042,103.18	325,797.85		11,367,901.03

Note:

The surplus reserve refers to the statutory surplus reserve accrued according to 10% of the net profit of the parent company.

Note 30. Undistributed profits

Changes in undistributed profits

Item	Amount	Proportion of withdrawal or allocation *(%)*
Undistributed profits at the end of last year before adjustment	228,492,567.81	—
Total undistributed profit at the beginning of adjustment (increase +, decrease -)		—
Undistributed profits at the beginning of the period after adjustment	228,492,567.81	—
Add: net profit attributable to owner of parent company in current period	24,381,734.95	—
Less: withdrawal of statutory surplus reserves	325,797.85	According to 10% of the parent company's net profit
Withdrawal of discretionary surplus reserves		
Common stock dividends payable		
Common stock dividends converted into share capital		
Other distributions to shareholders		
Other profits distribution		
Other internal carry-over of owner's equity		
Undistributed profits at the end of the period	252,548,504.91	

Note 31. Operating income and operating costs

1. Operating income, operating costs

Item	Amount of current period		Amount of last period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	290,342,840.35	211,831,531.96	258,435,753.75	181,881,408.84
Others				
Total	290,342,840.35	211,831,531.96	258,435,753.75	181,881,408.84

2. Principal operating activities (by products)

Product name	Amount of current period		Amount of last period	
	Operating income	Operating cost	Operating income	Operating cost
Raw fruit juice	127,504,764.37	88,249,368.02	103,217,845.09	64,136,028.46
Quick-frozen fruit and vegetable	48,326,820.93	37,554,041.51	48,377,896.55	33,684,603.56
Fresh fruit	14,629,684.92	5,972,757.12	15,421,293.00	6,255,783.93
Others	99,881,570.13	80,055,365.31	91,418,719.11	77,804,992.89
Total	290,342,840.35	211,831,531.96	258,435,753.75	181,881,408.84

3. Operating income of the top five customers of the Company

Customer	Amount of current period	Proportion in the Company's total operating income *(%)*
Guangdong Nanfenghang Agriculture Investment Co., Ltd.	66,436,018.36	22.88
Nongfu Spring *(Note)*	35,614,214.62	12.27
Fresh Fruit Juice *(Note)*	19,778,297.33	6.81
Coca-cola *(Note)*	11,973,207.69	4.12
Shanghai Zhaoyi Trading Co., Ltd.	9,972,382.21	3.43
Total	143,774,120.21	49.51

Contd.

Customer	Amount of last period	Proportion in the Company's total operating income *(%)*
Guangdong Nanfenghang Agriculture Investment Co., Ltd.	40,149,013.99	15.54
Fresh Fruit Juice *(Note)*	23,494,532.65	9.09
Nongfu Spring *(Note)*	18,937,855.37	7.33
Gerui Juice Industry (Tianjin) Co., Ltd.	9,226,457.99	3.57
Wahaha *(Note)*	18,331,538.08	3.23
Total	100,139,398.08	38.76

Note:

Fresh Fruit Juice, Nongfu Spring and Coca-cola customers implement centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 32. Taxes and surcharges

Taxes	Amount of current period	Amount of last period
Urban construction tax	509,679.12	615,340.97
Educational surcharges	305,807.47	369,204.50
Local educational surcharges	203,871.64	238,470.51
Stamp duties	123,576.10	185,626.70
Building tax	1,775,711.89	1,516,825.82
Land use tax	749,968.51	1,041,688.01
Environmental protection tax	12,500.16	11,969.43
Other taxes and costs	8,543.59	8,113.66
Total	3,689,658.48	3,987,239.60

Note 33. Selling expenses

Item	Amount of current period	Amount of last period
Warehousing and logistics expenses	7,817,870.17	8,400,514.39
Labor expenses	1,383,592.48	1,038,865.51
Advertising and promotion expenses	7,964,012.06	370,833.24
Others	684,931.54	390,837.83
Total	17,850,406.25	10,201,050.97

Note 34. General and administrative expenses

Item	Amount of current period	Amount of last period
Labor expenses	11,305,923.83	11,017,566.84
Office expense	2,116,370.19	2,166,964.72
Depreciation and amortization	10,951,832.34	9,353,188.10
Agency service expenses	2,510,396.08	4,888,656.41
Business reception expenses	1,165,283.86	909,582.87
Traveling expenses	414,615.14	639,302.05
Taxes	133,583.80	
Others	1,720,505.01	2,520,796.17
Total	30,184,926.45	31,629,640.96

Note 35. Research and development expenses

Item	Amount of current period	Amount of last period
Direct input costs	273,908.67	387,158.22
Personnel and labor cost	1,246,199.49	1,076,479.23
Depreciation and amortization	78,551.28	71,553.18
Equipment commissioning fee and testing fee		796.70
Entrusted external R&D expenses		194,774.76
Total	1,598,659.44	1,730,762.09

Note 36. Financial expenses

Item	Amount of current period	Amount of last period
Interest expense	6,475,446.39	2,316,078.80
Less: interest revenue	835,240.91	585,908.38
Net income and loss from exchange	-39,108.59	-5,162.77
Others	200,196.44	43,109.61
Total	5,801,293.33	1,768,117.26

Note 37. Other incomes

1. Details of other incomes

Item	Amount of current period	Amount of last period
Government grants	6,769,495.52	5,949,486.80
Total	6,769,495.52	5,949,486.80

2. Government grants recorded into other incomes

Item	Amount of current period	Amount of last period	Assets related Revenues related
Financial subsidy for the development of SME in local characteristic industries in 2012	80,000.00	80,000.00	Assets related
Subsidy for the construction of agricultural product standardization demonstration base	107,692.30	215,384.62	Assets related
Infrastructure support subsidies allocated by the government	3,644,465.88	3,644,465.88	Assets related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	65,934.12	65,934.12	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	657,392.88	108,685.51	Assets related
Special funds for the development of SME in the autonomous region in 2017	148,453.56	148,453.56	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	119,907.35	543,284.06	Assets related
Special funds for energy-saving and circular economy	13,333.28		Assets related
Subsidies for purchasing agricultural machinery	1,953.00	1,953.00	Assets related
Grants for stable position	19,776.00	16,562.00	Revenues related
Logistics support funds	60,000.00		Revenues related
Special funds subsidy for foreign trade and economic development		7,136.00	Revenues related
Special funds for foreign trade and economic development subsidies for logistics projects outside the region		110,000.00	Revenues related
Famous Brand Quality Award of Beihai Municipal Bureau of Quality and Technical Supervision		50,000.00	Revenues related
Subsidies for “Three Products and One Mark” certification project	21,000.00		Revenues related
“Beautiful Beihai Rural Construction” Fund of Hepu Industry and Information Technology Committee		40,000.00	Revenues related
Exhibition subsidy for product exhibition		4,832.00	Revenues related
Return of individual income tax service changes	9,569.28	7,726.59	Revenues related
Tax refund	1,806,517.87	905,069.46	Pertinent to Assets/Income
Tax preference for retired soldiers employment	13,500.00		Revenues related
Total	6,769,495.52	5,949,486.80	

Note 38. Investment revenue

1. Details of investment revenue

Source of investment revenue	Amount of current period	Amount of last period
Income from long-term equity investments under equity method	530,093.22	-3,219,330.68
Total	530,093.22	-3,219,330.68

Note:

The long-term equity investment revenue accounted by the equity method is the profits or losses that the Company should enjoy from the investment in Tianjin Fangfu Tianye Investment Center (Limited Partnership) according to the share agreed in the partnership agreement.

Note 39. Credits impairment losses

Item	Amount of current period	Amount of last period
Bad debt provision	-1,654,322.31	
Total	-1,654,322.31	

Note 40. Asset impairment losses

Item	Amount of current period	Amount of last period
Bad debt provision		-250,086.15
Written-down of inventories	-71,400.00	
Total	-71,400.00	-250,086.15

Note 41. Assets disposal income

Item	Amount of current period	Amount of last period
Revenue from disposal of biological assets		-1,868,405.19
Income from fixed assets disposal	-12,202.60	-332,511.42
Incomes of disposal of intangible assets		
Total	-12,202.60	-2,200,916.61

Note 42. Non-operating income

Item	Amount of current period	Amount of last period
Government grants not related to the daily activities of the Company	810,000.00	225,000.00
Income from liquidated damages	12,669.88	25,885.42
Unpayable payment	104,360.38	100,000.00
Penalty income	900.00	
Others	49,240.00	256.04
Total	976,270.26	352,041.46

1. Amount included in non-recurring profits and losses of each period

Item	Amount of current period	Amount of last period
Government grants not related to the daily activities of the Company	810,000.00	225,000.00
Income from liquidated damages	12,669.88	25,885.42
Unpayable payment	104,360.38	100,000.00
Penalty income	900.00	
Others	49,240.00	256.04
Total	976,270.26	352,041.46

2. Government grants included in current profits and losses

Subsidy item	Amount of current period	Amount of last period	Pertinent to Assets/Income
Award for three-star rural tourist area		200,000.00	Revenues related
Training subsidy for agricultural technology promotion		15,000.00	Revenues related
Fund subsidy for drought relief	10,000.00	10,000.00	Revenues related
Tax incentive	200,000.00		
Award for tourism industry	400,000.00		
Award for AAA-level scenic spot	200,000.00		
Total	810,000.00	225,000.00	

Note 43. Non-operating expenses

Item	Amount of current period	Amount of last period
Donation outlay	23,016.89	100,000.00
Penalties and fines for delaying payment	85,367.03	670.52
Scrap loss of current assets	124,761.35	450,363.42
Scrap loss of non-current assets	3,540.86	18,681.00
Others	3,771.49	29,189.57
Total	240,457.62	598,904.51

1. The amounts included in the non-recurring profits and losses of each period are listed as follows:

Item	Amount of current period	Amount of last period
Donation outlay	23,016.89	100,000.00
Penalties and fines for delaying payment	85,367.03	670.52
Scrap loss of current assets	124,761.35	450,363.42
Scrap loss of non-current assets	3,540.86	18,681.00
Others	13,771.49	29,189.57
Total	240,457.62	598,904.51

Note44. Income tax expense

Item	Amount of current period	Amount of last period
Current tax expenses	1,760,369.36	3,084,603.10
Deferred tax expense	-458,263.40	243,336.54
Total	1,302,105.96	3,327,939.64

1. Reconciliation of income tax expenses to the accounting profit

Item	Amount of current period	Amount of last period
Total profits	25,683,840.91	27,269,824.34
Income tax expense calculated at statutory/applicable tax rate	3,852,576.14	4,090,473.65
Effect of different tax rates applicable to subsidiaries	2,568,384.09	2,726,982.43
Effect of adjustment to income tax of prior periods		134,249.88
Effect of non-taxable income	-4,508,210.04	-4,779,167.37
Effect of non-deductible costs, expenses and losses	255,008.50	190,929.10
Effect of using deductible losses for which deferred tax assets were previously not recognised	-1,000,161.69	-250,020.09
Effect of deductible temporary differences or deductible losses unrecognized in the current period	134,508.96	1,214,492.04
Income tax expense	1,302,105.96	3,327,939.64

Note 45. Notes to items of cash flow statement

1. Cash received relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	2,693,013.02	777,523.81
Government grants	4,047,564.25	1,361,256.59
Credit interest	835,240.91	585,908.38
Other income	61,909.88	26,641.46
Total	7,637,728.06	2,751,330.24

2. Cash paid relating to other operating activities

Item	Amount of current period	Amount of last period
Transaction payment	2,739,671.09	10,211,739.17
Cash payment	24,651,309.44	20,186,028.14
Reserve fund	80,745.83	102,638.33
Total	27,471,726.36	30,500,405.64

3. Cash received relating to other financing activities

Item	Amount of current period	Amount of last period
Loan deposit	5,575,555.58	
Discount of accounts receivable	13,490,626.82	
Total	19,066,182.40	

4. Cash paid relating to other financing activities

Item	Amount of current period	Amount of last period
Loan deposit	1,316,000.07	5,000,000.00
Total	1,316,000.07	5,000,000.00

Note 46. Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary materials	Amount of current period	Amount of last period
1. Cash flows converted from net profits for business operation activities:		
Net Profit	24,381,734.95	23,941,884.70
Plus: provision for credit impairment	1,654,322.31	
Provision for impairment of assets	71,400.00	250,086.15
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	21,156,679.90	20,706,105.43
Amortization of intangible assets	1,831,935.78	1,840,225.16
Amortization of long-term deferred expenses	5,533,961.76	5,459,627.72
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by "-")	12,202.60	2,200,916.61
Losses on retirement of fixed assets (gain is indicated by "-")	3,540.86	18,681.00
Loss on changes in fair value (gain is indicated by "-")		
Financial expenses (gain is indicated by "-")	7,195,450.43	3,216,078.80
Losses arising from investments (gain is indicated by "-")	-530,093.22	3,219,330.68
Decrease in deferred tax assets (increase is indicated by "-")	-343,995.25	129,068.39
Increase in deferred tax liabilities (decrease is indicated by "-")	-114,268.15	114,268.15
Decrease in inventory (increase is indicated by "-")	-1,516,301.93	4,278,777.47
Decrease in receivables from operating activities (increase is indicated by "-")	-6,690,028.48	4,710,678.16
Increase in payables from operating activities (decrease is indicated by "-")	13,363,370.38	-19,073,117.34
Others		
Net cash flows from operating activities	66,009,911.94	51,012,611.08
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 acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	256,829,568.17	214,674,020.33
Less: opening balance of cash	214,674,020.33	211,052,482.61
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalent		
Net increase in cash and cash equivalents	42,155,547.84	3,621,537.72

2. Composition of cash and cash equivalent

Item	Amount of current period	Amount of last period
I. Cash	256,829,568.17	214,674,020.33
Include: cash on hand	6,855.47	5,182.32
Bank deposit ready for payment at any time	256,736,477.57	214,658,850.80
Other monetary fund ready for payment at any time	86,235.13	9,987.21
II. Cash equivalents		
Including: bond investments due in three months		
III. Closing balance of cash and cash equivalents	256,829,568.17	214,674,020.33
Including: restricted cash and cash equivalents used by parent company or subsidiaries	767,666.71	5,000,000.00

Note 47. Assets with restricted ownership or right of use

Item	Closing book value	Reasons for being restricted
Other monetary funds	767,666.71	Loan deposit
Fixed assets	129,749,116.28	Mortgage loan
Intangible assets	19,615,568.22	Mortgage loan
Total	150,132,351.21	

Note:

Please refer to Note VI “Note 16 Short-term loan” for details of mortgage loan.

Note 48. Government grants

Type	Amount	Listed Items	Amount included in the profits and losses of current period
Financial subsidy for the development of SME in local characteristic industries in 2012	800,000.00	Deferred income	80,000.00
Subsidy for the construction of agricultural product standardization demonstration base	700,000.00	Deferred income	107,692.30
Infrastructure support subsidies allocated by the government	61,910,003.68	Deferred income	3,644,465.88
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	500,000.00	Deferred income	65,934.12
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	20,482,090.97	Deferred income	657,392.88
Special funds for the development of SME in the autonomous region in 2017	1,200,000.00	Deferred income	148,453.56
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	4,797,362.00	Deferred income	119,907.35
Subsidies for purchasing agricultural machinery	19,530.00	Deferred income	1,953.00
Tax refund related to assets	2,256,600.00	Deferred income	40,988.52
Special funds for energy-saving and circular economy	180,000.00	Deferred income	13,333.28
Grants for stable position	19,776.00	Other incomes	19,776.00
Logistics support funds	60,000.00	Other incomes	60,000.00
Subsidies for "Three Products and One Mark" certification project	21,000.00	Other incomes	21,000.00
Return of individual income tax service changes	9,569.28	Other incomes	9,569.28
Tax refund related to income	1,765,529.35	Other incomes	1,765,529.35
Tax preference for retired soldiers employment	13,500.00	Other incomes	13,500.00
Financial discount	720,000.00	Financial expenses	720,000.00
Fund subsidy for drought relief	10,000.00	Non-operating income	10,000.00
Tax incentive	200,000.00	Non-operating income	200,000.00
Award for tourism industry	400,000.00	Non-operating income	400,000.00
Award for AAA-level scenic spot	200,000.00	Non-operating income	200,000.00

VII. Changes of the scope of consolidation

(I) Business combination involving entities not under common control

During the reporting period, there was no business combination involving entities not under common control.

(II) Business combination involving entities under common control

During the reporting period, there was no business combination under common control.

(III) Reverse acquisition

During the reporting period, there was no reverse acquisition.

(IV) Disposal of subsidiaries

During the reporting period, the Company did not dispose of its subsidiaries.

(V) Changes in the consolidation scope due to other reasons

During the reporting period, the Company did not change the scope of consolidation due to other reasons.

VIII. Equity in other Entities

(I) Equity in subsidiaries

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Shareholding ratio (%) Indirectly	Acquisition method
Hainan Dachuan Food Co., Ltd.	Ding'an, Hainan	Ding'an, Hainan	Processing and sales of agricultural products	100.00		Business combination not under the same control
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Nanning, Guangxi	Nanning, Guangxi	Agricultural planting and sales, technology R&D promotion and achievement transfer	100.00		Established through investment
Hainan Tianye Drinks Food Sales Co. Ltd.	Ding'an, Hainan	Ding'an, Hainan	Sales of fruit food and drink	100.00		Established through investment
Hubei Iceman Foods Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Processing and sales of agricultural products	100.00		Business combination not under the same control
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	R&D, production and sales of agricultural products	100.00		Established through investment

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Agricultural planting and sales	100.00		Established through investment

(II) Equity in associates

1. Significant associates

(1) General information

Name of associates	Main place of business	Registered address	Business nature	Shareholding ratio (%)		Accounting treatment for associates
				Directly	Indirectly	
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	Tianjin	Tianjin	Investment in modern agriculture, food industry, commercial chain industry and mobile internet industry; investment consulting.	99.00		Equity method

(2) Explanation that the shareholding ratio in the associated enterprise is different from the voting right ratio

Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership. According to the partnership agreement, Tianjin Fangfu Tianye Investment Center (Limited Partnership) has set up an Investment Decision-making Committee, which consists of five members, including four representatives appointed by the general partner and one member elected by the limited partner. Investment Decision-making Committee is responsible for the final decision-making of partnership investment, and the investment decision-making can only be implemented by unanimous approval of all members. The resolutions of the Investment Decision-making Committee shall be implemented by the general partner and shall be legally binding on the partnership enterprise. The voting system of the Investment Decision-making Committee is one vote for one person, and the Investment Decision-making Committee shall implement the related party avoidance voting system in the process of investment decision-making. Therefore, the voting ratio of the Company to Tianjin Fangfu Tianye Investment Center (Limited Partnership) is different from the shareholding ratio.

2. Main financial information of important associates

Item	December 31, 2019/2019 Tianjin Fangfu Tianye Investment Center (Limited Partnership)	December 31, 2018/2018 Tianjin Fangfu Tianye Investment Center (Limited Partnership)
Current assets	1,297,450.37	2,741,574.39
Non-current assets	16,872,000.00	16,872,000.00
Total assets	18,169,450.37	19,613,574.39
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority shareholders' equity		
Shareholder's equity attributable to the parent company	18,169,450.37	19,613,574.39
Net asset share calculated in accordance with shareholding ratio	17,987,755.87	19,417,438.65
Adjustment items		
— Goodwill		
— Unrealized profits in internal transaction		
— Others	-229,445.87	-493,221.87
Book value of equity investment in associated enterprises	17,758,310.00	18,924,216.78
Fair value of equity investment with public offer		
Operating income		
Net Profit	535,447.70	-3,251,849.17
Net profits under discontinued operation		
Other comprehensive income		-3,128,000.00
Total comprehensive income	535,447.70	-6,379,849.17
Dividends received from associated enterprises in the current period		

Note:

According to the partnership agreement, the investment revenue of Tianjin Fangfu Tianye Investment Center (Limited Partnership) is distributed according to individual project, and the investment revenue of individual projects = the profit distribution part of the investee + the revenue realized by the investee, assets or shares through listing, resale, secondary acquisition, etc. — the investment cost of individual project; loss sharing: (1) If the amount of loss incurred due to normal investment matters is not greater than the actual contribution of the partner, the loss shall be borne according to the actual contribution ratio of the partner. (2) If the loss incurred due to normal investment matters is greater than the actual contribution of the partners, it shall be borne by the general partners, unless otherwise agreed by all partners. (3) All losses due to reasons other than normal investment matters shall be borne by the general partner, unless otherwise agreed by all partners.

IX. Risk Disclosure Related to Financial Instruments

The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and bears the ultimate responsibility for them. The management manages and monitors these risks to ensure that the risks are controlled within a limited range. The Company's main financial instruments include accounts receivable, accounts payable, loans, etc. Please refer to the relevant items in this note for details of various financial instruments. The risks related to these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows:

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

The objective of risk management of the Company is to strike a proper balance between risks and benefits, reduce the negative impact of risks on the operating performance of the Company to the lowest level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze various risks faced by the company, establish an appropriate risk tolerance bottom line, supervise various risks in a timely and reliable manner, and formulate risk management policies to reduce risks as much as possible without excessively affecting the competitiveness and resilience of the Company.

(I) Credit risk

The credit risk of the Company mainly comes from monetary funds, accounts receivable and other receivables. The management has formulated appropriate credit policies and continuously monitored the exposure of these credit risks.

The monetary funds held by the Company are mainly deposited in large commercial banks and other financial institutions, and the management thinks that these commercial banks have high reputation and asset status and low credit risk.

For accounts receivable and other receivables, the Company sets relevant policies to control credit risk exposure. The Company evaluates the customer's credit qualification and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantee from a third party, credit history and other factors such as the current market situation. The Company will regularly monitor customer credit records to ensure that the overall credit risk of the Company is within the controllable range.

As of December 31, 2019, the book balance and expected credit impairment losses of related assets are as follows:

Aging	Book balance	Impairment provision
Accounts receivable	63,824,338.01	4,709,952.99
Other receivables	1,577,445.40	355,035.24
Total	65,401,783.41	5,064,988.23

(II) Liquidity risk

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

In order to control this risk, the Company comprehensively uses various financing means such as bank loans and adopts a combination of long-term and short-term financing to optimize the financing structure and maintain the continuity and flexibility of financing. The Company has obtained bank credit lines from a number of banks to meet working capital requirements and capital expenditure.

As of December 31, 2019, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Closing balance			
Item	**Net book amount**	**Original book value**	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**
Monetary funds	256,829,568.17	256,829,568.17	256,829,568.17			
Accounts receivable	59,114,385.02	63,824,338.01	52,566,886.06	7,277,231.45	3,181,123.50	799,097.00
Other receivables	1,222,410.16	1,577,445.40	986,199.92	50,033.60	274,000.00	267,211.88
Subtotal	317,166,363.35	322,231,351.58	310,382,654.15	7,327,265.05	3,455,123.50	1,066,308.88
Short-term loans	114,084,728.03	114,084,728.03	114,084,728.03			
Accounts payable	34,109,853.27	34,109,853.27	30,351,559.30	1,961,599.60	650,382.39	1,146,311.98
Other payables	4,160,084.72	4,160,084.72	3,406,181.10	189,060.98	165,275.40	399,567.24
Subtotal	152,354,666.02	152,354,666.02	147,842,468.43	2,150,660.58	815,657.79	1,545,879.22

As of December 31, 2018, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Opening balance			
Item	**Net book amount**	**Original book value**	**<1 year**	**1-2 years**	**2-3 years**	**>3 years**
Monetary funds	219,674,020.33	219,674,020.33	219,674,020.33			
Accounts receivable	42,295,833.29	44,994,500.60	39,212,043.24	4,983,360.36	799,097.00	
Other receivables	10,166,089.03	10,878,087.64	10,292,375.76	306,500.00	14,380.69	264,831.19
Subtotal	272,135,942.65	275,546,608.57	269,178,439.33	5,289,860.36	813,477.69	264,831.19
Short-term loans	101,000,000.00	101,000,000.00	101,000,000.00			
Accounts payable	15,537,891.19	15,537,891.19	13,247,435.00	1,023,836.71	552,693.07	713,926.41
Other payables	2,930,036.25	2,930,036.25	2,197,587.61	302,349.40	272,856.61	157,242.63
Subtotal	119,467,927.44	119,467,927.44	116,445,022.61	1,326,186.11	825,549.68	871,169.04

(III) Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to the change of market price, which mainly includes foreign exchange risk and interest rate risk.

1. Foreign exchange risk

During the reporting period, the Company's operations gradually faced foreign countries, and its export business was mainly settled in US dollars. The foreign currency assets and liabilities and future foreign currency transactions (the foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) recognized by the Company have foreign exchange risks. The financial department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the foreign exchange risks faced; therefore, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risks.

(1) The Company has not signed any forward foreign exchange contracts or currency swap contracts this year;

(2) As of December 31, 2019, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is as follows:

	Closing balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	959.16			959.16
Subtotal	959.16			959.16

Contd.:

	Closing balance of last year			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	235,460.02			235,460.02
Subtotal	235,460.02			235,460.02

2. Interest rate risk

The Company's interest rate risk is mainly caused by the financial liabilities with floating interest rate of bank loans, which make the Company face cash flow interest rate risk, while the financial liabilities with fixed interest rate make the Company face fair value interest rate risk. The Company determines the relative proportion of fixed and floating interest rate contracts based on the prevailing market environment.

The financial department of the Company continuously monitors the interest rate level of the Company. Rising interest rate will increase the cost of newly added interest-bearing debt and the interest expense of the company's unpaid interest-bearing debt with floating interest rate, and will have a significant adverse impact on the Company's financial performance. The management will make timely adjustments according to the latest market conditions, which may be the arrangement of interest rate swap to reduce interest rate risk.

(1) During the reporting period, the Company had no interest rate swap arrangement.

X. Financial Instruments Measured at Fair Value

(I) Financial instruments measured at fair value

As of December 31, 2019, the Company had no financial instruments measured at fair value.

(II) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include monetary funds, notes receivable, receivables, short-term loans, payables, non-current liabilities due within one year and long-term loans.

The difference between book value and fair value of above financial assets and financial liabilities of the Company not measured at fair value is very small.

XI. Related Parties and Transactions

(I) Actual controller of the Company

Name of the company or natural person	Related relationship	Organization code or ID number	Shareholding ratio to the Company *(%)*	Voting right ratio to the Company *(%)*
Yao Jiuzhi	One of the actual controllers	44522219710503****	17.7963	17.7963
Yao Linhao	One of the actual controllers	44522219670725****	2.3250	2.3250
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by Yao Jiuzhuang	915328223096945813	2.5054	2.5054
Yao Jiuzhuang	One of the actual controllers	44522219680626****		

Notes:

1. The above shareholding ratio is the shareholding ratio as of December 31, 2019.

2. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang are the actual joint controllers of the Company. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang signed the *Concerted Action Agreement* on September 26, 2012, in which the three parties agreed to jointly exercise major decision-making power as concerted action party. If the three parties could not reach an agreement on the matters under consideration, Yao Jiuzhi's opinion and voting intention shall prevail.

(II) See Note VII (I) "Interests in subsidiaries" for details of subsidiaries of the Company

(III) Information on the Company's associated enterprises

See Note VIII (II) "Interests in associated enterprises" for details of important associated enterprises of the Company.

(IV) Other related parties

Names of other related parties	Relationship between other related parties and the Company
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Shan Dan	Directors, general managers and shareholders
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	Subsidiaries of companies controlled by shareholders and actual controllers

(V) Related parties' transactions

1. For the subsidiaries under control relationship and included in the scope of consolidated financial statements, the transactions among them and their parent companies have been offset.

2. Related transactions by selling products and providing labors

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	Drinks sales		3,071.00
Total			3,071.00

3. Related transactions on purchase of goods and labor service acceptance

Related parties	Connected transaction contents	Amount of current period (including tax)	Amount of last period (including tax)
Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	Training Services		21,685.00
Total			21,685.00

4. Related guarantee

The Company as the warrantee

Guarantor	Amount guaranteed	Start date of guarantee	Expiring date of guarantee	Guarantee performed fully or not
Yao Jiuzhi	75,000,000.00	December 19, 2018	December 19, 2021	No

Note:

In December 2018, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd., and the guarantor was Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed three guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2, HKNSS/H (Z) 2018 GBZ No. 040-3), and the scope of guarantee includes principal, interest, compound interest, penalty interest, liquidated damages, compensation for damage and expenses for realizing creditor's rights under the main contract.

5. Balance of related parties' receivables and payables

(1) The Company's receivables from related parties

		Closing balance		Closing balance of last year	
Name	Related parties	Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.			3,071.00	153.55

(2) The Company's payables to related parties

Name	Related parties	Closing balance	Closing balance of last year
Other payables	Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	21,685.00	21,685.00

XII. Share-based Payment

During the reporting period, no matters related to share-based payment occurred in the Company.

XIII. Commitments and Contingencies

(I) Major commitments

1. The signed lease contracts being or to be performed and their financial impact

Since 2013, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, has successively signed land lease agreements with villagers in Guangliang Village, Pumiao Town, Yongning District, Nanning City. The details of the contracts are as follows:

Lessor	Land location	Contract or subcontract period	Land area (mu)	Contract amount	Payment method of rent
Villagers in Guangliang Village	Guangliang Village, Pumiao Town, Yongning District, Nanning City	10 years/ 13 years/ 16 years/ 25 years/ 39 years	9,455.50	The rent is RMB520/mu/year and paid once every four years, which is implemented according to the contract	4-year period and 5-year period

Except for the above commitments, as of December 31, 2019, the Company had no other major commitments that should be disclosed but not disclosed.

2. Capital commitments

As of the balance sheet date, the capital expenditure commitments signed by the Company and not yet listed on the balance sheet:

Item	31 December 2019
Tianye Nonggu Science and Technology Park Project	39,861,536.00
Supporting facilities of characteristic agricultural demonstration area	9,821,680.85
Total	49,683,216.85

(II) Contingencies at the balance sheet date

The Company has no significant contingencies to be disclosed as of December 31, 2019.

XIV. Events after the Balance Sheet Date

(I) Important non-adjustment events

1. Impact assessment on novel coronavirus epidemic

Since the outbreak of the Novel Coronavirus Pneumonia (NCP) throughout the country in January 2020, the disease prevention and control work is still carried out nationwide continuously. The Company actively responds to and strictly implements the regulations and requirements of the Party and governments at all levels on the prevention and control of NCP. The Company estimated that the NCP and prevention and control measures would cause some temporary effects on the production and operation of Hubei Iceman Foods Co., Ltd., Hubei Tianye Nonggu Biological Technology Co., Ltd. and Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.

(subsidiaries of the Company), and the degree of effect will depend on the progress of NCP prevention and control, duration and implementation of prevention and control policies from place to place. The Company will keep paying close attention to the NCP development, estimate and actively reduce its bad effects on the financial conditions, operating results and other aspects of the Company. As of the reporting date of this financial statement, the estimation was still in progress.

2. Important external investment

The third meeting of the fourth Board of Directors was held on April 13, 2020. The meeting deliberated and approved the proposal to establish a wholly-owned subsidiary. The name of the wholly-owned subsidiary is Panzhihua Tianye Innovation Agricultural Technology Co., Ltd., with a registered capital of RMB30 million. The wholly-owned subsidiary completed the industrial and commercial registration on April 15, 2020 and obtained the Business License of Enterprise Legal Person issued by Yanbian County Market Supervision Administration.

3. Disposal of equity

In May 2020, the Company proposed to transfer all the shares held in Tianjin Fangfu Tianye Investment Center (Limited Partnership) to an unrelated third party. As of the reporting date of this financial statement, relevant audit and evaluation work was in progress, and the equity transfer agreement has not yet been signed.

XV. Other Important Events

(I) Events not yet contributed by the associated enterprises

According to the partnership agreement of Tianjin Fangfu Tianye Investment Center (Limited Partnership), Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership.

At the end of 2016, the company actually contributed RMB50.7 million, accounting for 99.00% of the actual contribution, and Beijing Fangfu Capital Management Co., Ltd. actually contributed RMB512,100, accounting for 1.00% of the actual contribution. The partnership agreement did not stipulate the subscription period. According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2017, it was agreed to refund the Company's capital contribution of RMB12 million; according to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2018, it is agreed to refund the Company's contribution of RMB14,377,600. According to the resolution of the first meeting of all partners of Tianjin Fangfu Tianye Investment Center (Limited Partnership) in 2019, it is agreed to refund the Company's investment of RMB1,696,000. As of the reporting date of this financial statement, the Company has actually contributed RMB22,626,400, with RMB76,373,600 to be contributed.

(II) Suspension of construction in progress

According to the notice *Plan of Conducting Special Clean and Rectification Action for "Greenhouse" Issue to Resolutely Curbing Farmland Non-agriculturalization* (NNF [2018] No. 3) issued by the Ministry of Agriculture and Rural Affairs and the Ministry of Natural Resources, the supporting facilities in the characteristic agricultural demonstration zone built by Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, have been suspended since March 2019, and as of the reporting date of this financial statement, the project was still in a state of suspension. The Company will take active measures to promote project construction in accordance with laws and regulations.

XVI. Notes to Main Items of the Parent Company's Financial Statements

Note1. Accounts accounts receivables

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Closing balance of last year
<1 year	17,180,689.21	13,395,599.56
1-2 years	1,994,245.37	3,075,243.36
2-3 years	1,958,996.50	119,154.40
3-4 years	119,154.40	
4-5 years		
>5 years		
Subtotal	21,253,085.48	16,589,997.32
Less: bad debt provision	1,698,702.05	1,009,803.14
Total	19,554,383.43	15,580,194.18

2. Disclosure of accounts receivable by bad-debt provision methods

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion	Amount	Proportion of provision	Book value
		(%)		(%)	
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	21,253,085.48	100.00	1,698,702.05	7.99	19,554,383.43
Including: combination 1	21,172,124.66	99.62	1,698,702.05	8.02	19,473,422.61
Combination 2	80,960.82	0.38			80,960.82
Total	21,253,085.48	100.00	1,698,702.05	7.99	19,554,383.43

Contd.:

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	16,589,997.32	100.00	1,009,803.14	6.09	15,580,194.18
Including: combination 1	16,525,047.28	99.61	1,009,803.14	6.11	15,515,244.14
Combination 2	64,950.04	0.39			64,950.04
Total	16,589,997.32	100.00	1,009,803.14	6.09	15,580,194.18

3. Accounts receivable for which provision for bad debts is set aside in portfolios

(1) Combination 1

	Closing balance		
Aging	Accounts receivable	Bad-debt provision	Proportion of provision (%)
<1 year	17,159,429.53	857,971.48	5.00
1-2 years	1,934,544.23	193,454.42	10.00
2-3 years	1,958,996.50	587,698.95	30.00
3-4 years	119,154.40	59,577.20	50.00
4-5 years			
>5 years			
Total	21,172,124.66	1,698,702.05	8.02

Contd.:

	Closing balance of last year		
Aging	Accounts receivable	Bad-debt provision	Proportion of provision (%)
<1 year	13,330,649.52	666,532.48	5.00
1-2 years	3,075,243.36	307,524.34	10.00
2-3 years	119,154.40	35,746.32	30.00
3-4 years			
4-5 years			
>5 years			
Total	16,525,047.28	1,009,803.14	6.11

(2) Combination 2

Organization name	Closing balance Accounts receivable	Bad-debt provision	Proportion of provision (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	53,888.86			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	27,071.96			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	80,960.82			

Contd.:

Organization name	Closing balance of last year Accounts receivable	Bad-debt provision	Proportion of provision (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	44,374.16			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	20,575.88			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	64,950.04			

4. Provision, recovery or reversal and write-off of provision for bad-debt in current period

Category	Opening balance	Changes in current period Provision	Recovery or reversal	Write-off	Other changes	Closing balance
Accounts receivable for which bad debts reserve is set aside individually						
Accounts receivable for which provision for bad debts is set aside in portfolios	1,009,803.14	688,898.91				1,698,702.05
Including: combination 1	1,009,803.14	688,898.91				1,698,702.05
Combination 2						
Total	1,009,803.14	688,898.91				1,698,702.05

5. There is no write-off of accounts receivable in current period.

6. Top five accounts receivable based on debtors

Organization name	Closing balance	Relationship with the Company	Proportion in closing balance of accounts receivable (%)	Provision for bad-debt
Guangzhou Yuekai Trading Co., Ltd.	7,245,240.00	Non-affiliated party	34.09	362,262.00
Shandong Yipintang Industrial Co., Ltd.	2,980,078.00	Non-affiliated party	14.02	149,003.90
Hangzhou Haiguo Trading Co., Ltd.	1,288,514.40	Non-affiliated party	6.06	122,478.72
Kunming Yiyun Economy & Trade Co., Ltd.	1,056,384.00	Non-affiliated party	4.97	52,819.20
Suzhou Weize Foods Co., Ltd.	1,038,087.40	Non-affiliated party	4.88	51,904.37
Total	13,608,303.80		64.02	738,468.19

Note 2. Other receivables

Item	Closing balance	Closing balance of last year
Interests receivable		
Dividends receivable		
Other receivables	281,125,796.22	283,921,064.71
Total	281,125,796.22	283,921,064.71

1. Disclosure of other receivables by aging

Aging	Closing balance	Closing balance of last year
<1 year	18,258,895.44	50,282,320.77
1-2 years	50,009,022.60	233,643,769.98
2-3 years	212,934,669.98	
3-4 years		
4-5 years		
>5 years		
Subtotal	281,202,588.02	283,926,090.75
Less: bad debt provision	76,791.80	5,026.04
Total	281,125,796.22	283,921,064.71

2. Disclosure of other receivables by bad-debt provision methods

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	proportion of provision (%)	Book value
Other accounts receivable for expected credit losses by single provision					
Other accounts receivable for expected credit losses by combination	281,202,588.02	100.00	76,791.80	0.03	281,125,796.22
Including: combination 1					
Combination 2	280,434,669.98	99.73			280,434,669.98
Combination 3	767,918.04	0.27	76,791.80	10.00	691,126.24
Total	281,202,588.02	100.00	76,791.80	0.03	281,125,796.22

Contd.:

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	proportion of provision (%)	Book value
Other accounts receivable for expected credit losses by single provision					
Other accounts receivable for expected credit losses by combination	283,926,090.75	100.00	5,026.04		283,921,064.71
Including: combination 1					
Combination 2	283,834,669.98	99.95			283,834,669.98
Combination 3	91,420.77	0.05	5,026.04	5.50	86,394.73
Total	283,926,090.75	100.00	5,026.04		283,921,064.71

3. Other accounts receivable for expected credit losses by combination

(1) Combination 3

	Closing balance		
Item	Other receivables	Bad-debt provision	proportion of provision (%)
Margin, deposit, advance payment and temporary payment, etc.	767,918.04	76,791.80	10.00
Total	767,918.04	76,791.80	10.00

Contd.:

Aging	Closing balance of last year Other receivables	Bad-debt provision	proportion of provision (%)
<1 year	82,320.77	4,116.04	5.00
1-2 years	9,100.00	910.00	10.00
2-3 years			
Total	91,420.77	5,026.04	5.50

(2) Combination 2

Organization name	Closing balance Other receivables	Bad-debt provision	Proportion of provision (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	245,620,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Iceman Foods Co., Ltd.	31,525,698.44			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	3,288,971.54			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	280,434,669.98			

Contd.:

Organization name	Other receivables	Bad-debt provision	Proportion of provision	Reason for withdrawal
	Closing balance of last year			
			(%)	
Hubei Tianye Nonggu Biological Technology Co., Ltd.	248,120,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Iceman Foods Co., Ltd.	32,225,698.44			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	3,288,971.54			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	200,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	283,834,669.98			

4. Provision, recovery or reversal and write-off of provision for bad-debt in current period

Bad-debt provision	Phase I Expected credit loss in the next 12 months	Phase II Anticipated credit loss in the entire duration (not incurred credit impairment)	Phase III Anticipated credit loss in the entire duration (incurred credit impairment)	Total
Opening balance	5,026.04			5,026.04
Opening balance in current period				
— Converted to the second stage				
— Transferred into phase III				
— Transferred back to phase II				
— Reversed to the first stage				
Provision of current period	71,765.76			71,765.76
Reversal of the current period				
Write-off of the current period				
Verification of the current period				
Other changes				
Closing balance	76,791.80			76,791.80

5. There is no write-off of other receivables in current period.

6. Other receivables classified by nature of payment

Nature of payment	Closing balance	Closing balance of last year
Transaction payment	280,434,669.98	283,876,214.89
Reserve fund	27,166.53	18,578.60
Withholding social security, etc	57,517.22	28,399.26
Margin	102,159.46	1,158.00
Others	581,074.83	1,740.00
Total	281,202,588.02	283,926,090.75

7. Top five other accounts receivable based on debtors

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Bad-debt provision Closing balance
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Transaction payment	245,620,000.00	Related parties	<3 years	87.35	
Hubei Iceman Foods Co., Ltd.	Transaction payment	31,525,698.44	Related parties	<3 years	11.21	
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Transaction payment	3,288,971.54	Related parties	2-3 years	1.17	
Hepu Yulong Pipeline Gas Co., Ltd.	Others	353,948.79	Non-affiliated party	<1 year	0.13	17,697.44
Guangzhou Maohuang Trading Co., Ltd.	Margin	51,000.00	Non-affiliated party	<1 year	0.02	2,550.00
Total		280,839,618.77			99.88	20,247.44

Note3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	113,737,642.83	10,597,437.42	103,140,205.41	113,737,642.83	10,230,275.57	103,507,367.26
Investment in associated enterprises	17,758,310.00		17,758,310.00	18,924,216.78		18,924,216.78
Total	131,495,952.83	10,597,437.42	120,898,515.41	132,661,859.61	10,230,275.57	122,431,584.04

1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase of current period	Decrease of current period	Closing balance	Depreciation reserves in current period	Closing balance of provision for impairment
Hainan Dachuan Food Co., Ltd.	33,737,641.83	33,737,641.83			33,737,641.83		
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00		
Hainan Tianye Drinks Food Sales Co. Ltd.	5,000,000.00	5,000,000.00			5,000,000.00	367,161.85	2,800,051.82
Hubei Iceman Foods Co., Ltd.	15,000,001.00	15,000,001.00			15,000,001.00		7,797,385.60
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25,000,000.00	25,000,000.00			25,000,000.00		
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		
Total	113,737,642.83	113,737,642.83			113,737,642.83	367,161.85	10,597,437.42

2. Investment in associates

Investee	Opening balance	Increase and decrease of current period			
		Additional investment	Negative investment	Profits and losses on investments recognized by equity method	Adjustment of other comprehensive incomes
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	18,924,216.78		1,696,000.00	530,093.22	
Total	18,924,216.78		1,696,000.00	530,093.22	

Contd.:

Investee	Increase and decrease of current period				Closing balance	Closing balance of provision for impairment
	Other equity changes	Distribution of cash dividends or profits	Provision for impairment	Others		
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					17,758,310.00	
Total					17,758,310.00	

Note: See "Note 7 Long-term equity investment" in "VI. Main Notes to Consolidated Financial Statements" in this note for details.

Note 4. Operating incomes and operating costs

1. Operating income, operating costs

Item	Amount of current period Revenue	Amount of current period Cost	Amount of last period Revenue	Amount of last period Cost
Principal operating activities	101,892,706.74	75,655,499.45	89,610,086.49	62,672,313.57
Others				
Total	101,892,706.74	75,655,499.45	89,610,086.49	62,672,313.57

2. Principal operating activities (by products)

Item	Amount of current period Revenue	Amount of current period Cost	Amount of last period Revenue	Amount of last period Cost
Raw fruit juice	42,804,313.90	29,785,107.61	36,928,289.00	24,969,213.04
Quick-frozen fruit and vegetable	48,947,212.11	38,447,282.84	49,824,181.35	34,955,023.74
Others	10,141,180.73	7,423,109.00	2,857,616.14	2,748,076.79
Total	101,892,706.74	75,655,499.45	89,610,086.49	62,672,313.57

3. Operating income of the top five customers of the Company

Customer	Amount of current period	Proportion in the Company's total operating income (%)
Fresh Fruit Juice *(Note)*	16,867,128.79	16.55
Shanghai Zhaoyi Trading Co., Ltd.	9,972,382.21	9.79
Guangzhou Yuekai Trading Co., Ltd.	9,474,165.16	9.30
Suzhou Weize Foods Co., Ltd.	7,248,354.41	7.11
Shandong Yipintang Industrial Co., Ltd.	5,799,933.66	5.69
Total	49,361,964.23	48.44

Contd.

Customer	**Amount of last period**	**Proportion in the Company's total operating income** *(%)*
Fresh Fruit Juice [(Note)]	19,885,587.02	22.19
Gerui Juice Industry (Tianjin) Co., Ltd.	9,132,362.12	10.19
Hainan Dachuan Food Co., Ltd.	8,010,340.79	8.94
Shanghai Zhaoyi Trading Co., Ltd.	5,097,433.66	5.69
Shanghai Yuguo Food Sales Co., Ltd.	4,641,394.21	5.18
Total	46,767,117.80	52.19

Note:

Fresh Fruit Juice customers implemented centralized procurement, and the above sales amount includes related parties included in their centralized procurement.

Note 5. Investment revenue

1. Details of investment revenue

Source of investment revenue	**Amount of current period**	**Amount of last period**
Long-term equity investment income measured by equity method	530,093.22	-3,219,330.68
Total	530,093.22	-3,219,330.68

XVII. Supplementary information

(I) Detailed statement of non-recurring profits and losses

Item	**Amount of current period**	**Amount of last period**
Profits and loss on disposal of non-current assets, including the write-off part of the provision for impairment of assets	-15,743.46	-2,219,597.61
Tax returns, reductions, and exemptions with unauthorized approval or without official approval documents with occurrence		
Government grant included in the current profits and losses (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	8,299,495.52	7,074,486.80
Fund possession cost charged from non-financial enterprises including in current profits and losses		
The investment cost for acquiring subsidiaries, associated enterprises and cooperative enterprises is less than the income generated by the fair value of the identifiable net assets of the merged unit when acquiring investment		

Item	Amount of current period	Amount of last period
Exchange losses of non-monetary assets		
Profits and losses of assets invested or managed by entrustment		
Assets for impairment withdrawn due to force majeure such as natural disasters		
Profits and losses on debt restructuring		
Corporate restructuring costs, such as fees on staffing and integration		
Profits and losses exceeding the fair value part due to an unfair transaction price during the transaction		
Net profits and losses of the subsidiaries in the current period from the beginning of period to the date of merger due to the merger of enterprises under the common control		
Profit and loss caused by contingencies that are irrelevant to Company's normal businesses		
Profits and losses from variation of fair value by holding transactional financial assets, transactional financial liability and investment incomes from handling transactional financial assets, transactional financial liability and salable financial assets, in addition to the valid arbitrage hedging business related to normal corporate business		
Reversing assets impairment of receivables for independent impairment test		
Losses and profits obtained from foreign entrusted loans		
Profit and loss from fair value variation of investment real estate by adopting fair value mode for follow-up calculation		
Influence on the current profit and loss by one-time adjustment as per laws and regulations on taxes and accounting		
Trustee fee income from entrusted operation		
Non-operating income and expenses in addition to the above-mentioned items	-70,646.50	-453,182.05
Other profit and loss items that conform to the definition of non-recurring profit and loss.		
Subtotal	8,213,105.56	4,401,707.14
Less: income tax affected amount	436,397.32	-81,030.75
Minority equity affected amount (after tax)		
Total	7,776,708.24	4,482,737.89

(II) Rate of return on common stockholders' equity and earnings per share

Profits during reporting period	**2019**		
	Weighted-average Income rate of net assets *(%)*	**Earnings per share (EPS)**	
		Basic EPS	**Diluted EPS**
Net profits attributable to common corporate shareholders	3.32	0.1016	0.1016
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	2.26	0.0692	0.0692

Contd.:

Profits during reporting period	**2018**		
	Weighted-average Income rate of net assets *(%)*	**Earnings per share (EPS)**	
		Basic EPS	**Diluted EPS**
Net profits attributable to common corporate shareholders	3.34	0.0998	0.0998
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	2.72	0.0811	0.0811

Tianye Innovation Corporation **Head of Accounting Department:**

(Official Stamp)

Legal representative: **Chief Accountant:**

June 5, 2020

SECTION I. FINANCIAL ACCOUNTING REPORT

I. Auditor's Report

Audited No

II. Financial Statements

(I) Consolidated Balance Sheet

Unit: Yuan

Item	*Note*	June 30, 2020	December 31, 2019
Current assets:			
Monetary funds	*VI. Note 1*	218,203,639.87	257,597,234.88
Provision of settlement fund		—	—
Lending founds		—	—
Trading financial assets		—	—
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	*VI. Note 2*	41,681,193.73	59,114,385.02
Accounts receivable financing		—	—
Prepayments	*VI. Note 3*	20,997,324.23	2,134,373.39
Premiums receivable		—	—
Reinsurance accounts receivable		—	—
Accounts receivable reinsurance reserve		—	—
Other receivables	*VI. Note 4*	9,400,120.15	1,222,410.16
Include: interest receivable		—	—
Dividends receivable		—	—
Purchase of resold financial assets		—	—
Inventories	*VI. Note 5*	83,424,970.40	50,593,198.72
Contract assets		—	—
Held-for-sale assets		—	—
Non-current assets maturing within one year		—	—
Other current assets	*VI. Note 6*	9,480,560.91	10,836,905.92
Total current assets		383,187,809.29	381,498,508.09

Item	Note	June 30, 2020	December 31, 2019
Non-current assets:			
Loans and advances		—	—
Equity investment		—	—
Other equity investments		—	—
Long-term receivables		—	—
Long-term equity investment	*VI. Note 7*	17,758,310.00	17,758,310.00
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets	*VI. Note 8*	312,082,377.82	320,015,617.97
Construction in progress	*VI. Note 9*	123,252,542.05	129,213,004.74
Productive biological assets	*VI. Note 10*	33,099,605.68	33,572,076.42
Oil & gas assets		—	—
Right of use assets		—	—
Intangible assets	*VI. Note 11*	84,640,459.51	85,556,427.37
Development expenses		—	—
Goodwill	*VI. Note 12*	14,857,682.84	14,857,682.84
Long-term prepaid expenses	*VI. Note 13*	5,297,671.48	8,008,571.90
Deferred tax assets	*VI. Note 14*	1,719,020.56	1,816,166.31
Other non-current assets	*VI. Note 15*	22,656,355.91	10,499,412.40
Total non-current assets		615,364,025.85	621,297,269.95
Total assets		998,551,835.14	1,002,795,778.04
Current liabilities:			
Short-term loans	*VI. Note 16*	110,000,000.00	114,084,728.03
Borrowings from central bank		—	—
Borrowing funds		—	—
Trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable	*VI. Note 17*	41,861,833.71	34,109,853.27
Advances received		—	—
Contract liabilities	*VI. Note 18*	4,567,026.11	2,692,363.10
Financial assets sold under repurchase agreement		—	—
Absorbed deposit and inter-bank deposit		—	—
Receivings from vicariously traded securities		—	—

Item	*Note*	June 30, 2020	December 31, 2019
Receivings from vicariously sold securities		—	—
Remuneration payable to employees	*VI. Note 19*	1,898,221.16	3,717,302.13
Taxes payable	*VI. Note 20*	790,953.50	3,081,368.31
Other payables	*VI. Note 21*	1,734,492.84	4,160,084.72
Include: interest payable		—	—
Dividends payable		—	—
Fees and commissions payable		—	—
Reinsurance accounts payable		—	—
Holding-for-sale liabilities		—	—
Non-current liabilities maturing within one year	*VI. Note 22*	20,553,741.94	31,657,741.94
Other current liabilities		—	—
Total current liabilities		181,406,269.26	193,503,441.50
Non-current liabilities:			
Reserves for insurance contract		—	—
Long-term loans		—	—
Bonds payable		—	—
Include: preferred stocks		—	—
Perpetual bonds		—	—
Lease Liability		—	—
Long-term accounts payable		373,364.46	381,371.52
Long-term employee compensation		—	—
Estimated liabilities		—	—
Deferred income	*VI. Note 23*	61,799,693.27	61,326,677.13
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		62,173,057.73	61,708,048.65
Total liabilities		243,579,326.99	255,211,490.15
Owners' equity (or shareholders' equity)			
Share Capital	*VI. Note 24*	240,000,000.00	240,000,000.00
Other equity instruments		—	—
Include: preferred stocks		—	—
Perpetual bonds		—	—
Capital reserves	*VI. Note 25*	246,300,093.95	246,300,093.95
Less: Treasury shares		—	—
Other comprehensive income		-2,632,212.00	-2,632,212.00
Special reserve		—	—

Item	*Note*	June 30, 2020	December 31, 2019
Surplus reserve	*VI. Note 26*	11,367,901.03	11,367,901.03
General risk reserves		—	—
Undistributed profits	*VI. Note 27*	259,936,725.17	252,548,504.91
Total owners' equity attributable to parent company		754,972,508.15	747,584,287.89
Minority shareholders' equity		—	—
Total owners' equities		754,972,508.15	747,584,287.89
Total liabilities and owners' equity		998,551,835.14	1,002,795,778.04

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

(II) Balance Sheet of the Parent Company

Unit: Yuan

Item	*Note*	June 30, 2020	December 31, 2019
Current assets:			
Monetary funds		78,444,519.93	157,356,660.93
Trading financial assets		—	—
Derivative financial assets		—	—
Notes receivable		—	—
Accounts receivable	*XVI. Note 1*	16,213,748.38	19,554,383.43
Accounts receivable financing		—	—
Prepayments		1,243,077.47	479,778.29
Other receivables		319,076,740.10	281,125,796.22
Include: interest receivable		—	—
Dividends receivable		—	—
Purchase of resold financial assets		—	—
Inventories	*XVI. Note 2*	40,749,746.09	27,684,371.46
Contract assets		—	—
Held-for-sale assets		—	—
Non-current assets maturing within one year		—	—
Other current assets		—	569,236.98
Total current assets		455,727,831.97	486,770,227.31
Non-current assets:			
Equity investment		—	—
Other equity investments		—	—
Long-term receivables		—	—
Long-term equity investment	*XVI. Note 3*	150,898,515.41	120,898,515.41
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets		69,712,223.92	71,878,916.88
Construction in progress		—	—
Productive biological assets		—	—
Oil & gas assets		—	—
Right of use assets		—	—
Intangible assets		10,489,637.45	10,634,655.83

Item	*Note*	June 30, 2020	December 31, 2019
Development expenses		—	—
Goodwill		—	—
Long-term prepaid expenses		569,902.40	532,852.38
Deferred tax assets		861,955.67	864,440.34
Other non-current assets		98,340.40	514,901.90
Total non-current assets		232,630,575.25	205,324,282.74
Total assets		688,358,407.22	692,094,510.05
Current liabilities:			
Short-term loans		25,000,000.00	36,000,000.00
Trading financial liabilities		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable		30,558,951.02	23,285,090.91
Advances received		—	—
Contract liabilities		3,570,709.45	1,817,182.84
Financial assets sold under repurchase agreement		—	—
Remuneration payable to employees		565,499.62	1,597,823.84
Taxes payable		274,247.07	285,358.39
Other payables		41,182,903.06	49,641,807.33
Include: interest payable		—	—
Dividends payable		—	—
Holding-for-sale liabilities		—	—
Non-current liabilities maturing within one year		—	—
Other current liabilities		—	—
Total current liabilities		101,152,310.22	112,627,263.31
Non-current liabilities:			
Long-term loans		—	—
Bonds payable		—	—
Include: preferred stocks		—	—
Perpetual bonds		—	—
Lease Liability		—	—
Long-term accounts payable		—	—
Long-term employee compensation		—	—
Estimated liabilities		—	—

Item	*Note*	June 30, 2020	December 31, 2019
Deferred income		996,494.97	1,110,721.75
Deferred income tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		996,494.97	1,110,721.75
Total liabilities		102,148,805.19	113,737,985.06
Owners' equity (or shareholders' equity)			
Share Capital		240,000,000.00	240,000,000.00
Other equity instruments		—	—
Include: preferred stocks		—	—
Perpetual bonds		—	—
Capital reserves		244,109,726.71	244,109,726.71
Less: Treasury shares		—	—
Other comprehensive income		-2,632,212.00	-2,632,212.00
Special reserve		—	—
Surplus reserve		11,367,901.03	11,367,901.03
General risk reserves		—	—
Undistributed profits		93,364,186.29	85,511,109.25
Total owners' equities		586,209,602.03	578,356,524.99
Total liabilities and owners' equity		688,358,407.22	692,094,510.05

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

(III) Consolidated Profit Statement

Unit: Yuan

Item	Note	January-June 2020	January-June 2019
I. Total operating income	*VI. Note 28*	106,668,616.97	138,087,856.90
Including: operating income	*VI. Note 28*	106,668,616.97	138,087,856.90
CREDIT INTEREST		—	—
Earned premium		—	—
Fee and commission revenue		—	—
II. Total operating cost		94,338,425.06	121,884,045.58
Including: operating cost	*VI. Note 28*	76,367,666.63	94,583,376.36
Interest expense		—	—
Fee and commission expenses		—	—
Surrender value		—	—
Net payments for compensation		—	—
Net amount of allotment of provisions for insurance liabilities		—	—
Bond insurance expenses		—	—
Amortized reinsurance expenditures		—	—
Taxes and surcharges	*VI. Note 29*	402,664.21	2,275,970.03
Operating expenses	*VI. Note 30*	2,553,288.98	5,562,673.32
Administration expenses	*VI. Note 31*	11,712,883.95	15,041,709.62
R&D expenditures	*VI. Note 32*	721,494.30	682,080.80
Financial expenses	*VI. Note 33*	2,580,426.99	3,738,235.45
Include: interest expenses		3,293,273.44	4,557,461.18
CREDIT INTEREST		378,487.31	379,402.56
Plus: other profits	*VI. Note 25*	5,557,877.90	5,689,235.57
Investment income (loss is indicated by "-")		—	—
Including: Income from investment in associated enterprises and joint ventures		—	—
Revenue recognized from termination of recognition of financial assets measured at amortized cost (loss is indicated by "-")		—	—
Exchange earnings (loss is indicated by "-")		—	—
Net exposure hedging income (loss is indicated by "-")		—	—

Item	Note	January-June 2020	January-June 2019
Income from changes in fair value (loss is indicated by "-")		—	—
Credit impairment loss (loss is indicated by "-")	*VI. Note 34*	191,526.56	-927,269.86
Impairment losses on assets (loss is indicated by "-")		—	—
Income from asset disposal (loss is indicated by "-")	*VI. Note 36*	-9,860,441.54	—
III. Operating profits (loss is indicated by "-")		8,219,154.83	20,965,777.03
Add: Non-operating income	*VI. Note 37*	111,278.15	4,775.01
Less: non-operating expenses	*VI. Note 38*	469,799.68	113,258.10
IV. Total profits (total loss is indicated by "-")		7,860,633.30	20,857,293.94
Less: Income tax expenses	*VI. Note 39*	472,413.04	232,185.69
V. Net profits (net loss is indicated by "-")		7,388,220.26	20,625,108.25
Including: net profit obtained by the acquiree prior to combination		—	
(I) Classified by operation continuity:		—	—
1. Net profit of continued operations (net loss is indicated by "-")		7,388,220.26	20,625,108.25
2. Net profit of discontinued operations (net loss is indicated by "-")		—	—
(II) Classified by ownership:		—	—
1. Minority shareholders' profit and loss		—	—
2. Net profit attributable to the owner of the parent company		7,388,220.66	20,625,108.25
VI. Net amount of other comprehensive income after tax			
(I) Net amount of other comprehensive income after tax attributable to the owners of parent company		—	—
1. Other comprehensive income not allowed to be re-classified into profit and loss		—	—
(1) Changes caused by re-measurement and re-definition of benefit plan		—	—
(2) Other comprehensive income that cannot be converted into profits and losses under the equity method		—	—
(3) Changes in the fair value of other equity instrument investments		—	—
(4) Fair value changes of enterprise own credit risk		—	—
(5) Others		—	—

Item	*Note*	January-June 2020	January-June 2019
2. Other comprehensive income to be re-classified into profit and loss		—	—
(1) Other comprehensive income that can be converted into profits and losses under the equity method		—	—
(2) Changes in the fair value of other debt investments		—	—
(3) The amount of financial assets reclassified into other comprehensive income		—	—
(4) Provision for credit impairment of other debt investments		—	—
(5) Cash flow hedging reserve		—	—
(6) Balance arising from the translation of foreign currency financial statements		—	—
(7) Others		—	—
(II) Net amount of other comprehensive income after tax attributable to minority shareholders		—	—
VII. Total comprehensive income		7,388,220.66	20,625,108.25
(I) Total comprehensive income attributable to owners of parent company		7,388,220.66	20,625,108.25
(II) Total comprehensive income attributable to minority shareholders		—	—
VIII. Earnings per share (EPS):			
(I) Basic EPS (RMB/share)		0.03	0.09
(II) Diluted EPS (RMB/share)		0.03	0.09

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

(IV) Income Statement of the Parent Company

Unit: Yuan

Item	*Note*	**January-June 2020**	**January-June 2019**
I. Operating revenue	*XVI. Note 4*	45,404,171.97	46,668,643.03
Less: operating cost	*XVI. Note 4*	33,083,474.12	32,629,334.32
Taxes and surcharges		227,442.92	803,604.18
Operating expenses		224,717.29	3,670,939.80
Administration expenses		2,970,911.42	3,608,567.84
R&D expenditures		721,494.30	682,080.80
Financial expenses		214,653.22	178,486.42
Include: interest expenses		878,140.00	878,550.40
CREDIT INTEREST		224,345.05	257,857.56
Plus: other profits		147,150.41	374,226.78
Investment income (loss is indicated by "-")		—	—
Including: Income from investment in associated enterprises and joint ventures		—	—
Revenue recognized from termination of recognition of financial assets measured at amortized cost (loss is indicated by "-")		—	—
Exchange earnings (loss is indicated by "-")		—	—
Net exposure hedging income (loss is indicated by "-")		—	—
Income from changes in fair value (loss is indicated by "-")		—	—
Credit impairment loss (loss is indicated by "-")		122,337.75	-522,469.91
Impairment losses on assets (loss is indicated by "-")		—	—
Income from asset disposal (loss is indicated by "-")		—	—
II. Operating profits (loss is indicated by "-")		8,230,966.86	4,947,386.54
Add: Non-operating income		77,381.11	—
Less: non-operating expenses		77,518.97	391.07
III. Total profit (total loss is indicated by "-")		8,230,829.00	4,946,995.47
Less: Income tax expenses		377,751.96	228,050.41
IV. Net profits (net loss is indicated by "-")		7,853,077.04	4,718,945.06
(I) Net profit from continuous operation (net loss is indicated by "-")		7,853,077.04	4,718,945.06

Item	*Note*	January-June 2020	January-June 2019
(II) Net profit from discontinuing operation (net loss is indicated by "-")		—	—
V. After-tax net amount of other comprehensive income		—	—
(I) Other comprehensive income not allowed to be re-classified into profit and loss		—	—
1. Re-measurement of changes in defined benefit plan		—	—
2. Other comprehensive income that cannot be converted into profits and losses under the equity law		—	—
3. Fair value changes of other equity instrument investment		—	—
4. Fair value changes of enterprise own credit risk		—	—
Others		—	—
(II) Other comprehensive income allowed to be re-classified into profit and loss		—	—
1. Other comprehensive income that can be converted into profits and losses under the equity method		—	—
2. Fair value changes in other debt investments		—	—
3. Amount of financial assets reclassified into other comprehensive income		—	—
4. Provision for credit impairment of other debt investments		—	—
5. Cash flow hedging reserve		—	—
6. Balance arising from the translation of foreign currency financial statements		—	—
Others		—	—
VI. Total comprehensive incomes		7,853,077.04	4,718,945.06
VII. Earnings per share:			
(I) Basic EPS (RMB/share)		—	—
(II) Diluted EPS (RMB/share)		—	—

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

(V) Consolidated Statement of Cash Flow

Unit: Yuan

Item	Note	January-June 2020	January-June 2019
I. Cash flows from operating activities:			
Cash received from the sale of goods or rendering of services		135,941,078.80	146,068,888.66
Net increase in customer deposits and deposits and loans from banks		—	—
Net increase in borrowings from central bank		—	—
Cash from received premiums of original insurance contract		—	—
Net cash received from reinsurance business		—	—
Net increase in policy holder deposits and investment funds		—	—
Cash received from interests, service charges and commissions		—	—
Net increase in borrowings from banks and other financial institutions		—	—
Net capital increase in repurchase business		—	—
Receivings from vicariously traded securities		—	—
Taxes refunds received		671,322.58	—
Other cash received relating to business activities	*VI. Note 40*	28,251,910.65	29,401,569.55
Subtotal of cash inflow from operating activities		164,864,312.03	175,470,458.21
Cash paid for goods and receiving services		104,854,917.30	80,651,664.45
Net increase in customer loans and advances		—	—
Net increase in deposits with central bank and with banks and other financial institutions		—	—
Cash paid for original insurance contract claims		—	—
Net increase in financial assets held for trading purposes		—	—
Net increase in lendings		—	—
Cash paid for interests, service charges and commissions		—	—
Cash paid as bonus for insurance policies		—	—
Cash paid to and for employees		14,509,827.60	13,339,322.75
Taxes paid		8,736,608.36	12,751,485.53
Other paid cash related to operating activities	*VI. Note 40*	34,677,045.87	25,046,239.51

Item	*Note*	January-June 2020	January-June 2019
Subtotal of cash outflow from operating activities		162,778,399.13	131,788,712.24
Net cash flows from operating activities		2,085,912.90	43,681,745.97
II. Cash flows from investing activities:			
Cash received from disposal of investment		—	1,300,000.00
Cash received from return on investment		—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,778.76	391.07
Net cash received from disposal of subsidiaries and other operating units		—	—
Other cash received in connection with investing activities		—	—
Subtotal of cash inflow from investing activities		9,778.76	1,300,391.07
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		21,748,641.25	29,557,002.59
Cash paid for investment			—
Net increase in pledge loans		—	—
Net cash paid for acquisition of subsidiaries and other operating units		—	—
Other cash paid in connection with investing activities		—	—
Subtotal of cash outflow from investing activities		21,748,641.25	29,557,002.59
Net cash flows from investing activities		-21,738,862.49	-28,256,611.52
III. Cash flows from financing activities:			
Cash received from introducing investment		—	
Include: cash received by subsidiaries from absorbing minority shareholder's investment		—	—
Cash received for obtaining loans		80,000,000.00	45,000,000.00
Cash received from bonds issuance		—	—
Other cash received in connection with financing activities		—	—
Subtotal of cash inflow from financing activities		80,000,000.00	45,000,000.00
Cash paid for repayment of debts		94,084,728.03	30,000,000.00
Cash paid for distribution of dividends or profits, or repayment of interest		6,059,106.77	4,197,461.18
Include: dividend and profit paid by subsidiaries to minority shareholders		—	—
Other paid cash related to financing activities		99,439.36	—
Subtotal of cash outflows from financial activities		100,243,274.16	34,197,461.18
Net cash flows from financing activities		-20,243,274.16	10,802,538.82

Item	*Note*	January-June 2020	January-June 2019
IV. Effect of exchange rate changes on cash and cash equivalents		9,508.55	11,449.42
V. Net increase of cash and cash equivalents		-39,886,715.20	26,239,122.69
Plus: balance of cash and cash equivalents at the beginning of the period		258,090,355.07	214,674,020.33
VI. Closing balance of cash and cash equivalents		218,203,639.87	240,913,143.02

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

(VI) Cash Flow Statement of the Parent Company

Unit: Yuan

Item	Note	January-June 2020	January-June 2019
I. Cash flows from operating activities:			
Cash received from the sale of goods or rendering of services		55,618,041.38	51,678,132.75
Taxes refunds received		23,322.58	—
Other cash received relating to business activities		41,433,779.46	17,581,716.10
Subtotal of cash inflow from operating activities		97,075,143.42	69,259,848.85
Cash paid for goods and receiving services		36,936,352.98	19,222,660.76
Cash paid to and for employees		7,240,922.56	6,321,497.80
Taxes paid		5,319,473.23	7,345,341.48
Other paid cash related to operating activities		82,630,150.01	21,227,529.34
Subtotal of cash outflow from operating activities		132,126,898.78	54,117,029.38
Net cash flows from operating activities		-35,051,755.36	15,142,819.47
II. Cash flows from investing activities:			
Cash received from disposal of investment		—	1,300,000.00
Cash received from return on investment		—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		—	391.07
Net cash received from disposal of subsidiaries and other operating units		—	—
Other cash received in connection with investing activities		—	—
Subtotal of cash inflow from investing activities		—	1,300,391.077
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,531,272.19	1,848,464.96
Cash paid for investment		30,000,000.00	—
Net cash paid for acquisition of subsidiaries and other operating units		—	—
Other cash paid in connection with investing activities		—	—
Subtotal of cash outflow from investing activities		31,531,272.19	1,848,464.96
Net cash flows from investing activities		-31,531,272.19	-548,073.89
III. Cash flows from financing activities:			
Cash received from introducing investment		—	—
Cash received for obtaining loans		25,000,000.00	—

Item	*Note*	January-June 2020	January-June 2019
Cash received from bonds issuance		—	—
Other cash received in connection with financing activities		—	—
Subtotal of cash inflow from financing activities		25,000,000.00	—
Cash paid for repayment of debts		36,000,000.00	—
Cash paid for distribution of dividends or profits, or repayment of interest		1,328,140.00	878,550.40
Other paid cash related to financing activities		—	—
Subtotal of cash outflows from financial activities		37,328,140.00	878,550.40
Net cash flows from financing activities		-12,328,140.00	-878,550.40
IV. Effect of exchange rate changes on cash and cash equivalents		-973.45	-5.26
V. Net increase of cash and cash equivalents		-78,912,141.00	13,716,189.92
Plus: balance of cash and cash equivalents at the beginning of the period		157,356,660.93	158,231,492.93
VI. Closing balance of cash and cash equivalents		78,444,519.93	171,947,682.85

Legal representative: Yao Jiuzhi

Principal in charge of accounting: Rao Guizhong

Principal of accounting body: Rao Guizhong

III. Notes to Financial Statements

(I) Notes

Description	Yes or No		Index
1. Whether the accounting policies adopted in the semi-annual report have changed from the Financial Statements of the previous year	√YES	□No	IV. (XXVI)
2. Whether the accounting estimates used in the semi-annual report have changed from the Financial Statements of the previous year	□YES	√ No	
3. Is there any previous error correction	□YES	√ No	
4. Whether there are seasonal or periodic characteristics in business operation	√YES	□No	
5. Whether there is any change in the related party with control relationship	□YES	√ No	
6. Whether the consolidation scope of consolidated financial statements has changed	√YES	□No	II
7. Whether there are securities issuance, repurchase and repayment	□YES	√ No	
8. Whether there is any distribution of profits to owners	□YES	√ No	
9. Whether segment reporting is disclosed in accordance with the relevant provisions of accounting standards	□YES	√ No	
10. Whether there are non-adjustment matters between the semi-annual balance sheet date and the semi-annual financial report approval date	□YES	√ No	
11. Whether there are changes in contingent liabilities and contingent assets after the balance sheet date of the previous year	□YES	√ No	
12. Is there any change in the structure of the enterprise	□YES	√ No	
13 Whether any significant long-term assets are transferred or sold	□YES	√ No	
14 Whether significant fixed assets and intangible assets have changed	□YES	√ No	
15. Whether there are significant research and development expenditures	□YES	√ No	
16. Whether there is a significant impairment loss on assets	□YES	√ No	
17. Whether there is an estimated liability	□YES	√ No	

(II) Notes on report items

TIANYE INNOVATION CORPORATION
2020 SEMI-ANNUAL
NOTES TO FINANCIAL STATEMENTS

I. General Information of the Company

(I) Company profile

1. Limited company stage

Tianye Innovation Corporation (hereinafter referred to as "**the Company**"), formerly Beihai Tianye Food Co., Ltd., was jointly established by Guangxi Tianye Science and Technology Seed Industry Co., Ltd., Yao Jiuzhi, Huo Weidong and Liu Youqiang. On January 23, 2007, the Company obtained the *Business License of Enterprise Legal Person* (Q) No. 450500000005715 issued by Beihai Administration for Industry and Commerce. The registered capital is RMB2 million, and all shareholders contributed RMB2 million, accounting for 100.00% of the registered capital. The capital contribution has been verified by the Capital Verification Report (BZKYZ [2007] No. 006) issued by Beihai Zhucheng (Joint) Accounting Firm. The shareholding status of each shareholder is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	170.00	85.00
Huo Weidong	10.00	5.00
Liu Youqiang	10.00	5.00
Yao Jiuzhi	10.00	5.00
Total	200.00	100.00

On April 15, 2009, the Company's Board of Shareholders resolved to increase the registered capital by RMB8 million, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. increased the capital by RMB8 million in cash; this capital increase has been verified by the Capital Verification Report (ZHYZ [2009] No. 210) issued by Qinzhou Zhongheng Joint Accounting Firm. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	970.00	97.00
Huo Weidong	10.00	1.00
Liu Youqiang	10.00	1.00
Yao Jiuzhi	10.00	1.00
Total	1,000.00	100.00

On May 6, 2009, the Company's Board of Shareholders resolved that Guangxi Tianye Science and Technology Seed Industry Co., Ltd. accepted all the equities of the Company held by Yao Jiuzhi, Huo Weidong and Liu Youqiang. The shareholding status of each shareholder after the change is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,000.00	100.00
Total	1,000.00	100.00

On August 11, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB32.6 million, with Guangxi Tianye Science and Technology Seed Industry Co., Ltd. contributing RMB25 million in kind and Yao Jiuzhi contributing RMB7.6 million in cash. Among them, Yao Jiuzhi contributed RMB7.6 million in cash for the first capital increase, and Guangxi Tianye Science and Technology Seed Industry Co., Ltd. completed the capital contribution within 2 years. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 046) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The above-mentioned in-kind capital contribution has been appraised by the Assets Appraisal Report (ZLPBZ [2011] No. 493) issued by China United Assets Appraisal Group Co., Ltd., and as of October 28, 2011, the property rights procedures had been changed; after that, in order to confirm the change of property rights of the in-kind contribution assets, the Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the Capital Verification Report (ZXSYZ [2012] No. 003). After the capital increase is completed, the registered capital of the industrially and commercially registered company is RMB42.6 million, and the shareholding status of each shareholder is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	82.16
Yao Jiuzhi	760.00	17.84
Total	4,260.00	100.00

On September 2, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB12.4 million, which was contributed in cash by natural persons Cheng Cheng, Wu Zhonglin, Guo Shanjie, Zhang Pei, Chen Yu, Li Zhenghua, Zhang Jinfeng, Zhao Yongli, Han Kaifeng, Lv Lingling, Huang Huiqiong, Li Junli, Rao Guizhong, Zhao Fagui, Wu Dongfeng, Wu Yanping and Wu Qingwen, Chen Junrong, Zhu Rong, Wang Jianxin, Zhao Fayu, Nong Xiancheng, Wang Jianfeng; this capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 051) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	63.64
Yao Jiuzhi	760.00	13.82
Cheng Cheng	230.00	4.18
Wu Zhonglin	160.00	2.91
Chen Yu	150.00	2.73
Huang Huiqiong	120.00	2.18
Lv Lingling	100.00	1.82
Han Kaifeng	80.00	1.45
Li Zhenghua	60.00	1.09
Zhang Jinfeng	60.00	1.09
Zhao Yongli	60.00	1.09

Shareholder	Contribution	Proportion
	(RMB10,000)	*(%)*
Li Junli	50.00	0.91
Guo Shanjie	20.00	0.36
Wu Dongfeng	20.00	0.36
Rao Guizhong	19.00	0.35
Zhao Fagui	19.00	0.35
Wang Jianfeng	19.00	0.35
Wu Qingwen	11.00	0.20
Wang Jianxin	11.00	0.20
Zhang Pei	10.00	0.18
Wu Yanping	10.00	0.18
Chen Junrong	10.00	0.18
Zhu Rong	10.00	0.18
Zhao Fayu	6.00	0.11
Nong Xiancheng	5.00	0.09
Total	5,500.00	100.00

On September 15, 2011, the Company's Board of Shareholders resolved to approve the transfer of 1.27% equity of the Company held by Yao Jiuzhi to Li Junli, and the transfer of 3.64% equity of the Company held by Yao Jiuzhi to Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.

On October 8, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB5 million, which was contributed in cash by Tongji Huacheng Venture Capital (Beijing) Co., Ltd., Su Songqing and Chen Zuren; this capital increase was verified by the Capital Verification Report (ZXSYZ [2011] No. 055) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution	Proportion
	(RMB10,000)	*(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	58.33
Yao Jiuzhi	490.00	8.17
Cheng Cheng	230.00	3.83
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	3.33

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	3.33
Wu Zhonglin	160.00	2.67
Chen Yu	150.00	2.50
Su Songqing	150.00	2.50
Chen Zuren	150.00	2.50
Huang Huiqiong	120.00	2.00
Li Junli	120.00	2.00
Lv Lingling	100.00	1.67
Han Kaifeng	80.00	1.33
Li Zhenghua	60.00	1.00
Zhang Jinfeng	60.00	1.00
Zhao Yongli	60.00	1.00
Guo Shanjie	20.00	0.33
Wu Dongfeng	20.00	0.33
Rao Guizhong	19.00	0.32
Zhao Fagui	19.00	0.32
Wang Jianfeng	19.00	0.32
Wu Qingwen	11.00	0.18
Wang Jianxin	11.00	0.18
Zhang Pei	10.00	0.17
Wu Yanping	10.00	0.17
Chen Junrong	10.00	0.17
Zhu Rong	10.00	0.17
Zhao Fayu	6.00	0.10
Nong Xiancheng	5.00	0.08
Total	6,000.00	100.00

On November 23, 2011, the Company's Board of Shareholders resolved to increase the registered capital by RMB7 million, in which, RMB5 million was contributed by Beijing Qiuyin Datong Investment Management Center (L.P.) in cash and RMB2 million by Zhang Jun in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 060) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	52.24
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.46
Yao Jiuzhi	490.00	7.31
Cheng Cheng	230.00	3.43
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.99
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.99
Zhang Jun	200.00	2.99
Wu Zhonglin	160.00	2.39
Chen Yu	150.00	2.24
Su Songqing	150.00	2.24
Chen Zuren	150.00	2.24
Huang Huiqiong	120.00	1.79
Li Junli	120.00	1.79
Lv Lingling	100.00	1.49
Han Kaifeng	80.00	1.19
Li Zhenghua	60.00	0.90
Zhang Jinfeng	60.00	0.90
Zhao Yongli	60.00	0.90
Guo Shanjie	20.00	0.30
Wu Dongfeng	20.00	0.30
Rao Guizhong	19.00	0.28
Zhao Fagui	19.00	0.28
Wang Jianfeng	19.00	0.28
Wu Qingwen	11.00	0.16
Wang Jianxin	11.00	0.16
Zhang Pei	10.00	0.15
Wu Yanping	10.00	0.15
Chen Junrong	10.00	0.15

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Zhu Rong	10.00	0.15
Zhao Fayu	6.00	0.09
Nong Xiancheng	5.00	0.07
Total	6,700.00	100.00

On December 16, 2011, the Company's Board of Shareholders resolved that shareholder Wu Qingwen transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, Zhao Fayu transferred his 0.01% equity (i.e. RMB10,000) to Zhao Fagui, and Wang Jianxin transferred his 0.01% equity (i.e. RMB10,000) to Wang Jianfeng. It is agreed to increase the registered capital by RMB3 million, and such RMB3 million was contributed by Beijing Haiyan Lifang Venture Capital Center (Limited Partnership) in cash. This capital increase has been verified by the Capital Verification Report (ZXSYZ [2011] No. 063) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	50.00
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	7.14
Yao Jiuzhi	490.00	7.00
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	4.29
Cheng Cheng	230.00	3.29
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.86
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.86
Zhang Jun	200.00	2.86
Wu Zhonglin	160.00	2.29
Chen Yu	150.00	2.14
Su Songqing	150.00	2.14
Chen Zuren	150.00	2.14
Huang Huiqiong	120.00	1.71
Li Junli	120.00	1.71
Lv Lingling	100.00	1.43
Han Kaifeng	80.00	1.14
Li Zhenghua	60.00	0.86

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Zhang Jinfeng	60.00	0.86
Zhao Yongli	60.00	0.86
Zhao Fagui	21.00	0.30
Guo Shanjie	20.00	0.29
Wu Dongfeng	20.00	0.29
Wang Jianfeng	20.00	0.29
Rao Guizhong	19.00	0.27
Wu Qingwen	10.00	0.14
Wang Jianxin	10.00	0.14
Zhang Pei	10.00	0.14
Wu Yanping	10.00	0.14
Chen Junrong	10.00	0.14
Zhu Rong	10.00	0.14
Zhao Fayu	5.00	0.07
Nong Xiancheng	5.00	0.07
Total	7,000.00	100.00

On June 27, 2012, the Company's Board of Shareholders resolved that Wu Dongfeng transferred his 0.29% equity to Rao Guizhong, Zhao Fayu transferred his 0.07% equity to Rao Guizhong, Wu Yanping transferred his 0.14% equity to Rao Guizhong, Nong Xiancheng transferred his 0.07% equity to Rao Guizhong, Chen Junrong transferred his 0.14% equity to Rao Guizhong, Zhu Rong transferred his 0.14% equity to Rao Guizhong, Wang Jianxin transferred his 0.14% equity to Rao Guizhong, Wu Qingwen transferred his 0.14% equity to Rao Guizhong, Zhao Fagui transferred his 0.07% equity to Rao Guizhong, Zhao Fagui transferred his 0.23% equity to Lan Haikun, and Cheng Cheng transferred his 3.29% equity to Qi Xiaohong.

On June 27, 2012, the Company's Board of Shareholders resolved to increase the registered capital by RMB15 million, which was contributed by all equities of Hainan Dachuan Food Co., Ltd. held by natural persons Shan Dan, Li Guangjiang, Li Ruiqi, Zhao Ruijun, Fan Jia, Fu Yu, Dong Ailin, Ding Zhulan, Cao Dongmei, Zeng Jun, Zhang Dewei, Wu Kaixiong, He Zhenshu, Zhou Chongyuan, Zheng Dingcheng, Fu Duanyao, Lin Xueyun, Du Jindong, Zhang Yimin, Li Xiaobei, Xiao Jin, Liu Ping, Huang Zenghua, Huang Huifang, Chen Jie and Shi Mingyuan.

The valuable consideration of this capital increase was calculated based on the *Assets Appraisal Report of the Shareholders' Equity Value Assessment Project Involved in the Capital Increase of Beihai Tianye Food Co., Ltd.* (ZLPBZ [2012] No. 391) and the *Assets Appraisal Report* *of the Proposed Equity Project by Beihai Tianye Food Co., Ltd. for Replacing Hainan Dachuan Food Co., Ltd. by Capital Increase* (ZLPBZ [2012] No. 392) issued by China United Assets Appraisal Group Co., Ltd. (the base date of appraisal: March 31, 2012).

This capital increase has been verified by the Capital Verification Report (ZXSYZ [2012] No. 024) issued by Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. The shareholding status of each shareholder after capital increase is as follows:

Shareholder	**Contribution** *(RMB10,000)*	**Proportion** *(%)*
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
Yao Jiuzhi	490.00	5.76
Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
Zhang Jun	200.00	2.35
Wu Zhonglin	160.00	1.88
Chen Yu	150.00	1.76
Su Songqing	150.00	1.76
Chen Zuren	150.00	1.76
Huang Huiqiong	120.00	1.41
Li Junli	120.00	1.41
Lv Lingling	100.00	1.18
Han Kaifeng	80.00	0.94
Li Zhenghua	60.00	0.71
Zhang Jinfeng	60.00	0.71
Zhao Yongli	60.00	0.71
Guo Shanjie	20.00	0.24
Wang Jianfeng	20.00	0.24
Rao Guizhong	104.00	1.22
Zhang Pei	10.00	0.12
Shan Dan	420.00	4.94
Li Guangjiang	205.00	2.41
Li Ruiqi	200.00	2.35
Xiao Jin	200.00	2.35

Shareholder	Contribution *(RMB10,000)*	Proportion *(%)*
Huang Zenghua	102.00	1.20
Zhao Ruijun	100.00	1.18
Huang Huifang	55.00	0.65
Liu Ping	45.50	0.54
Du Jindong	31.25	0.37
Shi Mingyuan	25.00	0.29
Zhang Yimin	18.75	0.22
Li Xiaobei	12.50	0.15
Fan Jia	10.00	0.12
Fu Yu	10.00	0.12
Chen Jie	10.00	0.12
Dong Ailin	8.00	0.09
He Zhenshu	8.00	0.09
Ding Zhulan	7.00	0.08
Cao Dongmei	5.00	0.06
Zeng Jun	5.00	0.06
Zhou Chongyuan	5.00	0.06
Zheng Dingcheng	5.00	0.06
Fu Duanyao	5.00	0.06
Zhang Dewei	3.00	0.04
Wu Kaixiong	2.00	0.02
Lin Xueyun	2.00	0.02
Lan Haikun	16.00	0.19
Qi Xiaohong	230.00	2.71
Total	8,500.00	100.00

On August 16, 2012, the Company's Board of Shareholders resolved to approve the transfer of 1% equity of the Company held by Rao Guizhong to Yao Jiuzhi.

2. *Reform of shareholding system*

On September 24, 2012, the founding meeting and the first general meeting of shareholders of Tianye Innovation Corporation passed a resolution: all shareholders of Beihai Tianye Food Co., Ltd., as initiators and according to the audited net assets of RMB186,609,726.71 (i.e. 85,000,000 shares) of Beihai Tianye Food Co., Ltd. as of August 31, 2012, change the company into a joint stock limited company according to law; the term of operation of the company is changed to permanent existence. On September 24, 2012, Shenzhen Branch of Zhongxi Certified Public Accountants Co., Ltd. issued the *Capital Verification Report* (ZXSYZ [2012] No. 043) to verify this overall change of the capital contribution. On September 25, 2012, Tianye Innovation Corporation completed the change of industrial and commercial registration in Beihai Administration for Industry and Commerce, and obtained the *Business License of Enterprise Legal Person* with the registration number of 450500000005715. The shareholding status of each shareholder after the change is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,500.00	41.18
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
3	Yao Jiuzhi	575.00	6.76
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Zhang Jun	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41
18	Li Junli	120.00	1.41
19	Rao Guizhong	19.00	0.22
20	Huang Zenghua	102.00	1.20
21	Lv Lingling	100.00	1.18
22	Zhao Ruijun	100.00	1.18
23	Han Kaifeng	80.00	0.94

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
24	Li Zhenghua	60.00	0.71
25	Zhang Jinfeng	60.00	0.71
26	Zhao Yongli	60.00	0.71
27	Huang Huifang	55.00	0.65
28	Liu Ping	45.50	0.54
29	Du Jindong	31.25	0.37
30	Shi Mingyuan	25.00	0.29
31	Guo Shanjie	20.00	0.24
32	Wang Jianfeng	20.00	0.24
33	Zhang Yimin	18.75	0.22
34	Lan Haikun	16.00	0.19
35	Li Xiaobei	12.50	0.15
36	Zhang Pei	10.00	0.12
37	Fan Jia	10.00	0.12
38	Fu Yu	10.00	0.12
39	Chen Jie	10.00	0.12
40	Dong Ailin	8.00	0.09
41	He Zhenshu	8.00	0.09
42	Ding Zhulan	7.00	0.08
43	Cao Dongmei	5.00	0.06
44	Zeng Jun	5.00	0.06
45	Zhou Chongyuan	5.00	0.06
46	Zheng Dingcheng	5.00	0.06
47	Fu Duanyao	5.00	0.06
48	Zhang Dewei	3.00	0.04
49	Wu Kaixiong	2.00	0.02
50	Lin Xueyun	2.00	0.02
	Total	8,500.00	100.00

On November 26, 2013, Yao Jiuzhi signed the *Equity Transfer Contract* with Wu Dongfeng, Wu Qingwen, Zhu Rong, Wang Jianxin, Chen Junrong, Wu Yanping, Zhao Fazhen, Nong Xiancheng, Zhao Fagui and Rao Guizhong respectively, and agreed to transfer 200,000 shares to the new shareholder Wu Dongfeng, 100,000 shares to the new shareholder Wu Qingwen, 100,000 shares to the new shareholder Zhu Rong, 100,000 shares to new shareholder Wang Jianxin, 100,000 shares to the new shareholder Chen Junrong, 100,000 shares to the new shareholder Wu

Yanping, 50,000 shares to the new shareholder Zhao Fayu, 50,000 shares to the new shareholder Nong Xiancheng, 40,000 shares to the new shareholder Zhao Fagui and 10,000 shares to shareholder Rao Guizhong; the Company changed the Register of Shareholders accordingly.

On December 28, 2013, Guangxi Tianye Science and Technology Seed Industry Co., Ltd. signed the *Equity Transfer Contract* with Yao Yuzhi, Zhao Ying, Guo Nan, Li Xingping, Li Zhiqi, Li Huiyun and Ginkgo Bo Rong (Beijing) Technology Co., Ltd., and agreed to transfer 1.6 million shares to Yao Yuzhi, 1.2 million shares to new shareholder Zhao Ying, 1.1 million shares to new stock Dong Guonan, and 111 shares. 1 million shares were transferred to the new shareholder Yinxing Borong, 1 million shares to the new shareholder Li Zhiqi and 600,000 shares to the new shareholder Li Huiyun. Each transferee completed the payment of the share transfer consideration in January 2014, and the Company changed the Register of Shareholders accordingly. The shareholding status of each shareholder after the change is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	420.00	4.94
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
9	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
10	Li Ruiqi	200.00	2.35
11	Xiao Jin	200.00	2.35
12	Zhang Jun	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Huang Huiqiong	120.00	1.41

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
18	Li Junli	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.2
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94
28	Li Zhenghua	60.00	0.71
29	Zhang Jinfeng	60.00	0.71
30	Zhao Yongli	60.00	0.71
31	Li Huiyun	60.00	0.71
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37
35	Shi Mingyuan	25.00	0.29
36	Guo Shanjie	20.00	0.23
37	Wang Jianfeng	20.00	0.23
38	Wu Dongfeng	20.00	0.23
39	Rao Guizhong	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Chen Jie	10.00	0.12
45	Fan Jia	10.00	0.12
46	Fu Yu	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06
58	Fu Duanyao	5.00	0.06
59	Zeng Jun	5.00	0.06
60	Zhao Fayu	5.00	0.06
61	Nong Xiancheng	5.00	0.06
62	Zhao Fagui	4.00	0.05
63	Zhang Dewei	3.00	0.04
64	Wu Kaixiong	2.00	0.02
65	Lin Xueyun	2.00	0.02
	Total	8,500.00	100.00

Zhang Dewei, a shareholder of the Company, unfortunately died of illness in February 2013. After verification by the Company, the successors first in order were only his spouse and son. On May 6, 2014, his spouse Chu Ping issued the *Confirmation Letter on Inheritance of All Shares Held by Zhang Dewei in Tianye Innovation Corporation*, confirming that all the 30,000 shares held by Zhang Dewei before his death were inherited by Zhang Dewei's son Zhang Hangrui.

On June 11, 2014, Zeng Jun signed the *Equity Transfer Contract with* Shan Dan for transferring 50,000 shares of the Company held by him to Shan Dan, and the Company changed the Register of Shareholders accordingly.

As of December 31, 2014, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	2,740.00	32.24
2	Yao Jiuzhi	650.00	7.65

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	5.88
4	Shan Dan	425.00	5.00
5	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	3.53
6	Qi Xiaohong	230.00	2.71
7	Li Guangjiang	205.00	2.41
8	Tongji Huacheng Venture Capital (Beijing) Co., Ltd.	200.00	2.35
9	Zhang Jun	200.00	2.35
10	Beijing Zhonghe Zhengxi Investment Consulting Co., Ltd.	200.00	2.35
11	Li Ruiqi	200.00	2.35
12	Xiao Jin	200.00	2.35
13	Wu Zhonglin	160.00	1.88
14	Chen Yu	150.00	1.76
15	Su Songqing	150.00	1.76
16	Chen Zuren	150.00	1.76
17	Li Junli	120.00	1.41
18	Huang Huiqiong	120.00	1.41
19	Zhao Ying	120.00	1.41
20	Guo Nan	110.00	1.29
21	Li Xingping	110.00	1.29
22	Huang Zenghua	102.00	1.20
23	Lv Lingling	100.00	1.18
24	Zhao Ruijun	100.00	1.18
25	Ginkgo Bo Rong (Beijing) Technology Co., Ltd.	100.00	1.18
26	Li Zhiqi	100.00	1.18
27	Han Kaifeng	80.00	0.94
28	Li Zhenghua	60.00	0.71
29	Zhao Yongli	60.00	0.71
30	Zhang Jinfeng	60.00	0.71
31	Li Huiyun	60.00	0.71
32	Huang Huifang	55.00	0.65
33	Liu Ping	45.50	0.54
34	Du Jindong	31.25	0.37

S/N	Shareholder	Number of shares held (10,000 shares)	Proportion (%)
35	Shi Mingyuan	25.00	0.29
36	Wang Jianfeng	20.00	0.23
37	Guo Shanjie	20.00	0.23
38	Rao Guizhong	20.00	0.23
39	Wu Dongfeng	20.00	0.23
40	Zhang Yimin	18.75	0.22
41	Lan Haikun	16.00	0.19
42	Li Xiaobei	12.50	0.15
43	Zhang Pei	10.00	0.12
44	Fu Yu	10.00	0.12
45	Fan Jia	10.00	0.12
46	Chen Jie	10.00	0.12
47	Wu Qingwen	10.00	0.12
48	Zhu Rong	10.00	0.12
49	Wang Jianxin	10.00	0.12
50	Chen Junrong	10.00	0.12
51	Wu Yanping	10.00	0.12
52	He Zhenshu	8.00	0.09
53	Dong Ailin	8.00	0.09
54	Ding Zhulan	7.00	0.08
55	Cao Dongmei	5.00	0.06
56	Zhou Chongyuan	5.00	0.06
57	Zheng Dingcheng	5.00	0.06
58	Fu Duanyao	5.00	0.06
59	Zhao Fayu	5.00	0.06
60	Nong Xiancheng	5.00	0.06
61	Zhao Fagui	4.00	0.05
62	Zhang Hangrui	3.00	0.04
63	Lin Xueyun	2.00	0.02
64	Wu Kaixiong	2.00	0.02
	Total	8,500.00	100.00

In May 2015, according to the proposal of the *Stock Issuance Plan of Tianye Innovation Corporation* reviewed and approved at the 2014 Annual General Meeting of Shareholders and the revised Articles of Association, the Company issued RMB ordinary shares with unlimited sales conditions to 43 investors including Li Xingping, Li Junli, Zhang Jun, Guo Nan, Li Guangjiang, Ginkgo Bo Rong (Beijing) Technology Co., Ltd., Caida Securities Co., Ltd. and Fangfu Growth Phase II Investment Fund, totaling 35,000,000.00 shares, with par value of each share of RMB1.00, and the subscription price of each share of RMB8.50. This time, RMB297,500,000.00 was raised, and the registered capital was changed to RMB120,000,000.00. After verification by Dahua Certified Public Accountants (Special General Partnership), as of May 28, 2015, the paid-in amount of the above 43 investors was RMB297,500,000.00, and the actual net fund raised by the Company was RMB297,450,000.00, and the Capital Verification Report (DHYZ [2015] No. 000417) was issued.

As of December 31, 2015, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	1,826.70	15.22
2	Yao Jiuzhi	1,513.10	12.61
3	Li Ruiqi	521.10	4.34
4	Zhang Yimin	518.75	4.32
5	Beijing Qiuyin Datong Investment Management Center (L.P.)	500.00	4.17
6	Shan Dan	425.00	3.54
7	Huang Zenghua	413.90	3.45
8	Li Qing	380.10	3.17
9	Beijing Haiyan Lifang Venture Capital Center (Limited Partnership)	300.00	2.50
10	Beijing Fangfu Capital Management Co., Ltd.	287.10	2.39
11	Other investors	5,314.25	44.29
	Total	12,000.00	100.00

In April 2016, according to the *Company's Profit Distribution Plan for 2015* reviewed and approved at the 2015 Annual General Meeting of Shareholders, the Company distributed cash dividend RMB1 (including tax) for every 10 shares based on the total share capital of 120 million shares as of December 31, 2015, with a total cash dividend of RMB12 million, and the remaining undistributed profits were carried over to the following years. At the same time, the capital reserve was used to increase 10 shares for every 10 shares of all shareholders, and the total increased share capital was 120 million shares. The total share capital of the Company was changed to 240 million shares after the share capital increase.

As of December 31, 2016, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	3,018.40	12.58
2	Yao Jiuzhi	3,016.10	12.57
3	Zhang Yimin	1,000.00	4.17
4	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
5	Shan Dan	850.00	3.54
6	Huang Zenghua	800.00	3.33
7	Li Qing	760.20	3.17
8	Gongtou Zhaochen Investment Management Co., Ltd. — Huixin Investment — Quality Modern Agriculture Contractual Type Fund	454.20	1.89
9	Qi Xiaohong	442.00	1.84
10	Beijing Fangfu Capital Management Co., Ltd.	400.00	1.67
11	Other investors	12,259.10	51.07
	Total	24,000.00	100.00

As of December 31, 2017, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Yao Jiuzhi	4,252.10	17.72
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
3	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	1,000.00	4.17
4	Zhang Yimin	975.00	4.06

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
5	Shan Dan	850.00	3.54
6	Yao Linhao	800.00	3.33
7	Li Qing	760.20	3.17
8	Qi Xiaohong	439.00	1.83
9	Huang Zenghua	428.30	1.78
10	Li Ruiqi	421.80	1.76
11	Other investors	13,073.60	54.47
	Total	24,000.00	100.00

As of December 31, 2018, the equity structure of the Company is as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Yao Jiuzhi	4,271.10	17.80
2	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	1,017.50	4.24
3	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
4	Zhang Yimin	949.50	3.95
5	Shan Dan	850.00	3.54
6	Li Qing	760.20	3.17
7	Yao Linhao	738.00	3.08
8	Yang Yunping	452.60	1.88
9	Qi Xiaohong	439.00	1.83
10	Huang Zenghua	424.30	1.77
11	Others	13,097.80	54.57
	Total	24,000.00	100.00

As of December 31, 2019, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Yao Jiuzhi	4,271.10	17.80
2	Beijing Qiuyin Datong Investment Management Center (L.P.)	1,000.00	4.17
3	Zhang Yimin	935.00	3.90
4	Li Qing	760.20	3.17
5	Shan Dan	650.00	2.71
6	Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	601.30	2.51
7	Gongtou Zhaochen Investment Management Co., Ltd.	569.80	2.37
8	Yao Linhao	558.00	2.33
9	Yang Yunping	469.60	1.96
10	Qi Xiaohong	453.60	1.89
11	Others	13,731.40	57.21
	Total	24,000.00	100.00

As of June 30, 2020, the equity structure of the Company was as follows:

S/N	Shareholder	Number of shares held *(10,000 shares)*	Proportion *(%)*
1	Yao Jiuzhi	4,253.10	17.72
2	Hefei Fangfu	2,812.52	11.72
3	Qiuyin Datong	1,000.00	4.17
4	Zhang Yimin	935.00	3.90
5	Li Qing	760.20	3.17
6	Yao Linhao	488.00	2.03
7	Shan Dan	487.50	2.03
8	Yang Yunping	469.60	1.96
9	Qi Xiaohong	453.60	1.89
10	Li Junli	410.30	1.71
11	Others	11,930.18	49.71
	Total	24,000.00	100.00

Unified Social Credit Code:	914505007968370834
Registered address:	Chuangye Avenue, Hepu Industrial Park, Beihai City
Legal representative:	Yao Jiuzhi

(II) Business scope

The Company's business scope: production and sales of beverages (fruit juice and vegetable juice), quick-frozen foods [quick-frozen other foods (quick-frozen fruit and vegetable products)], dried fruits and vegetables and preserved fruits; acquisition, processing and sales of agricultural and sideline products (which can only be operated after obtaining environmental impact acceptance and fire protection permit); comprehensive development of agricultural products projects; self-management and agent for import and export of various commodities and technologies (except commodities and technologies that are restricted by the state or prohibited from import and export).

(III) The nature of business and main operating **activities of the Company**

The Company's main products: fruit juice, quick-frozen foods, fresh fruits, etc.

The Company belongs to the "vegetable, fruit and nut processing industry" in the "agricultural and sideline food processing industry".

(IV) Approval of the financial statements

The financial statements have been authorized for issuance by the Board of Directors of the Company on August 24, 2020.

II. Scope of Consolidated Financial Statements

During the reporting period, there were 6 subsidiaries included in the scope of consolidated financial statements, including:

Subsidiary	Subsidiary type	Level	Shareholding ratio (%)	Ratio of voting right (%)
Hainan Dachuan Food Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hainan Tianye Drinks Food Sales Co. Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Iceman Foods Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00

Note:

During the reporting period, Panzhihua Tianye Innovation was a new subsidiary included in the scope of consolidation. Refer to "Note VII. Change of consolidation scope" for details of the subject of consolidation scope change.

III. Basis for the Preparation of Financial Statements

(I) Basis for the preparation

The Company prepares the financial statements on the basis of going concern, according to actual transactions and events, and in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* and concrete accounting standards, and *Accounting Standards for Business Enterprises — Application Guidelines*, the Accounting Standards for Business Enterprises — Interpretations issued by the Ministry of Finance and other relevant provisions (hereinafter collectively referred to as — Accounting Standards for Business Enterprises), and as well as *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (Rev. 2014)* issued by China Securities Regulatory Commission.

(II) Going concern

The Company has assessed its ability to continually operate for the next 12 months from the end of the reporting period. There are no major events that will affect the Company's operational ability, Therefore, the financial statements are prepared on the basis of going-concern assumption.

IV. Significant Accounting Policies and Accounting Estimates

(I) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company in the reporting period.

(II) Accounting period

The accounting year of the Company begins on January 1 and ends on December 31 of the Gregorian calendar.

(III) Recording currency

The recording currency of the Company is RMB.

(IV) Accounting treatment of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

1. ***If the terms, conditions and economic impacts of each transaction conform to one or more of the following cases in the business combination step by step, these transactions shall be handled in an accounting way as a package deal:***

   (1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

   (2) These transactions can lead to a complete commercial result only when they are in their entirety;

   (3) The occurrence of a transaction relies on the occurrence of at least another transaction;

   (4) A transaction alone is deemed uneconomic but economic when together with other transactions.

2. ***Business combination under same control***

The assets and liabilities that the Company obtains in a business combination shall be measured on the basis of the book value of the combined party in the consolidated financial statement of the final controlling party on the combining date (including the business reputation formed after the final controlling party merges the combined party). As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the stocks issued), the share capital premium in capital reserve shall be adjusted; if the share capital premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If there is contingent consideration and the estimated liabilities or assets should be confirmed, the capital reserve (capital premium or capital stock premium) should be adjusted according to the balance between the amount of estimated liabilities or assets and settled amount of follow-up contingent consideration. If the capital reserve is insufficient, the retained income should be adjusted.

If the business combination is finally realized through various transactions and it is a "package deal", the various transactions should have accounting treatment by regarding it as the one acquired the control right. If it is not a "package deal", on the date of obtaining the control right, the capital reserve shall be adjusted according to the difference between initial investment cost of the long-term equity investment and the sum of the book value of long-term equity investment before combination and the book value of new paid consideration of shares that further acquired on combining date; if capital reserve is not enough for offset, the retained income shall be adjusted.

For the equity investment held before the combining date, other comprehensive income calculated with the equity method or calculated and confirmed according to standards for recognition and measurement of financial instruments will not have accounting treatment until the disposal of the investment, when the accounting treatment should be conducted on the basis of same assets or liabilities handled directly by the investee. Other changes in owners' equities in net assets of the investee except from the net profits and losses, other comprehensive income and profits accounted and confirmed with the equity method will not have accounting treatment temporarily until the it will be included in current profits and losses during the disposal of the investment.

3. Business combination not under the same control

The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree, i.e. the date on which the control right over the net assets or operation decisions of the acquiree is transferred to the Company. The Company deems the control right is transferred when following conditions are all met:

① The combination contract or agreement has passed the approval of internal authority of the Company.

② Matters related to business combination that require approval of relevant state authorities have been approved by relevant authorities.

③ Necessary property right transfer formalities have been handled.

④ The Company has paid a large part of the combination expenses it is able to and plans to pay the rest expenses.

⑤ The Company has controlled the financial and operation policies of the acquiree in fact and it enjoys relevant interests and bear relevant risks.

The Company shall measure the assets given and liabilities incurred or assumed by an enterprise for a business combination at the acquisition date based on the fair values, and shall take the balances between the fair values and their book value into the profit and loss of the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The balance between the combination cost and the fair value of the identifiable net assets acquired from the acquiree in the business combination shall be included in the current profits and losses after recheck.

If the business combination not under the same control realized through disposal in steps by transactions is a package deal, the combining party shall conduct accounting treatment on all transactions by regarding it as one transaction that has acquired the control. It is not a package deal and the equity investment before the combining date is accounted with the equity method, the initial investment cost of the investment is the sum of the book value of the equity investment held by the acquiree before the acquisition date and the new investment cost on the acquisition date. For other comprehensive income of the equity investment confirmed before acquisition date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment. For the equity investment held before the combining date that are accounted according to the standards for recognition and measurement of financial instruments, the initial investment cost on the combining date is the sum of the book value of the equity investment on the combining date and the new investment cost. For originally held equities, the difference between the book value and the fair value and the cumulative fair value included in other comprehensive income originally shall be all transferred to current investment profits on the combining date.

4. Expenses related to business combination

Commission fees for audit, legal services, assessment and consultation due to business combination and other directly related expenses shall be included in the current profits and losses when they occur. For the transaction expenses for the issuance of equity securities for the business combination, the part directly attributed to equity transactions can be deducted from equities.

(V) Base of consolidated financial statements

1. Consolidation scope

The scope of consolidated financial statements the Company shall be confirmed based on the control and all subsidiaries (including individual principal controlled by the Company) shall be included in the consolidation range of the consolidated financial statements.

2. Consolidation procedure

The Company shall prepare consolidated financial statements based on its and its subsidiaries' financial statements according to other relevant data. During preparation of consolidated financial statements, the Company shall consider the whole company as an accounting entity on the basis of the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and in accordance with the unified accounting policies, reflecting the Company's overall financial status, operating results and cash flows.

The accounting policies or accounting period adopted by the subsidiary included in the consolidation range shall be in line with the Company. If the accounting policies or accounting period adopted by the subsidiary are not in line with the Company, necessary adjustments shall be made according to the Company's accounting policies and period when preparing consolidated financial statements.

When preparing consolidated financial statement, the effects of the offset of internal transactions between the Company and other subsidiary and the offset of internal transactions between subsidiaries to consolidated balance sheet, consolidated profit statement, consolidated statement of cash flow and consolidated statement of change in shareholders' equity shall be recorded. If the recognition on a same transaction with the Company or its subsidiary as the accounting entity is different from the perspective of consolidated financial statement of the Company, the transaction should be adjusted from the perspective of the Company.

The owners' equity of subsidiaries, current net profits and losses and the shares in total comprehensive income attributable to minority shareholders shall be independently listed in the "owners' equity" in consolidated balance sheet, the "net profits" and "total comprehensive income" in consolidated income statements. If current loss shared by minority shareholders in a subsidiary exceeds the share enjoyed by minority shareholders in the subsidiary's owner's equity at the beginning of the period, the balance shall be written down with the minority shareholders' equity.

If the subsidiary is acquired through combinations under common control, the adjustments are made to the consolidated financial statements based on the book value of its assets and liabilities (including the business reputation formed after the final controlling party merges the combined party) in the consolidated financial statement of the final controlling party.

For a subsidiary acquired through business combination not under the same control, its financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

(1) Increase of subsidiary or business

For the subsidiary or business increased under the same control due to business combination in the reporting period, the opening balance of the consolidated balance sheet shall be adjusted, and the subsidiary and the revenues, expenses and profits from the beginning to the closing period of the current business combination are incorporated into the consolidated profit statement, as well as the cash flow of the same period to the consolidated cash flow statement. Meanwhile, relevant items of the comparative statement are adjusted and the consolidated report subject is regarded to exist from the time the final control party begins to control.

If the investee under the same control can be controlled due to additional investment, it shall be deemed that all parties involved in the combination adjusted the current state/existence when the final controller began to control it. For the equity investment held before the control right over the combined party is obtained, the changes in relevant profits and losses, other comprehensive incomes and other net assets recognized from the later one of the date when the original equity is obtained and the date when the combing party and the combined party are under the same control to the combination date shall respectively be used to offset the retained income at the beginning period of the comparative statement or current profits and losses.

In the reporting period, for the added subsidiary companies or businesses caused by business combination under common control, the beginning balance of the consolidated financial statement shall not be adjusted. The incomes, expenses and profits of the subsidiary or business incurred from the acquisition date to the end of reporting period shall be recorded into consolidated profit statement. The cash flow of the subsidiary or business from the acquisition date to the end of reporting period shall be included into consolidated cash flow statement.

If the investee not under the same control can be controlled due to additional investment, the Company shall measure again its equity owned from the acquiree prior to the acquisition date in accordance with the fair value of the equity at the acquisition date, and the balance between the fair value and the book value shall be taken into the investment income of the current period. For the held equity from the acquiree before the acquisition date which involves other comprehensive income under accounting with equity method, and changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits shall be changed into the current incomes from investment on the acquisition date, except from other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee.

(2) Disposal of subsidiaries or businesses

1) General disposal method

If the Company disposes its subsidiary or the business within the reporting period, the revenues, expenses and profits occurred from the beginning of the business to the disposal date and of the subsidiary are incorporated into the consolidated income statement and the cash flow produced from the beginning of the period to the disposal date of the subsidiary is included into the consolidated cash flow statement.

If it loses the control on the investee because of disposing part of the equity investment or due to other reasons, the disposed remaining equity investment shall be remeasured by the Company as per the fair value on the date of losing the control. The balance obtained by deducting the portion of net assets reckoned continuously since the acquisition or combination date by the original subsidiary that shall be enjoyed according to the original calculated shareholding ratio with the sum of consideration generated from the disposal and the fair value of the residual equity shall be numbered into the investment income of the current period in which the right of control is lost. Other comprehensive incomes or changes of owner's equities except from net profits and losses, other comprehensive income and distribution of profits associated with the equity investments of the original subsidiary are turned into the current investment income at the time the right of control is lost. However, other comprehensive income due to changes in net debt or assets caused by remeasurement and re-definition of benefit plan by the investee is excluded.

2) Disposal of subsidiary in steps

For investment in subsidiary from disposal in steps by transactions to control loss, if the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, it is commonly acknowledged these transactions shall be handled in an accounting way as a package deal:

A. These transactions are concluded simultaneously or after the consideration of the mutual influence;

B. These transactions can lead to a complete commercial result only when they are in their entirety;

C. The occurrence of a transaction relies on the occurrence of at least another transaction;

D. A transaction alone is deemed uneconomic but economic when together with other transactions.

If various transactions from disposal of subsidiary equity investment to control loss belong to package deal, these transactions shall be disposed in an accounting way as a transaction for subsidiary disposal with control loss. However, for each transaction conducted before control loss, the balance between the disposal price and corresponding net asset share of disposed investment over the subsidiary shall be recognized as other comprehensive income in the consolidated financial statement and transferred to current profits and losses at the time of control loss together.

If various transactions from disposal of subsidiary equity investment to control loss do not belong to package deal, accounting treatment shall be conducted for policies related to equity investment of the subsidiary under the condition of no control right loss. If the control right is lost, accounting treatment shall be conducted with general method for disposal of subsidiary.

(3) Purchase of minority equities in subsidiaries

The stock premium in capital reserve in consolidated balance sheet shall be adjusted for the difference between the net asset shares continuously calculated since acquisition date (or combining date) of subsidiary corporation to be enjoyed by long-term equity investment as a result of purchasing minority interest, as well as calculation on the basis of new shareholding ratio. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(4) Disposal of equity investment of subsidiary partially without losing control right

The stock premium in capital reserve in consolidated balance sheet shall be adjusted according to the difference of net assets of subsidiary as result of continuous calculation since the acquisition or combining date enjoyed during disposal of price and long-term equity investment due to the disposal of the long-term equity investment of subsidiary partially without losing its control right. If the stock premium in capital reserve is insufficient for offset, retained income shall be adjusted.

(VI) Cash and cash equivalents

The Company's cash on hand and deposits available for payment at any time are recognized as cash when the Company prepares its cash flow statement. Any short-term (expires after three months from the purchase date generally) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are confirmed as cash equivalents.

(VII) Foreign operations and foreign currency translation

1. Foreign operations

At the time of initial recognition of a foreign currency transaction, the amount shall be translated into RMB at the spot exchange rate of the transaction date.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date into RMB. The balance of exchange arising from the difference of exchange rate, except from the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of qualified assets which is capitalized, shall be included into profits and losses of the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. The resulting difference shall be recognized as the fair value change in the current profit and loss. The resulting difference belonging to the non-monetary items of available-for-sale foreign currency shall be recognized as other comprehensive incomes.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet shall be translated at spot exchange rate on the balance sheet date. Among the owner's equity items, except items in "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot rate of the transaction date. The translation difference of foreign currency financial statements generated according to the above translation shall be included in other comprehensive income.

When disposing of overseas operations, the translation difference of foreign currency financial statements listed in other comprehensive income items in the balance sheet and related to the overseas operations shall be transferred from other comprehensive income items to the current profits and losses; when part of the equity investment is disposed of or other reasons lead to a decrease in the proportion of overseas business interests, but the right to control overseas business is not lost, the translation difference of foreign currency statements related to the disposal of the overseas business shall be attributed to minority shareholders' interests and shall not be transferred to the current profits and losses. In case of disposal of part of equity of the associated enterprises or cooperative enterprises in the overseas business, the translation balance related to the overseas business shall be translated into the current profits and losses based on the ratio to dispose overseas business.

(VIII) Financial instruments

The financial instruments are divided into financial assets or financial liabilities and equity instruments.

1. Classification of financial instruments

The financial assets are classified into the following three categories in initial recognition: ① financial assets measured at amortized cost; ② financial assets that are measured at fair value and their changes are included in the other comprehensive income; ③ financial assets that are measured at fair value and their changes are included in the current profits and losses.

The financial liabilities are classified into the following four categories in initial recognition: ① financial liabilities that are measured at fair value and their changes are included in current profits and losses; ② financial liabilities formed due to financial assets' failure to be transferred in accordance with derecognition conditions or continuous involvement in the transferred financial assets; ③ financial guarantee contracts not belonging to ① or ② above, and commitments of loans at a rate below the market interest rate that do not belong to ① above; ④ financial liabilities measured at amortized cost.

The condition of recognition and measurement method of financial instruments

① *Recognition basis and initial measurement method of financial assets and financial liabilities*

A financial asset or financial liability is recognized when the Company becomes a party of financial instrument contract. When financial assets or financial liabilities are initially recognized,

they will be measured at their fair values; for the financial assets and liabilities that are measured at fair value and their changes are included into the profits and losses of the current period, the transaction expenses thereof are directly included into the profits and losses of the current period; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included in the initially recognized amount. However, in the event that the major financing components are not included in the accounts receivable initially recognized by the Company, or the Company takes no account of the financing components of a contract not exceeding one year, the initial measurement is conducted as per the transaction price.

② *Subsequent measurement methods of financial assets*

1) Financial assets measured at amortized cost

Subsequent measurement on its financial liabilities is conducted on the basis of the post-amortization costs by adopting the actual interest rate method. Profits or losses of financial assets measured at amortized cost and not a part of hedging relationship are included into current profits and losses upon termination of recognition, reclassification, amortization or recognition of impairment based on effective interest method.

2) Investment in debt instruments that are measured at fair value and their changes are included in other comprehensive income

The fair value is used for subsequent measurement. Interests, impairment losses or gains calculated by the effective interest method and exchange gains and losses shall be included in the current profits and losses, and other gains or losses shall be included in other comprehensive income. During the derecognition, the accumulated gains or losses included in other comprehensive income before shall be transferred out from other comprehensive income and included in the current profits and losses.

3) Investment in equity instruments that are measured at fair value and their changes are included in other comprehensive income

The fair value is used for subsequent measurement. Dividends obtained (except for the part of investment cost recovery) shall be included in the current profits and losses, and other gains or losses shall be included in other comprehensive income. During the derecognition, the accumulated gains or losses included in other comprehensive income before shall be transferred out from other comprehensive income and included in the retained earnings.

4) Financial assets that are measured at fair value and their changes are included in current profits and losses

The fair value is used for subsequent measurement, and the profits or losses (including interests and dividend income) generated shall be included into the current profits and losses, unless the financial assets are a part of the hedging relationship.

③ *Subsequent measurement method of financial liabilities*

1) Financial liabilities that are measured at fair value and their changes are included in current profits and losses

Such financial liabilities include trading financial liabilities (including derivative instruments belonging to financial liabilities) and financial liabilities designated to be measured at its fair value and their changes are included into current profits and losses, and are subsequently measured at their fair value. For financial liabilities caused by changes in the Company's own credit risk that are designated to be measured at fair value and whose changes are included in the current profits and losses, the amount of change in fair value shall be included in other comprehensive income unless such handling will cause or expand the accounting mismatch in profits and losses. Other gains or losses arising from such financial liabilities (including interest expenses and changes in fair value caused by reasons other than changes in the Company's own credit risk) shall be included in the current profits and losses, unless the financial liabilities are a part of the hedging relationship. During the derecognition, the accumulated gains or losses included in other comprehensive income before shall be transferred out from other comprehensive income and included in the retained earnings.

2) For financial liabilities formed due to financial assets' failure to be transferred in accordance with derecognition conditions or continuous involvement in the transferred financial assets, they shall be measured in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets*.

3) For the financial guarantee contracts that do not belong to the above 1) or 2) and loan commitments that do not belong to the above 1) and are lent at a interest rate lower than the market interest rate, after initial recognition, subsequent measurement shall be made according to the higher of the following two amounts: ① amount of loss provision determined in accordance with the impairment regulations of financial instruments; ② balance of the initial recognition amount after deducting the accumulated amortization amount determined in accordance with relevant regulations.

4) Financial liabilities measured at amortized cost

They are measured at amortized cost using the effective interest method. Profits or losses of financial liabilities measured at amortized cost and not a part of hedging relationship shall be included into current profit and loss upon the derecognition and amortization based on effective interest method.

④ *Derecognition of financial assets and financial liabilities*

1) When one of the following conditions is met, the financial assets shall be derecognized:

a. The contractual right to collect cash flow from financial assets has been terminated;

b. The financial assets have been transferred, and the transfer meets the regulations on derecognition of financial assets in the *Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets*.

2) If the current obligation of (the whole or a part of) financial liabilities has been discharged, (the whole or the part of) financial liabilities shall be accordingly derecognized.

Recognition basis and measurement method for the transfer of financial assets

In the event that the Company has transferred almost all of the risks and rewards related to the ownership of the financial assets, it shall stop recognizing the financial assets and separately recognize the rights and obligations generated or retained in the transfer as assets or liabilities. If almost all of the risks and rewards related to the ownership of the transferred financial asset are retained, it may continue to recognize the transferred financial assets. In the event the Company has neither transferred nor retained almost all the risks and rewards of ownership of financial assets, the following cases shall be considered: (1) if the control over the financial assets is not retained, the financial assets shall be recognized and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities; (2) if the control over financial assets is retained, relevant financial assets shall be recognized according to the extent to which they continue to be involved in the transferred financial assets, and related liabilities shall be recognized accordingly.

If the overall transfer of financial assets meets the derecognition conditions, the difference between the following two amounts shall be included in the current profits and losses: (1) the book value of the transferred financial assets on the date of derecognition; (2) the sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognized part of the accumulated amount of changes in fair value that was originally directly included in other comprehensive income (the financial assets involved in the transfer are investments in debt instruments measured at fair value whose changes are included in other comprehensive income). Where a part of the financial assets is transferred and the transferred part generally meets the derecognition conditions, the entire book value of the financial assets before transfer shall, between the part whose recognition has been terminated and the part whose recognition has not been terminated, be apportioned according to their respective relative fair value on the date of transfer, and the difference between the amounts of the following two items shall be recorded in the current profits and losses: (1) the book value of derecognized part; (2) the sum of the consideration of the derecognized part and the amount corresponding to the derecognized part of the accumulated amount of changes in fair value that was originally directly included in other comprehensive income (the financial assets involved in the transfer are investments in debt instruments measured at fair value whose changes are included in other comprehensive income).

Methods for the determination of the fair value of financial assets and financial liabilities

The Company shall use sufficient and usable data and the valuation technique supported by other information under current situations to determine the fair value of relevant financial assets and financial liabilities. The Company shall divide the input values of valuation technique into the following levels and use them in turn:

(1) The first level input value is an unadjusted quotation for the same asset or liability that can be obtained on the measurement date in an active market;

(2) The second level is an input value that is directly or indirectly observable for related assets or liabilities, except for the first level, including the quotation for similar assets or liabilities in an active market, quotation of the same or similar assets or liabilities in an inactive market and other observable input values other than quotation, such as the observable interest rate and yield curve during the normal quotation interval, input value for market validation, etc.;

(3) The third level is unobservable input values for related assets or liabilities, including interest rates that cannot be directly observed or verified by observable market data, stock volatility, future cash flows from disposal obligations in business combination, and financial projections made by using their own data.

Withdrawing of impairment provision for financial assets (excluding receivables)

Impairment measurement and accounting of financial instruments

Based on expected credit losses, the Company shall perform impairment treatment on financial guarantee contracts for financial assets measured at amortized cost, investments in debt instruments measured at fair value whose changes are included in other comprehensive income, lease receivables, loan commitments that are classified other than financial liabilities measured at fair value whose changes are included in current profits and losses, financial liabilities other than those measured at fair value whose changes are included in current profits and losses or financial liabilities other than those formed due to financial assets' failure to be transferred in accordance with derecognition conditions or continuous involvement in the transferred financial assets, and recognize the loss provisions.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the default risk. Credit losses refer to the difference between all the contract cash flows receivable under the contract and all the expected cash flows received by the Company discounted at the original effective interest rate, namely the present value of the total cash shortage. For financial assets purchased by the Company or original financial assets that have suffered credit impairment, the financial assets shall be discounted at the actual interest rate through credit adjustment.

For purchased or original financial assets that have suffered credit impairment, the Company shall only recognize the cumulative changes in expected credit losses in the whole duration since the initial recognition as loss provisions on the balance sheet date.

For receivables that do not contain a significant financing component or where the Company does not consider the financing component of a contract of not more than one year, the Company will assess whether the credit risk has increased significantly based on individual financial assets or financial asset combinations and measure the loss reserve based on the equivalent expected credit loss amount in the whole duration using simplified measurement methods.

(IX) Recognition criteria and withdrawing method of provision for bad debts of receivables

The Company adopts a simplified method for the accounts receivable formed by transactions regulated by *Accounting Standards for Business Enterprises No. 14 — Revenue* (whether it contains significant financing components or not) and the rents receivable regulated by *Accounting Standards for Business Enterprises No. 21 — Lease*, that is, the loss provision is always measured based the expected credit loss in the whole duration. According to the nature of financial instruments, the Company evaluates whether the credit risk increases significantly on the basis of single financial asset or financial asset combination.

According to the nature of financial instruments, the Company evaluates whether the credit risk increases significantly on the basis of single financial asset or financial asset combination. The Company divides the accounts receivable into several combinations according to the credit risk characteristics, and calculates the expected credit losses on the basis of the combinations. The basis for determining the combinations is as follows:

Accounts receivable combination 1: low-risk combination, including: accounts receivable from related parties, deposits, margins, reserve loans, advance deposits and other receivables that can be determined to be recovered

Accounts receivable combination 2: aging analysis combination

Aging	**Withdrawal Proportion of Receivables** *(%)*	**Withdrawal Proportion of Other Receivables** *(%)*
Less than 1 year (including 1 year, the same below)	2	2
1-2 years	10	10
2-3 years	20	20
3-4 years	40	40
4-5 years	80	80
>5 years	100	100

For accounts receivable that are divided into combinations, the Company prepares a comparison table of accounts receivable aging and the expected credit loss rate for the whole duration and calculates the expected credit loss by referring to the historical credit loss experience and combining the current situation and the forecast of the future economic situation. For notes receivable that are divided into combinations, the Company calculates the expected credit loss by referring to the historical credit loss experience and combining the current situation and the forecast of the future economic situation through the default risk exposure and the expected credit loss rate within the whole duration.

Based on the acceptor credit risk of notes receivable as a common risk feature, it is divided into different combinations, and the accounting estimation policy of expected credit loss is determined:

Combination classification	Withdrawing method
1. Combination of bank acceptances	These payments have a lower credit risk
2. Combination of trade acceptances	Provision for impairment is withdrawn according to the expected loss rate, which is the same as the combination division of receivables

Methods for measuring loss provision of other financial assets

For financial assets other than the above ones, such as creditor's rights investment, other creditor's rights investment, other receivables, long-term receivables other than rents receivable, etc., the Company measures the loss provision according to the general method, namely "three-stage" model.

The Company divides other receivables into several combinations according to the nature of payment, and calculates the expected credit loss on the basis of combinations. The basis for determining the combinations is as follows:

Other accounts receivables combination 1: low-risk combination, including: accounts receivable from related parties, deposits, margins, reserve loans, advance deposits and other receivables that can be determined to be recovered

Other accounts receivable combination 2: aging analysis combination (see aging analysis combination of accounts receivable)

Accounting arrangement method of expected credit loss

In order to reflect the change of credit risk of financial instruments after initial recognition, the Company re-measures the expected credit loss at each balance sheet date, and the resulting increase or reversal amount of loss provision shall be included in the current profits and losses as impairment loss or gain, and according to the type of financial instruments, the book value of the financial assets listed in the balance sheet shall be offset or included in the estimated liabilities (loan commitment or financial guarantee contract) or other comprehensive income (debt investment that is measured at fair value and its changes are included in other comprehensive income).

(X) Inventories

1. Classification of inventories

The term "inventories" refer to finished products or merchandise possessed by the Company for sale in the daily business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. It mainly includes raw materials, turnover materials, entrusted processing materials, in-process products and finished products (inventory goods), etc.

2. Inventory valuation method

After the inventories are obtained, its initial measurement shall be carried out based on their cost, including purchase cost, processing cost and other costs. The method of weighted mean is adopted for valuation of sending inventories.

3. Determination basis of net realizable value of inventories and method of provision for depreciation

After complete check on inventory at the end of the period, inventory falling price reserves shall be withdrawn or adjusted at the lower of inventory cost and net realizable value. For merchandise inventory which is directly for sale like finished products, commodity stocks, and material for sale, during normal production and marketing process, net realizable value of which shall be determined by subtracting estimated selling expenses and relevant taxes from the estimated sale price; for material inventory needs to be processed, during normal production and marketing process, net realizable value of which shall be determined by subtracting the cost going to happen, the estimated marketing expenses and relevant taxes from the estimated sale price of finished products; for inventory held for performing sales contract or labor contract, net realizable value of which shall be determined on the basis of contract price, if the quantity of inventory is more than the quantity purchases by sales contract, net realizable value of the surplus part shall be calculated as per average sales price.

The inventory falling price reserves shall be withdrawn as per the single inventory item at the end of the period generally, and for inventories with large quantity and relatively low unit prices, the inventory falling price reserves shall be withdrawn according to the inventory type. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar there to, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

4. Inventory system for inventories

Perpetual inventory system is adopted.

5. Amortization method for low-value consumables and wrappage

(1) One-time amortization method is adopted for the amortization of low priced and easily worn articles;

(2) One-time amortization method is adopted for the amortization of packing materials.

(3) Other turnover materials are amortized by one-time write-off method.

(XI) Held-for-sale assets

1. Determination standards for held-for-sale assets

The non-current assets meeting the following conditions or disposal groups shall be categorized into held-for-sale assets:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the Company has made a resolution on a sale plan and obtained a firm purchase commitment, and it is estimated that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as the transaction price, time, and heavy penalty for breach of contract that lead to the smallest possibility to adjust largely or cancel the agreement.

2. Accounting method for held-for-sale assets

For held-for-sale non-current assets for which depreciation or amortization are not be carried out, if the book value is higher than the net value of fair value minus the sales expense, the book value should be written down to the nut value after the fair value minus the dales expense. The write-down amount shall be recognized as the loss of asset impairment and be recorded as the profits or losses for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly.

For the non-current assets or disposal groups classified as held-for-sale type on the obtaining date, they shall be measured at the lower one of the initially measured value when it is not classified as held-for-sale type and the net value of fair value minus the sales expense.

The principles above are applicable to all non-current assets, excluding the investment real estate adopting fair value pattern for subsequent measurement, the biological assets measured at the net value of fair value minus the sales expense, the assets formed by employee payroll, the deferred income tax assets, financial assets meeting accounting standards for financial instruments and the rights generated from the insurance contract meeting relevant accounting standards for insurance contracts.

(XII) Long-term equity investment

1. Determination of initial investment cost

(1) For the long-term equity investment formed by business combination, please refer to Note IV/(IV) for specific accounting policies Accounting arrangement methods for business combination under and not under the same control.

(2) Long-term equity investment formed by other modes.

For long-term equity investment obtained by cash payment, the initial investment cost is the amount actually paid for the purchase. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of long-term equity investment received or surrendered can be reliably measured, the initial investment cost of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the initial investment cost of long-term equity investment.

The initial cost of a long-term equity investment obtained by recombination of liabilities shall be determined on the basis of fair value.

2. Subsequent measurement and profit and loss determination

(1) Cost method

The long term equity investment on the invested enterprise shall be accounted by employing the cost method and it shall be evaluated based on its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted.

Except from cost actually paid in investment and cash dividends or profits declared but not distributed included in consideration, the Company will enjoy the investment income recognized in current period according to cash dividends or profits declared to distribute by the invested company.

(2) Equity method

Equity method shall be applied for the accounting of long-term equity investment of associated enterprise and cooperative enterprise. For equity investment of associated enterprise partially and indirectly held by the Company as a result of investment to risk investment organization, mutual fund, trust company or similar entities such as unit-linked fund, the Company shall account the indirect investment as per its fair value and record its variation into the benefits and losses.

If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

After long-term equity investment is acquired, the investor shall determine the return on investment and other consolidated income according to the net profits and losses and other income of the investee in the same year it shall be enjoyed and shared, and adjust the fair value of the long-term equity investment; the investor shall calculate the proportion enjoyed of the profit or cash dividend announced by the investee to be distributed, reduce the fair value of the long-term equity investment accordingly, and adjust the fair value of the long-term equity investment and include it into the owners' equity in terms of other changes to the owners' equity other than net profits and losses, other consolidated income, and profit distribution.

On the ground of the fair value of all identifiable assets of the investee when the Company obtains the investment, the attributable share of the net profits and losses of the investee shall be recognized after the net profits of the investee are adjusted. The Company's entitled part of unrealized profits and losses from internal transaction between the Company and associated enterprises or cooperative enterprises shall be offset according to the Company's entitled proportion. On such basis the investment profits/losses are confirmed.

If Company decides to share the losses of investee, deal with the matter in the following order: firstly, write down the book value of long-term equity investment. If the book value of the long-term equity investment is insufficient for offset, the recognition of the investment losses is continued based on the book value of the long-term equities of the net investment of the investee to offset the book value of long-term receivables. Finally, after the treatment above, if the investment contract or agreement agrees the enterprise shall still bear extra obligations, the accrued liabilities shall be recognized according to obligations to be shouldered and included into current investment losses.

If the investee achieves profitability in the future, Company shall deal with it in the reverse order after deducting the unconfirmed loss sharing amount, write down the book balance of confirmed accrued liabilities, recover the book value of long-term interests of net investment and long-term equity investment constituted on investee substantially and confirm the investment income.

3. Conversion of long-term equity investment by accounting method

(1) Conversion from fair value measurement to accounting by equity method

With regard to the equity investment having accounting treatment according to financial instrument recognition and measurement standard originally held by the Company that does not have control, joint control or significant influence on the invested entity, if the Company is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment or other reasons, the fair value of original equity investment added to new investment cost in accordance with the *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments* shall be regarded as initial investment cost measured by employing the equity method.

If the original equity investment is categorized as sellable financial assets, the difference between the fair value and the book value, along with the change in the accumulated total fair value originally included in other comprehensive income, shall be transferred to the current profit and loss accounted by the equity method which has been transferred to.

If the initial investment cost calculated with the equity method is smaller than the fair value of the net identifiable assets of the investee enjoyed on the date of increase in investment calculated and determined with the new shareholding ratio, the book value of long-term equity investment shall be adjusted with the balance and included into the current non-operating income.

(2) Conversion from measurement based on fair value or accounting by equity method to accounting by cost method

For the equity investments held by the Company that have no control, joint control, or significant influence on the investee in accordance with the standards for recognition and measurement of financial instruments, or originally held long-term equity investments in cooperative enterprises or associated enterprises that can control the investee not under the same control due to additional investment and other reasons, in individual financial statement, the sum of book value of original equity investment and newly increased investment cost shall be regarded as the initial investment cost measured by employing the cost method.

For other comprehensive income of the equity investment confirmed before purchase date, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities when handling the investment.

If the equity investment held prior to the acquisition date is put under accounting treatment in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the accumulated fair value changes previously included in other comprehensive income are transferred to the current profit and loss after the cost method is adopted.

(3) Conversion from accounting by equity method to measurement based on fair value

If significant influence or joint control of the Company is lost due to reasons including the disposal of part of the equity investment, the residual equity after disposal shall be confirmed through financial instrument and accounted according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, the difference between the fair value and the book value of the remaining equity on the date of loss shall be included in the current profit and loss.

For other comprehensive income of the original equity investment recognized by the equity method, at the time that the equity method stops being employed, the accounting treatment shall be conducted on the same basis on which the investee directly disposes related assets or liabilities.

(4) Conversion from cost method to equity method

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is able to carry out joint control and significant influences to the invested company, the equity method shall be used for accounting, and the surplus equity shall be regarded to be accounted and adjusted by equity method same to the equity originally obtained.

(5) Conversion from measurement with cost method to measurement based on fair value

If the Company losses joint control of the invested company as a result of disposal of partial equity investment, and in the individual financial statement the surplus equity is unable to carry out joint control and significant influences to the invested company, it shall be accounted as per *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between fair value and book value on the date when losing the joint control shall be included in the current benefits and losses.

4. Disposal of long-term equity investment

During the disposal of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. For long-term equity investments checked by the equity method, when the investments are disposed of, the same basis as the investee's direct disposal of the relevant assets or liabilities shall be used, and the part originally included in other comprehensive income is treated in accordance with the corresponding proportion.

If the clauses, condition and economic impact of each transaction conform to one or more of the following cases during the disposal of equity investment to subsidiaries, these transactions shall be handled in an accounting way as a package deal:

(1) These transactions are concluded simultaneously or after the consideration of the mutual influence;

(2) These transactions can lead to a complete commercial result only when they are in their entirety;

(3) The occurrence of a transaction relies on the occurrence of at least another transaction;

(4) A transaction alone is deemed uneconomic but economic when together with other transactions.

If the Company losses control over a subsidiary due to partial disposal of equity investment or other reasons and it is not package deal, individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In some financial statements, for disposed equity, the difference between its book value and the actual purchase price shall be included in the current profits and losses. The remaining equity after disposing is recognized and measured by equity method if it is able to have joint control over or significant impact on the investee, and are adjusted also by equity method from the time of obtaining; In case of failing to have joint control or impact on the investee, the remaining equity is recognized according to *Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments*, and the difference between the fair value and book value when losing the joint control occurring is included in current profits and losses.

(2) During preparation of consolidated financial statement, for transactions before losing the control on subsidiaries, disposal of price and long-term equity investment can enjoy the difference of net assets of subsidiary as result of continuous calculation since the date of purchasing or acquisition, the adjust capital reserve (capital premium) should be adjusted, If the capital reserve is insufficient for offset, adjust retained incomes. When the control over subsidiary is lost, the remaining equity shall be recalculated according to its fair value on control loss date. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the original subsidiary calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost and offset for the business reputation. Other comprehensive income related to equity investment in the subsidiary is transferred to investment gain at the time of control lost.

If the transactions from the disposal of equity investment to the subsidiary till the loss of control belong to package deal, the transactions shall have accounting treatment by taking it as a transaction that disposes the equity investment to the subsidiary and causes control loss. Individual financial statement and consolidated financial statement shall be distinguished for accounting treatment.

(1) In individual financial statement, the balance between each disposal price and the book value of the long-term equity investment corresponding to the disposed equities is recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

(2) In consolidated financial statement, the balance between each disposal price and corresponding net asset proportion of disposed investment over the subsidiary before the control loss shall be recognized as other comprehensive income and it is transferred to the profits and losses at the time of control loss.

5. Judgment standards of joint control or significant influences

If the Company controls one arrangement with other parties jointly according to regulations and the decisions having significant influences on the return from the arrangement can only exist after consensus from the parties sharing the control right is obtained, it means the arrangement is under joint control of the Company and the other parties and the arrangement is the joint venture arrangement.

If the joint venture arrangement is achieved through an independent entity, the independent entity shall be taken as joint venture when the rights of the Company on the net assets of the independent entity are judged and equity method shall be used for accounting. If it is judged the Company does not have rights on the net assets of the independent entity according to regulations, the independent entity shall confirm items related to profits from joint operation with the Company and have accounting treatment according to Accounting Standards for Business Enterprises.

Significant influence refers to the right of participation in the decisions of financial and operational policies of the investee, not including the right to control, or jointly control with other participants. The Company is judged to have significant influence on the investee through following conditions and after all facts and conditions are considered. (1) The Company has appointed representatives to the board of directors of the investee or such institutions; (2) The Company participates in the preparation of financial and operational policies of the investee; (3) The Company has important transactions with the investee; (4) The Company has appointed management personnel to the investee; and (5) The Company provides key technical data to the investee.

(XIII) Fixed assets

1. Recognition condition of fixed assets

Fixed assets are tangible assets whose service life is in excess of one accounting year and who are held for the sake of producing commodities, rendering labor service, renting or business management. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

(1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and

(2) The cost of the fixed asset can be measured reliably.

2. Initial measurement of fixed assets

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes including import tariff, and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

(3) For the fixed assets invested by the investor, their value agreed in the investment contract or agreement shall be ascertained as the entry value. Those assets with unfair value as stipulated in the contract or agreement shall take fair value as the entry value.

(4) If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Fixed assets' depreciation was calculated within estimated service life after reducing estimated net residual value from the entry value of fixed assets. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the carrying amounts less impairment over their remaining useful lives.

Fixed assets that have been fully depreciated but are still in use shall not be depreciated.

According to the nature and use of various fixed assets, the service life and net residual value of fixed assets can be determined. And review the service life and salvage value of fixed asset as well as depreciation method at the end of the year. Make corresponding adjustment if the review results are different from the previously estimated amounts.

The depreciation method, depreciation life and yearly depreciation of various fixed assets are as follows:

Category	**Depreciation method**	**Depreciation Life** *(year)*	**Residuals rate** *(%)*	**Yearly depreciation** *(%)*
Plant and buildings	Straight-line depreciation	20-30	5	3.17-4.75
Machinery and equipment	Straight-line depreciation	5-10	5	9.50-19.00
Vehicles	Straight-line depreciation	10	5	9.50
Office equipment	Straight-line depreciation	3-5	5	19.00-31.67
Others	Straight-line depreciation	3-5	5	19.00-31.67

(2) Subsequent expenses of fixed assets

If the subsequent expenses related to fixed assets conform to the confirmation conditions of the fixed assets, and then such subsequent expenses shall be included in the costs of the fixed assets; If not conforming to the confirmation conditions of these fixed assets, such subsequent expenses shall be included in the current profits and losses while occurred.

(3) Fixed Assets Disposal

The book values of fixed assets are derecognized when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. Disposal consideration amount from sale, transfer, scrap or damage of fixed assets shall be included in current profits and losses after deducting the book value and related taxes.

4. Basis of recognition for fixed assets acquired under financial leases, valuation and depreciation methods

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial lease:

(1) The ownership of the leased asset is transferred to the lessee when the term of lease expires.

(2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.

(3) Even if the ownership of assets is not transferred, the lease term accounts for the largest proportion of the service life of the leased asset.

(4) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

(5) The leased assets are of a specialized nature that only the Company can use them without making major modifications.

With regard to the fixed assets under financing lease, a lessee shall record the lower one from the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account. The balance between the recorded amount of the leased asset and the long-term account payable shall be treated as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognized financing charges shall be amortized by effective interest method during the periods within the lease term.

In calculating the depreciation of a leased asset under financial lease, the Company shall adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its service life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(XIV) Construction in progress

1. Types of construction in progress

The construction in progress self-constructed by the Company shall be evaluated at its actual cost. The actual cost of it shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use, including the material cost, labor cost, relevant taxes paid, borrowing expenses to be capitalized and indirect expenses to be amortized. The construction in progress of the Company is accounted by project classification.

2. Standards and time point of carrying forward construction in progress as fixed assets

As for construction in progress, all expenses occurred during the construction period before the assets achieve the predetermined serviceable condition shall be recognized as entry value of the fixed assets. Construction of fixed assets in progress whose construction is complete and has achieved the predetermined serviceable condition, but whose final settlement of account has not been processed, shall be transferred to fixed assets by the estimated value according to the project budget, construction cost or the actual cost of the project since the date that they achieved the predetermined serviceable condition. In addition, the depreciation of these fixed assets shall be withdrawn according to the Company's fixed asset depreciation policy. After the final settlement of account is processed, the previously estimated value shall be adjusted according to the actual cost. The previously withdrawn depreciated value shall not be adjusted.

(XV) Borrowing costs

1. Recognition principle for borrowing costs capitalization

Where the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized if they meet the capitalization conditions and included in the relevant asset costs; other borrowing costs, when incurred, shall be recognized as expenses according to the amount incurred, and included in the current profits and losses.

The term "assets eligible for capitalization" refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take a quite long time to get ready for its intended use or for sale.

Capitalization can only be started if the borrowing costs meet the following conditions at the same time:

(1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction for preparing assets eligible for capitalization;

(2) The borrowing costs have already incurred;

(3) Purchase, construction or production activities required for the assets to fulfill the expected serviceable or salable condition have begun.

2. Borrowing costs capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When parts of the project of the qualified asset under acquisition and construction or production is ready for the intended use or sale are complete and used separately, the capitalization of the borrowing costs of these parts shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3. Capitalization suspension period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. Capitalization shall resume after the borrowing costs incurred during such period are recorded into the profits and losses of the current period, and the acquisition and construction or production of the asset restarts.

4. Computation methods of capitalized amount of the borrowing costs

Specifically borrowed loans interest cost (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment) and auxiliary expenses shall be capitalized before the qualified asset under acquisition and construction or production is ready for the intended use or sale.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be determined according to the weighted average interest rate of the general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(XVI) Biological assets

The Company's biological assets include consumable biological assets and productive biological assets.

1. Recognition conditions of biological assets

No biological asset shall be recognized unless it meets the conditions as follows simultaneously:

(1) The enterprise owns or controls the biological assets due to past transactions or events;

(2) The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;

(3) The cost of this biological asset can be measured reliably.

2. Initial measurement of biological assets

(1) Consumable biological assets

① The cost of a purchased consumable biological assets consists of the purchase price, the relevant taxes, freight, insurance premium and other expenses that may be directly attributable to the purchase of the assets.

② For the expendable biological assets invested by investors, the entry value of the expendable biological assets shall be the value agreed in the investment contract or agreement plus the relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ The cost of self-cultivated, propagated or farmed consumable biological assets consists of the necessary expenses such as the cost of materials including seedlings, fertilizers and pesticides consumed before harvest, labor costs and indirect expenses to be shared.

(2) Productive biological assets

① The cost of purchased productive biological assets consists of the purchase price, relevant taxes, transportation fees, insurance premiums and other expenses that may be directly attributable to the purchase of the assets.

② For the productive biological assets invested by investors, the entry value of the productive biological assets shall be the value agreed in the investment contract or agreement plus relevant taxes and fees payable. However, if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value.

③ For the productive biological assets planted by the Company, the cost shall be determined according to the necessary expenses such as seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses consumed before achieving the expected production and business objectives (and before harvest). Achieving the intended production and operation objectives means that the productive biological assets enter the normal production period, and can continuously and stably produce agricultural products, provide labor services or rent for many years. The specific conditions are as follows: starting to bear fruits and picking them as the standard for turning into maturity.

1) Accounting methods for immature productive biological assets

Necessary expenditures of immature productive biological assets during the immature period, including seedlings costs, labor costs, materials costs, fertilizers costs, land lease costs and other indirect expenses, shall be directly included in the asset cost. Among them, seedlings costs, direct labor costs, fertilizers costs and land rent costs which can be directly classified into each plot shall be collected in the subject of "productive biological assets-immature productive biological assets", and indirect costs such as material consumption shall be collected in the "manufacturing expenses" first when they occur, and then included in each plot according to the area apportion.

2) Accounting methods for mature productive biological assets

The related expenses incurred after the mature productive biological assets, including labor costs, material costs, fertilizers costs, utilities, land lease costs and other indirect expenses, shall be collected in the subject of "production cost"; the book value of the carried-over mature productive biological assets shall be depreciated according to the depreciation period, and the depreciation expenses shall be also included in the "production cost"; after the fruits are picked, the "production cost" shall be carried over to "inventory goods".

3. Subsequent measurement of productive biological assets

(1) Depreciation of productive biological assets

The Company accrues depreciation for productive biological assets, and the depreciation method adopts the straight-line depreciation. The Company determines the service life and estimated net residual value of productive biological assets according to their nature, usage and expected realization of relevant economic benefits. At the end of the year, the Company reviews the service life, estimated net residual value and depreciation method of productive biological assets, and make corresponding adjustments if there are differences with the original estimates.

The Company's productive biological assets are estimated to have no net residual value, and the estimated service life and annual depreciation rate are as follows:

Asset type	**Estimated service life** *(year)*	**Yearly depreciation** *(%)*
Passion fruit	2	50.00
Mango	10	10.00
Pitaya	4	25.00
Pineapple	2	50.00
Banana	2	50.00
Sugarcane	2	50.00
Papaya	3	33.33
Guava	4	25.00

(2) Disposal of biological assets

When harvesting or selling consumable biological assets, the weighted average method is used to carry over the cost; the cost of biological assets after use conversion is determined according to the book value at the time of use conversion; when the biological assets are sold, damaged or in short supply, the balance of the disposal income after deducting the book value and related taxes and fees shall be included in the current profit and loss.

4. Impairment of biological assets

The Company shall, at least at the end of each year, review the consumptive biological assets and productive biological assets. If any well established evidence indicates that the realizable net value of any consumptive biological asset or the recoverable amount of any productive biological asset is lower than its book value as a result of natural disaster, plant diseases and insect pests or change of market demand, the enterprise shall, based on the difference between the realizable net value or the recoverable amount and the relevant book value, make provision for the loss on decline in value of or for the impairment of the biological asset and shall include it in the current profits and losses.

If the influencing factors of the impairment of consumptive biological assets have disappeared, the amount of write down shall be restored and reversed within the amount of the original provision for falling price, and the amount reversed shall be included in the current profits and losses. Once the provision for impairment of a productive biological asset is withdrawn, it shall not be reversed.

On the balance sheet date, the Company measures the productive biological assets according to the lower of book value and recoverable amount, and withdraw the provision for impairment of productive biological assets according to the difference between the recoverable amount of individual assets and book value. Once the impairment loss of productive biological assets is recognized, it will not be reversed in the following accounting period.

(XVII) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Company which have no physical shape. It includes land use right, patent right, trademark right and software, etc.

1. Initial measurement of intangible assets

Cost of the outsourcing intangible assets shall include purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for expected purpose. The price of buying intangible assets exceeds the delayed payment at normal credit condition, which actually has a financing property, the cost of the intangible assets shall be determined based on the present value of the price.

For the intangible assets used for debt payment, the fair value of the intangible assets shall be used as basis for its entry value determination. The balance between the book value and the fair value of the intangible assets used for debt payment shall be included into current loses and gains.

Under the premise that the non-monetary assets exchange is of commercial essence and the fair value of intangible assets received or surrendered can be reliably measured, the entry value of intangible asset received during the non-monetary assets exchange shall be recognized based on the fair value of asset surrendered, unless there is any exact evidence showing that the fair value of asset received is more reliable; for the non-monetary assets exchange which fails to meet the above premise, the book value of asset surrendered and relevant taxes and dues payable shall be regarded as the cost of intangible asset and no profits and losses will be recognized.

The entry value of intangible asset obtained by consolidation merger of enterprises under the same control shall be recognized based on the book value of merged enterprise; the entry value of intangible asset obtained by consolidation merger of enterprises not under the same control shall be recognized based on the fair value of merged enterprise.

The costs of internal self-developed intangible assets shall include: the cost of materials consumed, labor cost and registration charges occurred while developing the intangible assets; the amortization charge of other patents and franchises used as well as the interest cost spent to meet the capitalization requirements during the development process; as well as other direct costs attributable to intangible assets for the expected purpose.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when it obtains intangible assets and they are classified as intangible assets with limited service life and intangible assets with limited service life without undetermined service life.

(1) Intangible assets with limited service life

Intangible assets with limited service life shall be amortized by straight-line method in the period in which economic benefits are brought for the Company. Expected service life of intangible assets with limited service life and calculation basis:

Item	Expected useful life	Basis
Land use right	40 years/50 years/70 years	The service life is determined by the contract or by reference to the period that can bring economic benefits to the Company
Patent right	10 years	
Trademark right	10 years	
Software	3-5 years	

At the end of each year, the service life and the amortization method of intangible assets with limited service life shall be rechecked. Make corresponding adjustment if the review results are different from the previously estimated amounts.

According to the review, the service life and amortization method of intangible assets at the end of this period do not differ from previous estimation.

(2) Intangible assets with uncertain service life

During the reporting period, the Company had no intangible assets with uncertain service life.

3. Detailed standards for dividing research and development stages of internal R&D projects:

Research stage: The stage of creative and planned investigation and research to acquire and understand new scientific or technological knowledge.

Development stage: The stage that the research results or other knowledge is used for a plan or design to produce something new or substantive improved materials, devices and products before commercial production or use.

The expenditure occurred during the research stage of internal R&D project shall be included into the profits and losses of current period when it occurred.

4. Detailed conditions for the capitalization of expenses during the development stage

Expenditures incurred during the development stage of internal research and development project that simultaneously meet the following conditions shall be recognized as intangible assets:

(1) It is feasible technically to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

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

The expenditure not meeting conditions above is included into the profits and losses of current period when it occurs. Development expenses accounted into profits and losses in previous period are no longer re-confirmed as assets. Expenses at the development stage capitalized are listed as development expenses in the balance sheet, and are converted into intangible assets when the Project reaches the estimated usable conditions.

(XVIII) Impairment of long-term assets

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible impairment of long-term assets. If the long-term assets have sign of possible impairment, recoverable amount should be estimated by the Company based on single assets. If it is not possible to estimate the recoverable amount of single assets, the recoverable amount of the asset group to which the asset belongs is recognized.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its book value, the book value of the long-term asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of long-term asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

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

No matter there is any sign of possible assets impairment or not, the business reputation formed by business combination and intangible assets with uncertain service life are subject to impairment test at the end of each year.

In impairment test for business reputation, book value of business reputation shall be amortized to assets groups or combination of assets groups which are expected to benefit from the synergy effect of business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the enterprise shall first make an impairment test on the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the enterprise shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups(including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

(XIX) Long-term unamortized expenses

1. Amortization method

Long-term unamortized expenses refer to the Company's various costs that have occurred and are apportioned by the current and future periods which is longer than 1 year. Long-term unamortized expenses shall be amortized within benefit period by method of line.

2. Amortization life (year)

Category	Amortization life *(year)*	Remarks
Decoration and reconstruction expenditure	3-5	
Land lease expense	Settlement period agreed in the contract	The settlement period of the leased land of the Company has different settlement periods such as 4 years and 5 years

(XX) Employee compensation

Employee compensation refers to the remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees or terminating labor relationships. Employee compensation includes short-term compensation, post-employment benefit, dismission benefit, and other long-term employee benefit.

1. Short-term compensation

Short-term compensation refers to employee compensation that shall be fully paid by the Company within 12 months after annual report period of related services provided by employees, except post-employment welfare, dismission welfare. In the accounting period when the employees provide services to the Company, the short-term compensation payable shall be confirmed as liabilities, and shall be included in related asset costs and fees according to the benefit objects of the service provided by the employees.

2. Post-employment welfare

Post-employment welfare refers to the various forms of remuneration or compensation offered by the Company for the purpose of acquiring the services provided by the employees after employee retirement or termination of labor relations with the Company, except for short-term compensation and dismission welfare. The Company classifies post-employment welfare plan as defined contribution plan and defined benefit plan.

The defined contribution plan is mainly to participate in social basic endowment insurance and unemployment insurance organized and implemented by local labor and social security institutions; during the accounting period when employees provide services for the Company, the amount of deposit payable calculated according to the defined contribution plan is recognized as a liability and included in the current profits and losses or related asset costs.

After paying the above funds regularly according to the standard specified by the State, the Company will be free of other payment obligations.

3. Termination benefits

Termination benefits refers to the compensation made by the Company to the employees for the termination of the labor relationship with any employee prior to the expiration of the relevant labor contract or for encouraging the employee to accept a layoff. When the Company cannot unilaterally withdraw the dismission welfare stated on labor service relationship termination plan or layoff proposal or the Company is confirming the cost and expense in relation to the restructuring of paying dismission welfare (the earlier one shall be applied), liabilities caused by dismission welfare shall be confirmed and included in current profits and losses.

4. Other long-term employee welfare

Other long-term employee welfare refers to other employee welfare except from short-term salaries, post-employment welfare and dismission welfare.

For other long-term employee welfare conforming to defined contribution plan, within accounting period during which employees provide service for the company, the amount payable shall be determined as liability and included into current profits and losses or relevant asset cost. For other long-term employee welfare except that mentioned above, the amount shall be calculated with the expected cumulative welfare unit method on the balance sheet date and the welfare obligations produced by the defined benefit plan shall be attributed to the period during which employees provide service and be included into current profits and losses or relevant asset cost.

(XXI) Estimated liabilities

1. Recognition principles for estimated liabilities

The obligation pertinent to contingencies shall be recognized as an estimated liability when the following conditions are satisfied simultaneously:

The obligation is the current obligation assumed by the Company;

The performance of this obligation is likely to lead to an outflow of economic interests;

The amount of the obligation can be reliably measured.

2. Measurement methods of accrued liabilities

The estimated liabilities of the Company shall be initially measured in accordance with the liability estimate of the necessary expenses for the performance of the current obligation.

The Company takes into account the contingencies related risk, uncertainty, time value of money, and other factors when determining the best estimate. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations respectively:

If there is a continuous range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range, i.e. the average number of the maximum amount and minimum amount.

In the event that there is no continuous range (or interval) or that there is a continuous range but the outcomes within this range are unlikely to occur equally, if single item is involved in the contingencies, the best estimate shall be determined based on the amount most likely to occur; and if several items are involved in the contingencies, the best estimate shall be determined based on various possible outcomes and relevant probability calculation.

If all or some of the expenses necessary for the liquidation of estimated liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset when it is virtually certain that the reimbursement will be obtained and the compensation recognized shall not be in excess of the estimated liability book value.

(XXII) Revenue

1. Standard for determining the time of revenue recognition from goods sales

The accounting policies applicable after January 1, 2020. The Company has transferred the significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; when relevant cost incurred or to be incurred can be reliably measured, recognize the sales revenue. If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement. Specific methods to recognize the Company's revenue:

The Company mainly sells fruit juice, quick-frozen products, fresh fruits and other products.

(1) Revenue recognition of domestic products: the products are delivered to the buyer according to the contract, and the Company recognizes the revenue according to the date of the receipt; if there is no receipt, the revenue is recognized after the acceptance objection period determined according to the contract.

(2) Revenue recognition of export products: the export products of the Company are mainly in FOB form, and the delivery place is offshore port, and the bill of lading is obtained as the evidence for collection, and the date of customs declaration, shipment and export is taken as the time point for revenue recognition.

2. Basis of determining revenue from transferring use right of the assets

When the revenue amount can be reliably measured, it is likely that economic benefits relating to trades will flow into the company. The amount of revenue resulting from alienating asset-use right shall be determined respectively in the following situations:

(1) The amount of interest revenue shall be measured and recognized in accordance with the length of time for which the Company's monetary capital is used by others and the actual interest rate.

(2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

3. Basis and method of determining the revenue from providing labor services

If the result of the labor service transaction can be estimated reliably on the balance sheet date, the revenue from the labor service transaction shall be recognized by the completion percentage method, and the completion progress of the labor service transaction shall be determined according to the proportion of the already incurred labor cost to the estimated total cost.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

(1) The revenue amount can be measured reliably;

(2) Relevant economic benefits are likely to flow into the Company;

(3) The completion schedule of the transaction can be reliably determined;

(4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

The Company ascertains the total revenue from the providing of labor services in accordance with the received or to-be-received price as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

(1) If the labor cost incurred is expected to be compensated, the labor service income shall be recognized according to the amount of labor service costs incurred and carried forward at the same amount.

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred shall be included in the current profits and losses, and no revenue from the rendering of service shall be recognized.

Where a contract or agreement signed between enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services. If the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of providing labor services shall be conducted as providing labor services.

(XXIII) Government grants

1. Type

A government grants refers to the monetary and non-monetary assets obtained by an company from the government free of charge, excluding the capital invested by the government as the owner of the company. Based on the objects regulated by governmental documents, the government grants are classified into government grants related to assets and government grants related to income.

The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants.

2. Recognition of government grants

If the Company meets the financial support policy and receives financial support funds, the government grants shall be recognized according to the actual amount received.

If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government grant is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1). The government grants measured at their nominal amounts shall be directly included in the profits and losses of current period.

3. Accounting arrangement method

The government grants pertinent to assets shall be recognized as the deferred income and they shall be included to the profits or losses on a reasonable and systematic basis within the service life of constructed or purchased assets;

The government grants pertinent to income and used for compensating the related future expenses or losses of an enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized. The grants used for compensating the related expenses or losses of the enterprise incurred shall be directly included in the current profits and losses at receiving.

Government grants related to daily activities of the Company are included in other income and others are included in non-operating income.

The received government grants related to preferential policy loans are used to offset related borrowing costs. When the recognized government grant needs to be refunded, if there is related deferred income balance, the book balance of the deferred income shall be written down, while the excessive part shall be included in the current profits and losses; if there is no relevant deferred income, the subsidy shall be directly included in the current profits and losses.

(XXIV) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences (temporary differences) arising from the tax bases of assets and liabilities and their book value. On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

1. Basis of recognizing deferred tax assets

The Company sets the income tax payable likely to be acquired to offset against the deductible temporary difference and deductible loss and tax credits that can be carried forward to the next year as the deadline to recognize the deferred tax assets generated by the deductible temporary difference. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) business combination; (2) transactions or events directly recognized in owner's equity.

As for the deductible temporary difference of taxable relevant to the investment of associated enterprises, the corresponding deferred tax assets can be recognized when it can simultaneously meet the following the conditions: the temporary difference is likely to turn back, and the amount of the taxable can be obtained to offset the deductible temporary difference at a high possibility in the future.

2. Basis for confirming deferred tax liabilities

The Company confirms the taxable temporary differences payable but unpaid in current period and previous period as the deferred tax liabilities. but excluding:

(1) The temporary differences generated through initial recognition of business reputation;

(2) Transactions formed by business combination or transactions or events directly recognized in owner's equity;

(3) The turning-back time of the temporary difference of taxable relevant to the investment of subsidiaries and associated enterprises can be controlled, or the temporary difference will not turn back at a very high possibility in a foreseeable future.

3. When meeting all the following conditions, the deferred tax assets and liabilities are listed as net amount after offset

(1) The Company is entitled to settle the current income tax assets and current income tax liabilities in net amount;

(2) The deferred tax assets and deferred tax liabilities are associated with the income tax imposed for the same subject of taxation or different subject of taxation by the same tax collection and management department. However, during each important deferred tax assets and liabilities reverse period in the future, the subject of taxation involved is intended to settle the current income tax assets and liabilities or acquiring assets to pay off debts.

(XXV) Operating lease and financing lease

If the leasing clauses transfer in substance all the risks and rewards related to the ownership of an asset to the leasee, it is a financial lease. Otherwise, it is operating lease.

1. Accounting treatment method of operating lease

(1) Assets leased in under operating lease

Lease expense paid by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be included into current expenses. The initial direct costs pertinent to lease transactions paid by the Company are included into current expenses.

If the assets leasor has paid the fees pertinent to leasing that shall be paid by the Company, the Company will deduct the fees from the total rental and amortize the remaining rental within the lease term and include it into current expenses.

(2) Assets leased out under operating lease

lease expense collected by the Company for leased assets should be amortized with the method of straight line within the entire lease term without deducting the rent-free period and should be recognized as rental income. Initial direct costs pertinent to lease transactions paid by the Company should be included into current expenses. If the amount is large, the initial direct cost should be capitalized and included into current profits on the basis of basic installation of the equal rental income within the entire lease term.

If the Company has paid the fees pertinent to leasing which shall be paid by the leasee, it will deduct the fees from total rental and amortize the remaining within the lease term.

2. Accounting arrangement method of financial lease

(1) Assets leased in under financial lease: On the lease beginning date, a lessee shall record the lower one between the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entry value in an account, recognize the amount of the minimum lease payments as the entry value in an account of long-term account payable, and take their difference as unrecognized financing cost. Please see Note IV/(XIII) Fixed Assets for the conditions of recognition, valuation and depreciation methods for assets leased in under financial lease.

For the financing expenses not recognized, the Company adopts the effective interest rate method for amortization in assets leasing period and includes them to financial expenses.

(2) Assets leasing leased out under financial lease: On the beginning date of the lease term, the leasor shall recognize the balance between the sum of receivable financial lease payment and unguaranteed residual value and the current value as unrealized financing income and recognize the rent received in the future as rental income. The initial direct expenses pertinent to leasing transaction should be included into initial measurement of receivable financial lease payment and confirmed amount of revenue received within lease term should be reduced.

(XXVI) Changes in major accounting policies and accounting estimates

1. Change in accounting policy

① Changes in accounting policies caused by the implementation of the new income standards. On July 5, 2017, the Ministry of Finance issued the *Accounting Standards for Business Enterprises No. 14 — Income (Rev. 2017)* (CK [2017] No.22) (hereinafter referred to as the "New Income Standards"). On January 1, 2020, the Company began to implement the aforementioned New Income Standards. The New Income Standards establish a new income recognition model for regulating the income generated by contracts signed with customers. In order to implement the New Income Standards, the Group reassessed the recognition, measurement, accounting and presentation of income from major contracts. According to the provisions of the New Income Standards, the accumulated impact amount of the first implementation is adjusted to the amount of retained earnings and other related items in the financial statements at the beginning of the current period (i.e. January 1, 2020), and the information of comparable periods is not adjusted. The change and impact of the implementation of the New Income Standards on the Company is to change the contract consideration received from customers in advance for the transfer of goods from the item of "advance receipts" to the item of "contract liabilities".

From January 1, 2020, the New Income Standards adjustment was implemented for the first time; the related items in the financial statements at the beginning of the first implementation year are as follows:

(1) Consolidated balance sheet

Report item	31 December 2019	1 January 2020	Amount of adjustment
Accounts received in advance	2,692,363.10		-2,692,363.10
Contract liabilities		2,692,363.10	2,692,363.10

(2) Company balance sheet

Report item	31 December 2019	1 January 2020	Amount of adjustment
Accounts received in advance	1,817,182.84		-1,817,182.84
Contract liabilities		1,817,182.84	1,817,182.84

2. Change in accounting estimates

There is no change in accounting estimates in the reporting period.

V. Taxes

(I) Main tax categories and tax rates of the Company

Tax type	Taxation basis	Tax rates
VAT *(Note 1)*	Sales of goods	17%, 11%, 16%, 10%, 13%, 9%
Urban maintenance and construction tax	Paid-in turnover tax	5%
Educational surcharges	Paid-in turnover tax	3%
Local educational surcharges	Paid-in turnover tax	2%
Enterprise income tax	Taxable income	15%, 25%

Note 1: (1) According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article 8, (III) In addition to obtaining special VAT invoices or customs import VAT payment books, the input tax shall be calculated according to the purchase price of agricultural products and the deduction rate of 13% indicated on the agricultural product purchase invoices or sales invoices", for the agricultural products purchased by the company and its subsidiaries before July 1, 2017, the input tax shall be calculated at a deduction rate of 13% and deducted from the output tax.

(2) According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Degenerating VAT Rate (CS [2017] No. 37), the input tax of agricultural products purchased by the company and its subsidiaries from July 1, 2017 is calculated at a deduction rate of 11% and deducted from the output tax.

(3) According to the State Administration of Taxation Announcement No. 19, 2017, Annex 3 of the State Administration of Taxation on matters related to adjusting the VAT tax return, regarding the Adjustment of the *VAT Tax Return (Applicable to General Taxpayers)* and its attached information filling description, when the company and its subsidiaries will use the purchased agricultural products for production and sales or entrust the processing of goods with a tax rate of 17% from July 1, 2017, the input tax shall be calculated at a deduction rate of 11% plus 2% and deducted from the output tax.

(4) According to CS [2009] No. 9 Notice of the Ministry of Finance and the State Administration of Taxation on the application of low VAT rate and simple measures to collect VAT policy for some goods, and the *Notice of the Ministry of Finance and the State Administration of Taxation on Printing and Distributing Notes on the Taxation Scope of Agricultural Products* (CSZ [1995] No. 52), the company and its subsidiaries sell frozen products at a VAT rate of 13%.

(5) According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the VAT Rate* (CS [2018] No. 32), since May 1, 2018, for manufacturing taxpayers engaged in VAT sales or import and export of goods, if the original applicable tax rates are 17% and 11%, such tax rates shall be adjusted to 16% and 10% respectively. For taxpayers purchasing agricultural products, if the original applicable deduction rate is 11%, such deduction rate shall be adjusted to 10%.

(6) According to the notice of the Ministry of Finance and the State Administration of Taxation on the adjustment of the VAT rate, since April 1, 2019, for the manufacturing taxpayers engaged in VAT sales or import and export of goods, if the original applicable tax rates are 16% and 10%, such tax rates shall be adjusted to 13% and 9% respectively. For taxpayers purchasing agricultural products, if the original applicable deduction rate is 11%, such deduction rate shall be adjusted to 10%.

(II) Description of enterprise income tax rate of different taxpayers:

Name of taxpayer	**Income tax rate**
Tianye Innovation Corporation	15%
Hainan Dachuan Food Co., Ltd.	15%
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	25%
Hainan Tianye Drinks Food Sales Co. Ltd.	25%
Hubei Iceman Foods Co., Ltd.	25%
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25%
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	25%
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	15%

(III) Policies and basis of tax preference

1. VAT tax preference

According to the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (Order No. 538 of the State Council of the People's Republic of China), "Article XV (I) Self-produced agricultural products sold by agricultural producers shall be exempted from value-added tax", with the approval of Nanning State Taxation Bureau and Nanning Yongning State Taxation Bureau, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, shall be exempted from value-added tax on its own crops and fruits and vegetables, which will be implemented from January 1, 2014.

2. Tax preference for enterprise income tax

(1) Tianye Innovation Corporation

According to the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council of the People's Republic of China), the *Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax (Trial)* (CS [2008] No. 149) and the provisions on "primary processing of agricultural products shall be exempted from enterprise income tax", the Company's products (quick-frozen pineapple, corn, mango, papaya, seedless passion fruit puree) belong to the primary processing of agricultural products and are exempt from enterprise income tax. The preferential policies for reducing and exempting enterprise income tax have been audited and filed by the State Taxation Bureau of Hepu County (HGSBZ [2013] No. 201), and the preferential enterprise income tax policy has been implemented from January 1, 2012.

According to the *Notice on Tax Policy Issues Concerning the In-depth Implementation of the Western Development Strategy* (CS [2011] No. 58) and the *Catalogue of Encouraged Industries in the Western Region* (Order No. 15 of the National Development and Reform Commission of the People's Republic of China), Tianye Innovation Corporation is an encouraged industrial enterprise located in the western region, and its enterprise income tax is levied at a reduced rate of 15%. According to the *Announcement of the State Administration of Taxation on Issuing the Revised "Measures for Handling Preferential Policies for Enterprise Income Tax"* (Announcement No. 23 of the State Administration of Taxation, 2018), Tianye Innovation Corporation enjoys the tax preference according to the handling method of "self-determination, declaration and enjoyment, and keeping relevant materials for future reference".

(2) Hainan Dachuan Food Co., Ltd.

1) According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, CS [2011] No. 26, GSBF [2011] No. 132, Announcement of State Administration of Taxation (No. 2 [2010]) and Announcement of State Administration of Taxation Announcement (No. 48 [2011]), the puree juice produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, belongs to the primary processing range of agricultural products and is exempt from enterprise income tax. The preferential reduction and exemption of enterprise income tax has been examined and approved by the State Taxation Bureau of Ding'an County, Hainan Province (DGST [2013] No. 258) and has been implemented from January 1, 2011.

2) According to the *Notice on Issuing the Scope of Primary Processing of Agricultural Products Enjoy Preferential Policies of Enterprise Income Tax* (CS [2008] No. 149) issued by the Ministry of Finance and the State Administration of Taxation, the fruit and vegetable juice products produced by Hainan Dachuan Food Co., Ltd., a wholly-owned subsidiary of the Company, are primary processed products of fruits and vegetables, which have been exempted from enterprise income tax as determined by the State Taxation Bureau of Ding'an County, such exemption has been implemented from January 1, 2013.

3) According to the announcement of Hainan Provincial Taxation Bureau of State Administration of Taxation on the preferential policies for enterprise income tax in Hainan Free Trade Port (Announcement No. 4 of Hainan Provincial Taxation Bureau of State Administration of Taxation in 2020), the *Enterprise Income Tax Law of the People's Republic of China* and its implementation regulations (hereinafter referred to as the "implementation regulations"), and the *Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port* (CS [2020] No. 31), for enterprises of encouraged industries registered in Hainan Free Trade Port and substantially operated, the enterprise income tax will be levied at a reduced tax rate of 15%. It was implemented from January 1, 2020.

(3) Guangxi Tianye Innovation Agricultural Technology Co., Ltd.

According to Article 27 of the *Enterprise Income Tax Law of the People's Republic of China* and Article 86 of its implementing regulations, CS [2008] No. 149, GSH [2008] No. 890, GSH [2009] No. 779, CS [2011] No. 26 and Announcement of the State Administration of Taxation (No. 8 [2011]), the fruits planted by Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a wholly-owned subsidiary of the Company, has been exempted from enterprise income tax. Preferential policies for reducing and exempting enterprise income tax have been audited and filed by Nanning State Taxation Bureau.

VI. Notes to Main Items of the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	63,097.64	6,855.47
Bank deposit	218,036,461.60	256,736,477.57
Other monetary funds	104,080.63	853,901.84
Total	218,203,639.87	257,597,234.88

Note:

As of June 30, 2020, there was no money pledged, frozen or with potential recovery risk.

Note 2. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Closing balance of last year
Within 1 year	34,817,937.03	52,566,886.06
1-2 years	5,630,201.90	7,277,231.45
2-3 years	4,407,370.77	3,181,123.50
3-4 years	903,624.60	799,097.00
4-5 years		
5+ Years		
Subtotal	45,759,134.30	63,824,338.01
Less: bad debt provision	4,077,940.57	4,709,952.99
Total	41,681,193.73	59,114,385.02

2. Disclosed by bad debt provision methods

	Closing balance				
	Book balance		Bad-debt provision		
Category	**Amount**	**Proportion** *(%)*	**Amount**	**Proportion** *(%)*	**Book value**
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	45,759,134.30	100.00	4,077,940,57	8.91	41,681,193.73
Including: combination 1	45,759,134.30	100.00	4,077,940,57	8.91	41,681,193.73
Combination 2					
Total	45,759,134.30	100.00	4,077,940.57	8.91	41,681,193.73

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	**Amount**	**Proportion** *(%)*	**Amount**	**Proportion** *(%)*	**Book value**
Accounts receivable for which bad debts reserve is set aside individually					
Accounts receivable for which provision for bad debts is set aside in portfolios	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02
Including: combination 1	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02
Combination 2					
Total	63,824,338.01	100.00	4,709,952.99	7.38	59,114,385.02

3. Accounts receivable for expected credit loss withdrawn by combination

	Closing balance		
Aging	**Accounts receivable**	**Bad-debt provision**	**Proportion** *(%)*
<1 year	34,817,937.03	1,740,896.85	5.00
1-2 years	5,630,201.90	563,020.19	10.00
2-3 years	4,407,370.77	1,322,211.23	30.00
3-4 years	903,624.60	451,812.30	50.00
4-5 years			
>5 years			
Total	45,759,134.30	4,077,940.57	

Aging	Opening balance Accounts receivable	Bad-debt provision	Proportion *(%)*
<1 year	52,566,886.06	2,628,344.30	5.00
1-2 years	7,277,231.45	727,723.14	10.00
2-3 years	3,181,123.50	954,337.05	30.00
3-4 years	799,097.00	399,548.50	50.00
4-5 years			
>5 years			
Total	63,824,338.01	4,709,952.99	

4. Provision, recovery or reversal of provision for bad-debt in current period

Category	Opening balance	Changes in current period Provision	Recovery or reversal	Write-off	Other changes	Closing balance
Accounts receivable for which bad debts reserve is set aside individually						
Accounts receivable for which provision for bad debts is set aside in portfolios	4,709,952.99		632,012.42			4,077,940.57
Including: combination 1	4,709,952.99		632,012.42			4,077,940.57
Combination 2						
Total	4,709,952.99		632,012.42			4,077,940.57

5. There is no write-off of accounts receivable in current period.

6. Top five accounts receivable based on debtors

Organization name	Closing balance	Relationship with the Company	Proportion in closing balance of accounts receivable *(%)*	Provision for bad-debt
Hangzhou Haiguo Trading Co., Ltd.	6,562,121.42	Non-affiliated party	14.34%	529,501.16
Guangzhou Yuekai Trading Co., Ltd.	4,050,000.00	Non-affiliated party	8.85%	202,500.00
Shenzhen Pindao Catering Management Co., Ltd.	3,521,087.64	Non-affiliated party	7.69%	176,054.38
Yiguo Fruit Industry (Guangzhou) Co., Ltd.	2,977,342.50	Non-affiliated party	6.51%	148,867.13
Qingdao Badu Guoyue Foods Co., Ltd.	1,987,200.00	Non-affiliated party	4.34%	99,360.00
Total	19,097,751.56		41.73%	1,156,282.67

Note 3. Prepayments

1. Disclosure of prepayments by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
<1 year	20,089,865.33	95.68	1,667,393.62	78.12
1-2 years	848,867.87	4.04	466,979.77	21.88
2-3 years	58,591.03	0.28		
>3 years				
Total	20,997,324.23	100.00	2,134,373.39	100.00

2. Top five prepayments based on the payers

Organization name	Closing balance	Relationship with the Company	Proportion in total advance payment (%)	Reason for unsettlement
Jinglin Industry (Shenzhen) Co., Ltd.	9,575,078.98	Non-affiliated party	45.60	Transaction pending
Hainan Ruigong Technology Engineering Co., Ltd.	2,808,256.10	Non-affiliated party	13.37	Transaction pending
Hainan Baizhi Biological Technology Co., Ltd.	2,000,000.00	Non-affiliated party	9.53	Transaction pending
Hubei Changjian Engineering Construction Co., Ltd.	1,500,000.00	Non-affiliated party	7.14	Transaction pending
Guangdong Guiguo Agriculture Co., Ltd.	840,115.20	Non-affiliated party	4.00	Transaction pending
Total	16,723,450.28		79.64	

Note 4. Other receivables

Item	Closing balance	Closing balance of last year
Interests receivable		
Dividends receivable		
Other receivables	9,400,120.15	1,222,410.16
Total	9,400,120.15	1,222,410.16

(1) Disclosure of other receivables by aging

Aging	Closing balance	Closing balance of last year
<1 year	9,506,626.82	986,199.92
1-2 years	127,602.55	50,033.60
2-3 years	300,200.00	274,000.00
3-4 years		14,380.69
4-5 years	219,211.88	204,831.19
>5 years	42,000.00	48,000.00
Subtotal	10,195,641.25	1,577,445.40
Less: bad debt provision	795,521.10	355,035.24
Total	9,400,120.15	1,222,410.16

(2) Disclosed by bad-debt provision method

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Other accounts receivable for expected credit losses by single provision					
Other accounts receivable for expected credit losses by combination	10,195,641.25	100.00	795,521.10	7.80	9,400,120.15
Including: combination 1					
Combination 2					
Combination 3	10,195,641.25	100.00	795,521.10	7.80	9,400,120.15
Total	10,195,641.25	100.00	795,521.10	7.80	9,400,120.15

	Closing balance of last year				
	Book balance		Bad-debt provision		
Category	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable for expected credit loss withdrawn by single provision					
Other accounts receivable for expected credit loss withdrawn by combination Other receivables	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16
Including: combination 1					
Combination 2					
Combination 3	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16
Total	1,577,445.40	100.00	355,035.24	22.51	1,222,410.16

(3) Other accounts receivable for expected credit losses by combination

Aging	Other receivables	Closing balance Bad-debt provision	Proportion (%)
Margin, deposit, advance payment and temporary payment, etc.	10,195,641.25	795,521.10	7.80
Total	10,195,641.25	795,521.10	7.80

Aging	Other receivables	Closing balance Bad-debt provision	Proportion (%)
<1 year	9,506,626.82	475,331.34	5.00
1-2 years	127,602.55	12,760.26	10.00
2-3 years	300,200.00	90,060.00	30.00
3-4 years	50.00		
4-5 years	219,211.88	175,369.50	80.00
>5 years	42,000.00	42,000.00	100.00
Total	10,195,641.25	795,521.10	

(4) Provision for withdrawn or returned or transferred bad debt in current period

Bad-debt provision	Phase I Expected credit loss in the next 12 months	Phase II Expectation in whole duration Credit loss (not incurred credit impairment)	Phase III Expectation in whole duration Credit loss (occurred credit impairment)	Total
Opening balance	355,035.24			355,035.24
Opening balance in current period				
— Converted to the second stage				
— Transferred into phase III				
— Transferred back to phase II				
— Reversed to the first stage				
Provision of current period	440,485.86			440,485.86
Reversal of the current period				
Write-off of the current period				
Verification of the current period				
Other changes				
Closing balance	795,521.10			795,521.10

(5) No write-off of other receivables in current period.

(6) Category of other receivables by nature

Nature of payment	Closing balance	Closing balance of last year
Transaction payment	3,317,489.67	327,611.88
Margin	6,101,001.46	331,770.46
Reserve fund	437,890.50	183,384.16
Withholding social security, etc	317,435.62	148,604.07
Others	21,824.00	586,074.83
Total	10,195,641.25	1,577,445.40

(7) Top five other receivables based on debtors

Organization name	Payment nature	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Closing balance of bad-debt provision
Southwest United Property Rights Exchange Co., Ltd.	Margin	5,000,000.00	Non-affiliated party	<1 year	49.04	250,000.00
Hainan Ruigong Technology Engineering Co., Ltd.	Transaction payment	1,566,515.00	Non-affiliated party	<1 year	15.36	78,325.75
Yanbian County Agricultural Investment Development Co., Ltd.	Margin	1,000,000.00	Non-affiliated party	<1 year	9.81	50,000.00
Guangxi Xinyue Construction Engineering Co., Ltd.	Transaction payment	454,242.00	Non-affiliated party	<1 year	4.46	22,712.10
Human Resources and Social Security Bureau of Qujialing Management District, Jingmen City	Transaction payment	200,000.00	Non-affiliated party	Between 2 to 3 years	1.96	60,000.00
Total		8,220,757.00			80.63	461,037.85

Note 5. Inventories

Item	Closing balance Amount	Closing balance Provision for depreciation	Closing balance Book value	Opening balance Amount	Opening balance Provision for depreciation	Opening balance Book value
Raw materials	10,414,845.86	71,400.00	10,343,445.86	6,337,615.33	71,400.00	6,266,215.33
Revolving materials	1,281,256.71		1,281,256.71	1,367,004.65		1,367,004.65
Finished goods	65,828,039.73		65,828,039.73	41,606,948.47		41,606,948.47
Delivered goods	3,585,933.73	0	3,585,933.73	1,344,674.74		1,344,674.74
Consumable biological assets						
Goods in process	2,386,294.37		2,386,294.37	8,355.53		8,355.53
Total	83,496,370.40	71,400.00	83,424,970.40	50,664,598.72	71,400.00	50,593,198.72

Note:

During the inventory reporting period, there is no need to make provision for depreciation.

Note 6. Other current assets

Item	Closing balance	Opening balance
Added-value tax retained	7,690,280.18	7,730,553.11
Input tax with VAT to be certified	2,780.49	3,284.79
Payment of enterprise income tax in advance	315,567.74	
Land lease expense	137,500.00	137,500.00
Other withholding tax	1,650,000.24	2,650,000.28
Total	9,480,560.91	10,836,905.92

Note 7. Long-term equity investment

Investee	Opening balance	Increase and decrease of current period: Additional investment	Decrease in investment	Profits and losses on investments recognized under equity method	Adjustment to other comprehensive incomes
Associated enterprise:					
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	17,758,310.00				
Total	17,758,310.00				

Investee	Increase and decrease of current period Other equity changes	Declared cash dividend or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Associated enterprise:						
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					17,758,310.00	
Total					17,758,310.00	

Note 8. Fixed assets

1. Information about fixed assets

Item	Plant and buildings	Machinery and equipment	Vehicles	Office equipment	Other equipment	Total
I. Total original book value						
1. Opening balance	301,775,325.43	120,317,472.04	4,212,997.91	5,599,669.18	395,677.68	432,301,142.24
2. Increase of the current period	196,345.51	3,019,683.83		27,864.79	10,300.00	3,254,194.13
Acquisition	192,660.55	3,019,683.83		27,864.79	10,300.00	3,250,509.17
Transfers from construction in progress	3,684.96				3,684.96	
3. Decrease of the current period		437,393.16		2,777.77		440,170.93
Disposal or scrapping				2,777.77		2,777.77
Other transfer-out		437,393.16				437,393.16
4. Closing balance	301,971,670.94	122,899,762.71	4,212,997.91	5,624,756.20	405,977.68	435,115,165.44
II. Accumulated depreciation						
1. Opening balance	44,715,239.59	62,512,156.28	2,311,145.87	2,039,247.15	332,128.22	111,909,917.11
2. Increase of the current period	5,391,782.86	5,259,567.69	205,481.56	262,314.07	5,545.36	11,124,691.54
Withdrawal	5,391,782.86	5,259,567.69	205,481.56	262,314.07	5,545.36	11,124,691.54
3. Decrease of the current period		374,789.31		2,638.88		377,428.19
Disposal or scrapping				2,638.88		2,638.88
Other transfer-out		374,789.31				374,789.31
4. Closing balance	50,107,022.45	67,396,934.66	2,516,627.43	2,298,922.34	337,673.58	122,657,180.46
III. Impairment provision						
1. Opening balance		348,607.28	26,999.88			375,607.16
2. Increase of the current period						
Withdrawal						
3. Decrease of the current period						
Disposal or scrapping						
4. Closing balance	—	348,607.28	26,999.88			375,607.16
IV. Total book value						
1. Closing book value	251,864,648.49	55,154,220.77	1,669,370.60	3,325,833.86	68,304.10	312,082,377.82
2. Opening book value	257,060,085.84	57,456,708.48	1,874,852.16	3,560,422.03	63,549.46	320,015,617.97

2. Fixed assets for mortgage at the end of the period

See Note 41 for details of the fixed assets mortgaged at the end of the period.

Note 9. Construction in progress

1. Construction in process

Item	Closing balance Book balance	Closing balance Impairment provision	Closing balance Book value	Opening balance Book balance	Opening balance Impairment provision	Opening balance Book value
Tianye Nonggu Science and Technology Park Project	100,757,284.98		100,757,284.98	98,711,669.49		98,711,669.49
Fermented juice production line	5,451,159.96	265,943.86	5,185,216.10	5,451,159.96	265,943.86	5,185,216.10
Supporting facilities of characteristic agricultural demonstration area	15,477,913.61		15,477,913.61	25,316,119.15		25,316,119.15
Equipment installation works	1,832,127.36		1,832,127.36			
Total	123,518,485.91	265,943,86	123,252,542.05	129,478,948.60	265,943.86	129,213,004.74

2. Changes of major projects under construction of the current period

Project name	Opening balance	Increase of current period	Decrease of current period: Transferred to productive biological assets	Decrease of current period: Transferred to fixed assets	Decrease of current period: Others Decrease	Closing balance
Tianye Nonggu Science and Technology Park Project	98,711,669.49	2,045,615.49				100,757,284.98
Fermented juice production line	5,451,159.96					5,451,159.96
Supporting facilities of characteristic agricultural demonstration area	25,316,119.15	22,236.00			9,860,441.54	15,477,913.61
Total	129,478,948.60	2,067851.49			9,860,441.54	121,686,358.55

Project name	Budget *(RMB10,000)*	Proportion of project investment in budget *(%)*	Construction progress *(%)*	Accumulated amount of capitalization of interest	Include: amount of capitalization of interest of current period	Capitalization rate of interest of current period *(%)*	Source of fund
Tianye Nonggu Science and Technology Park Project	39,739.33	73.05	73.05	417.17	107.40		Self-raised
Fermented juice production line	546.89	99.68	100				Self-raised
Supporting facilities of characteristic agricultural demonstration area	3,513.78	77.89	77.89				Self-raised
Total	43,800.00						

Note 10. Productive biological assets

1. Productive biological assets measured by cost

Item	Passion fruit	Pitaya	Pineapple	Yellow peach	Guava	Mango	Total
	Planting industry						
I. Total original book value							
1. December 31, 2019	4,308,740.87	1,200,634.81			2,605,289.79	30,232,500.72	38,347,166.19
2. Increase of current period	38,019.00					899,662.57	937,681.57
Purchased							
Self-planted	38,019.00					899,662.57	937,681.57
Increase in corporation merger							
Invested by shareholders							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. June 30, 2020	4,346,759.87	1,200,634.81			2,605,289.79	31,132,163.29	39,284,847.76
II. Accumulated depreciation							
1. December 31, 2019	969,165.17	1,200,634.81			2,605,289.79		4,775,089.77
2. Increase of current period	1,077,185.22					332,967.09	1,410,152.31
Withdrawal	1,077,185.22					332,967.09	1,410,152.31
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. June 30, 2020	2,046,350.39	1,200,634.81			2,605,289.79	332,967.09	6,185,242.08
III. Impairment provision							
1. December 31, 2019							
2. Increase of current period							
Withdrawal							
Increase in corporation merger							
Other transfer-in							
3. Decrease of current period							
Disposal							
Other transfer-out							
4. Balance as of June 30, 2020							
IV. Book value							
1. June 30, 2020	2,300,409.48					30,799,196.20	33,099,605.68
2. December 31, 2019	3,339,575.70					30,232,500.72	33,572,076.42

Note 11. Intangible assets

Item	Land use right	Patent right	Trademark right	Software	Total
I. Original book value					
1. Opening balance	118,455,340.67	15,485.00	10,900.00	65,540.00	118,547,265.67
2. Increase of current period					
Acquisition					
Internal R&D					
Other transfer-in					
2. Decrease of current period					
Disposal					
Other transfer-out					
3. Ending balance	118,455,340.67	15,485.00	10,900.00	65,540.00	118,547,265.67
II. Accumulated amortisation					
1. Opening balance	12,829,787.92	11,378.44	10,264.09	44,539.92	12,895,970.37
2. Increase of current period	911,537.88	385.02	544.98	3,499.98	915,967.86
Withdrawal	911,537.88	385.02	544.98	3,499.98	915,967.86
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	13,741,325.80	11,763.46	10,809.07	48,039.90	13,811,938.23
III. Impairment provision					
1. Opening balance	20,094,867.93				20,094,867.93
2. Increase of current period					
Withdrawal					
Increase in corporation merger					
Other transfer-in					
3. Decrease of current period					
Disposal					
Other transfer-out					
4. Closing balance	20,094,867.93				20,094,867.93
IV. Total book value					
1. Book value at end of period	84,619,146.94	3,721.54	90.93	17,500.10	84,640,459.51
2. Book value at beginning of period	85,530,684.82	4,106.56	635.91	21,000.08	85,556,427.37

Note:

See Note 41 for details of intangible assets mortgaged at the end of the period.

Note 12. Goodwill

1. The original book value of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Arising from business combination	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.	17,607,521.44					17,607,521.44
Total	17,607,521.44					17,607,521.44

Calculation process of goodwill: In order to effectively integrate the resources and advantages of both parties, enlarge and strengthen the main business, and form a highly competitive production enterprise of fruit juice and fruit and vegetable products, the Company realized the equity acquisition and business restructuring of Hubei Iceman Foods Co., Ltd. On the purchase date (November 16, 2015); the book value of identifiable net assets of Hubei Iceman Foods Co., Ltd. was RMB-24,361,162.41; the fair value of identifiable net assets based on the purchase date was RMB-17,607,520.44. According to the Equity Merger Agreement signed between the Company and the original shareholders of Hubei Iceman Foods Co., Ltd., the consideration for equity merger was RMB1, so the goodwill formed by this merger was RMB17,607,521.44.

2. Provision for impairment of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase of current period: Provision	Increase of current period: Others	Decrease of current period: Disposal	Decrease of current period: Others	Closing balance
Hubei Iceman Foods Co., Ltd.	2,749,838.60					2,749,838.60
Total	2,749,838.60					2,749,838.60

Note 13. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization for the current period	Other decrease	Closing balance
Plant Decoration Project	1,296,151.85	101,120.00	288,278.64		1,108,993.21
Land lease expense	6,052,245.75		2,418,549.30		3,633,696.45
Other projects in characteristic agricultural demonstration areas	660,174.30		105,192.48		554,981.82
Total	8,008,571.90	101,120.00	2,812,020.42		5,297,671.48

Note 14. Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets before offset

Item	Closing balance Deductible temporary difference	Closing balance Deferred tax assets	Opening balance Deductible temporary difference	Opening balance Deferred tax assets
Provision for impairment of assets	4,744,914.68	971,248.43	4,932,871.27	1,073,518.44
Offset internal unrealized profits	81,315.84	12,197.38	81,315.84	12,197.38
Deductible losses				
Government grants	1,482,864.89	271,066.75	1,420,058.66	265,942.49
Changes in fair value of long-term equity investment	3,096,720.00	464,508.00	3,096,720.00	464,508.00
Total	9,405,815.41	1,719,020.56	9,530,965.77	1,816,166.31

2. Unrecognized deferred tax assets

Item	Closing balance	Closing balance of last year
Provision for impairment of assets	128,546.99	132,116.96
Deferred income	59,906,618.47	59,906,618.47
Deductible losses	22,743,346.76	22,743,346.76
Total	82,778,512.22	82,782,082.19

3. Deductible losses for which deferred tax assets are not recognised will be expired in the following year

Year	Closing balance	Closing balance of last year
2020	3,207,535.44	3,207,535.44
2021	6,738,381.86	6,738,381.86
2022	6,857,508.13	6,857,508.13
2023	5,358,891.43	5,358,891.43
2024	581,029.90	581,029.90
Total	22,743,346.76	22,743,346.76

Note 15. Other non-current assets

Item	Closing balance	Opening balance
Advance payment for Tianye Nonggu Science and Technology Park Project	22,558,015.51	9,984,510.50
Equipment project payment	98,340.40	514,901.90
Advance payment for IPO		
Enterprise income tax retained		
Others		
Total	22,656,355.91	10,499,412.40

Note 16. Short-term loans

Item	Closing balance	Opening balance
Pledged loans		
Unsecured loans	25,000,000.00	36,000,000.00
Mortgaged and guaranteed loans	75,000,000.00	75,000,000.00
Fiduciary loan	10,000,000.00	2,928,894.70
Accrued interest on short-term loans		155,833.33
Total	110,000,000.00	114,084,728.03

Note: As of June 30, 2020, the closing balance of short-term loans was RMB110 million: 1) In June 2020, the Company signed a Loan Contract (45002169100220060001) of RMB30 million with Beihai Avenue Sub-branch of Postal Savings Bank of China, with a loan period of one year. The mortgaged properties were land use right (HGY (2012) No. 1560), industrial factory buildings and supporting houses (HFQZHPZ No. 017061-017071), and the Maximum Amount Mortgage Contract with the contract number of 45002169100420060001 was signed in 2020. As of June 30, 2020, the Postal Savings Bank of China actually lent RMB25 million. (2) On December 19, 2018, the Company signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd. The credit was granted for three years; the guarantee method was mortgage+guarantee, and the fixed interest rate was 6.8% with the additional integrity deposit of 2%. It also signed a contract (HKNSS/H (Z) 2018 ZBZ No.040), the mortgaged properties were house and state-owned land use right (E (2018) JMSBDCQ No. 0013299), property certificates (DCZZ No. 0005745, DCZZ No. 0005746, DCZZ No. 0005747, DCZZ No. 0005749), land use rights (DAGY (2010) No. 253, DAGY (2008) No. 23), and 56 production machinery equipment and supporting facilities under the name of Hainan Dachuan Food Co., Ltd. It also signed three mortgage contracts (HKNSS/H (Z) 2018 GDZ No. 040-1, HKNSS/H (Z) 2018 GDZ No. 040-2, HKNSS/H (Z) 2018 GDZ No. 040-3), and the guarantors were Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed two guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2). 3. In June 2020, Hubei Nonggu Biological Technology Co., Ltd. and Jingmen Wusan Modern Agriculture Development Co., Ltd. signed a short-term credit loan contract of RMB10 million with the contract number of 42010620200000043, with the loan term of one year.

Note 17. Accounts payable

1. Disclosure of accounts payable by aging

Aging	Closing balance Amount	Closing balance Proportion (%)	Closing balance of last year Amount	Closing balance of last year Proportion (%)
<1 year	38,609,936.19	92.23	30,351,559.30	88.98
1-2 years	1,417,464.65	3.39	1,961,599.60	5.75
2-3 years	449,069.56	1.07	650,382.39	1.91
>3 years	1,385,363.31	3.31	1,146,311.98	3.36
Total	41,861,833.71	100.00	34,109,853.27	100.00

2. Accounts payable classified by nature

Item	Closing balance	Opening balance
Material purchase payment	36,528,446.29	25,645,802.70
Payment related to expenses	373,955.71	3,433,512.28
Equipment and project purchase payment	4,919,431.71	4,940,770.27
Others	40,000.00	89,768.02
Total	41,861,833.71	34,109,853.27

3. Significant accounts payable aged over 1 year

Organization name	Closing balance	Relationship with the Company	Reasons for not been repaid or transferred
Jiangsu Kaiyi Intelligent Technology Co., Ltd.	369,200.00	Non-affiliated party	Uncompleted settlement
Wuhan Quanding Environmental Protection Technology Co., Ltd.	293,767.00	Non-affiliated party	Uncompleted settlement
Wuhan Sentai Environmental Protection Engineering Co., Ltd.	200,000.00	Non-affiliated party	Uncompleted settlement
Xiamen Heguanxin Cryogenic Equipment Co., Ltd.	160,100.01	Non-affiliated party	Uncompleted settlement
Hu'nan Tianchang Engineering Co., Ltd.	155,000.00	Non-affiliated party	Uncompleted settlement
Total	1,178,067.01		

4. Top five accounts payable based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total accounts payable (%)	Aging
Guangdong Guiguo Agriculture Co., Ltd.	Material purchase payment	2,586,177.19	Non-affiliated party	6.18	<1 year
Haikou Xianmeirui Industry Co., Ltd.	Material purchase payment	1,936,480.00	Non-affiliated party	4.63	<1 year
Guangxi Yanjin Puzi Foods Co., Ltd.	Material purchase payment	1,893,398.23	Non-affiliated party	4.52	<1 year
Wu Shoujian	Material purchase payment	1,826,916.00	Non-affiliated party	4.36	<1 year
Lei Dacheng	Material purchase payment	1,728,913.00	Non-affiliated party	4.13	<1 year
Total		9,971,884.42		23.82	

Note 18. Contract liabilities

1. Contract liabilities classified by nature of payment

Item	Closing balance	Opening balance
Payment for goods	4,567,026.11	2,692,363.10
Total	4,567,026.11	2,692,363.10

Other description of contract liabilities: at the end of the reporting period, the Company did not have any important advance receipts with more than one-year aging.

Note 19. Payroll and employee benefits payable

1. Payroll and employee benefits payable

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Short-term benefits	3,717,302.13	12,444,905.04	14,263,986.01	1,898,221.16
Post-employment benefits — defined contribution plan		220,468.60	220,468.60	
Termination benefits		25,372.99	25,372.99	
Total	3,717,302.13	12,690,746.63	14,509,827.60	1,898,221.16

2. Short-term benefits

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	3,687,284.13	11,486,447.85	13,291,537.78	1,882,194.20
Employee welfare	30,018.00	413,810.89	436,720.65	7,108.24
Social insurance contributions		291,532.58	291,532.58	
Including: basic medical insurance premium		286,309.70	286,309.70	
Industrial injury insurance premium		5,222.88	5,222.88	
Birth insurance premium				
Housing funds		243,018.00	235,078.00	7,940.00
Labor union and employee education costs		10,095.72	9,117.00	978.72
Total	3,717,302.13	12,444,905.04	14,263,986.01	1,898,221.16

3. Defined contribution plan

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Basic pension insurance		211,202.93	211,202.93	
Unemployment insurance		9,265.67	9,265.67	
Total		220,468.60	220,468.60	

Note 20. Taxes payable

Tax items	Closing balance	Opening balance
VAT	429,291.84	931,094.20
Enterprise income tax	202,484.66	1,406,938.11
Individual income tax	7,793.78	24,491.89
Urban maintenance and construction tax	28,256.03	46,554.71
Building tax	64,275.56	557,492.95
Land use tax	19,500.00	19,500.00
Education expenses and local surcharges	28,256.03	46,554.71
Stamp duties	11,095.60	45,616.70
Environmental protection tax		3,125.04
Total	790,953.50	3,081,368.31

Note 21. Other payables

Nature of payment	Closing balance	Opening balance
Interest payable	18,000.00	
Other payables	1,716,492.84	4,160,084.72
Total	1,734,492.84	4,160,084.72

(I) Interest payable

Item	Closing balance	Opening balance
Interest payable	18,000.00	
Total	18,000.00	

(II) Other payables

1. Disclosure of other payables by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
<1 year	1,383,193.21	80.58	3,406,181.10	81.88
1-2 years	15,510.00	0.91	189,060.98	4.54
2-3 years	32,997.00	1.92	165,275.40	3.97
>3 years	284,792.63	16.59	399,567.24	9.61
Total	1,716,492.84	100.00	4,160,084.72	100.00

2. Disclosure of other payables by nature

Nature of payment	Closing balance	Opening balance
Miscellaneous project payments	77,710.00	274,942.60
Payment related to expenses	1,327,008.00	3,486,759.87
Transaction payment	26,826.17	128,549.40
Collection and payment	65,368.95	243,601.23
Social security fund, etc	1,900.72	809.62
Others	217,679.00	25,422.00
Total	1,716,492.84	4,160,084.72

3. Top five other payables based on creditor

Organization name	Nature of payment	Closing balance	Relationship with the Company	Proportion in total other payables (%)	Aging
Huang Caihong	Payment related to expenses	214,640.00	Non-affiliated party	12.50	<1 year
Shanghai Liqin Logistics Co., Ltd.	Payment related to expenses	200,000.00	Non-affiliated party	11.65	<1 year
Henan Jiankun Supply Chain Management Co., Ltd.	Payment related to expenses	192,660.55	Non-affiliated party	11.22	<1 year
Huang Hongkui	Payment related to expenses	186,447.50	Non-affiliated party	10.86	<1 year
Long Kun	Payment related to expenses	144,000.00	Non-affiliated party	8.39	3 to 4 years
Total		937,748.05		54.62	

Note 22. Current portion of non-current liabilities

1. Current portion of non-current liabilities

Item	Closing balance	Opening balance
Unsecured loans	20,000,000.00	30,000,000.00
Interest payable	553,741.94	1,657,741.94
Total	20,553,741.94	31,657,741.94

Note: Hubei Tianye Nonggu Biological Technology Co., Ltd., a subsidiary of the Company, signed the *RMB Entrusted Loan Contract* with Wusan Farm Sub-branch of the Agricultural Bank of China. The contract number was 2018002. Jingmen Qujialing Urban and Rural Construction Investment Co., Ltd. was the loan principal and provided the Company with loan on credit of RMB30 million, with loan term of 2 years and annual interest rate of 7.20%. As of June 30, 2020, the outstanding principal amount of this loan was RMB20 million.

Note 23. Deferred income

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance	Causes
Government subsidy related to assets	61,293,677.13	2,901,300.00	2,428,283.86	61,766,693.27	See the following note for details
Government subsidy related to revenues	33,000.00	26,852.26	26,852.26	33,000.00	See the following note for details
Total	61,326,677.13	2,928,152.26	2,455,136.12	61,799,693.27	

1. Deferred revenue related to government grants

Item	Opening balance	Amount of subsidy increased in current period	Amount included in the current profits and losses	Other changes	Closing balance	Pertinent to Assets/Income
Financial subsidy for the development of SME in local characteristic industries in 2012	220,000.00		40,000.00		180,000.00	Assets related
Infrastructure support subsidies allocated by the government	34,318,718.52		1,822,232.94		32,496,485.58	Assets related
Research and demonstration project on key technologies of agricultural industry innovation and development in poor villages (slope)	33,000.00				33,000.00	Revenues related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	329,670.19		32,967.06		296,703.13	Assets related
Financial subsidy for special fruit planting	1,609,600.00				1,609,600.00	Assets related
Supporting funds for infrastructure of Nonggu Science and Technology Park Project	19,716,012.58	2,901,300.00	427,386.60		22,189,925.98	Assets related
Technical transformation funds for fruit and vegetable juice pulp production line	400,000.00				400,000.00	Assets related
Special funds for the development of SME in the autonomous region in 2017	890,721.75		74,226.78		816,494.97	Assets related
Support funds for grain, agriculture and forestry characteristic industries in the autonomous region in 2016	300,000.00				300,000.00	Assets related
Funds for Rural Tourism Construction Project Phase I	800,000.00				800,000.00	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone	342,444.35				342,444.35	Assets related
Subsidies for purchasing agricultural machinery	14,973.00		976.50		13,996.50	Assets related
Tax refund	2,184,870.02		20,494.02		2,164,376.00	Assets related
Refund for steady post		20,972.26	20,972.26			Revenues related
Living allowance for people returning to Hainan		5,880.00	5,880.00			Government subsidy related to revenues
Special funds for energy-saving and circular economy	166,666.72		9,999.96		156,666.76	Assets related
Total	61,326,677.13	2,928,152.26	2,455,136.12		61,799,693.27	

Note 24. Paid-in capital

Item	Opening balance	Changes in the current period, increase (+) and decrease (-) New shares issued	Share donation	Capitalization of capital reserve	Others	Subtotal	Closing balance
Number of shares	240,000,000.00						240,000,000.00

Note 25. Capital reserves

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Capital premium	244,109,726.71			244,109,726.71
Other capital reserves	2,190,367.24			2,190,367.24
Total	246,300,093.95			246,300,093.95

Note 26. Surplus reserve

Item	Opening balance	Increase of current period	Decrease of current period	Closing balance
Statutory surplus reserves	11,367,901.03			11,367,901.03
Total	11,367,901.03			11,367,901.03

Note: The surplus reserve refers to the statutory surplus reserve accrued according to 10.00% of the net profit of the parent company.

Note 27. Undistributed profits

Changes in undistributed profits

Item	Amount	Proportion of withdrawal or allocation
		(%)
Undistributed profits at the end of last year before adjustment	252,548,504.91	
Total undistributed profit at the beginning of adjustment (increase +, decrease -)		
Undistributed profits at the beginning of the period after adjustment	252,548,504.91	
Add: net profit attributable to owner of parent company in current period	7,388,220.26	
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Common stock dividends payable		
Common stock dividends converted into share capital		
Other distributions to shareholders		
Other profits distribution		
Other internal carry-over of owner's equity		
Undistributed profits at the end of the period	259,936,725.17	

Note 28. Operating incomes and operating costs

1. Operating income, operating costs

Item	Amount of current period		Amount of last period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	106,668,616.97	76,367,666.63	138,087,856.90	94,583,376.36
Total	106,668,616.97	76,367,666.63	138,087,856.90	94,583,376.36

Note 29. Taxes and surcharges

Taxes	Amount of current period	Amount of last period
Urban construction tax	81,222.29	271,729.08
Educational surcharges	48,733.39	163,037.45
Local educational surcharges	32,488.91	108,691.63
Building tax	146,504.28	1,121,821.99
Urban Land Using Tax	34,373.20	546,682.24
Others	59,342.14	64,007.64
Total	402,664.21	2,275,970.03

Note 30. Selling expenses

Item	Amount of current period	Amount of last period
Warehousing and logistics expenses	1,917,651.62	2,003,128.11
Labor expenses	342,412.96	472,330.92
Advertising and promotion expenses	65,183.73	2,799,899.44
Traveling expenses		846.00
Office expense		1,461.95
Postage		985.00
Others	228,040.67	284,021.90
Total	2,553,288.98	5,562,673.32

Note 31. General and administration expenses

Item	Amount of current period	Amount of last period
Labor expenses	3,897,235.34	5,637,171.59
Office expense	310,664.96	131,524.89
Amortization of intangible assets	826,930.92	915,967.88
Depreciation and amortization	3,557,685.03	3,594,847.08
Amortization of long-term unamortized expenses	1,477,173.60	1,378,039.46
Agency service expenses	541,916.47	317,449.82
Business reception expenses	201,035.34	482,594.90
Traveling expenses	117,399.93	260,869.49
Taxes		19,365.65
Others	782,842.36	2,303,878.86
Total	11,712,883.95	15,041,709.62

Note 32. Research and development expenses

Item	Amount of current period	Amount of last period
Direct material	164,412.16	108,565.62
Workers' wage	517,983.15	534,286.34
Depreciation and amortization	39,098.99	39,228.84
Total	721,494.30	682,080.80

Note 33. Financial expenses

Item	Amount of current period	Amount of last period
Interest expense	3,293,273.44	4,557,461.18
Less: interest revenue	378,487.31	379,402.56
Net income and loss from exchange	-9,508.55	-11,449.42
Financial discount	-350,560.64	-450,000.00
Bank charges	25,710.05	21,626.25
Others		
Total	2,580,426.99	3,738,235.45

Note 34. Credits impairment losses

Item	Amount of current period	Amount of last period
Bad-debt loss	-191,526.56	-927,269.86
Total	-191,526.56	-927,269.86

Note 35. Assets disposal income

Item	Amount of current period	Amount of last period
Revenue from disposal of biological assets		
Income from fixed assets disposal		
Disposal loss of construction in progress	-9,860,441.54	
Total	-9,860,441.54	

Note 36. Other incomes

1. Details of other incomes

Item	Amount of current period	Amount of last period
Government grants	5,557,877.90	5,689,235.57
Total	5,557,877.90	5,689,235.57

2. Government grants recorded into other incomes

Subsidy item	Amount of current period	Amount of last period	Pertinent to Assets/Income
Infrastructure support subsidies allocated by the government	1,822,232.94	1,822,232.94	Assets related
Subsidy for the construction of agricultural product standardization demonstration base			Assets related
			Assets related
Tax refund	1,794,118.17	1,258,000.00	Revenues related
Special funds for supporting infrastructure	427,386.60	796,556.50	Assets related
Award for scenic spots		600,000.00	Revenues related
Others	156,946.39	393,693.10	Revenues related
Environmental impact assessment subsidy		347,111.00	Assets related
Star Award for Xiangliuxi Tropical Fruit Industry (Core) Demonstration Zone		271,642.03	Assets related
Exhibition subsidies for industrialization and informatization and information products in Hepu County		200,000.00	Revenues related
Financial subsidy for special fruit planting	1,200,000.00		Revenues related
Subsidy for the characteristic development of SME	114,226.78		Revenues related
Subsidy for quality and safety demonstration area of export food and agricultural products in Hainan Province	32,967.06		Assets related
Special funds for energy-saving and circular economy	9,999.96		Assets related
Total	5,557,877.90	5,689,235.57	

Note 37. Non-operating incomes

Item	Amount of current period	Amount of last period
Others	111,278.15	4,775.01
Total	111,278.15	4,775.01

Note 38. Non-operating expenses

Item	Amount of current period	Amount of last period
Donation outlay	451,075.59	20,700.00
Losses on disposal of non-current assets	585.20	
Others	18,138.89	92,558.10
Total	469,799.68	113,258.10

1. *The amounts included in the non-recurring profits and losses of each period are listed as follows:*

Item	Amount of current period	Amount of last period
Donation outlay	451,075.59	20,700.00
Losses on disposal of non-current assets	585.20	
Others	18,138.89	92,558.10
Total	469,799.68	113,258.10

Note 39. Income tax expense

Item	Amount of current period	Amount of last period
Current tax expenses	375,267.29	403,665.37
Deferred income tax expense	97,145.75	-171,479.68
Total	472,413.04	232,185.69

1. Reconciliation of income tax expenses to the accounting profit

Item	**Amount of current period**	**Amount of last period**
Total profits	7,860,633.30	20,857,293.94
Income tax expense calculated at statutory/applicable tax rate	2,616,522.81	3,371,560.69
Effect of different tax rates applicable to subsidiaries	469,206.54	1,043,586.69
Effect of adjustment to income tax of prior periods		-865,928.49
Effect of non-taxable income	-2,501,970.49	-3,136,026.96
Effect of non-deductible costs, expenses and losses	199,631.07	41,303.10
Effect of using deductible losses for which deferred tax assets were previously not recognised	-383,758.21	-261,371.77
Effect of deductible temporary differences or deductible losses unrecognized in the current period	72,781.32	39,062.43
Income tax expense	472,413.04	232,185.69

Note 40. Notes to items of cash flow statement

1. Cash received relating to other operating activities

Item	**Amount of current period**	**Amount of last period**
Transaction payment	21,745,031.15	25,011,272.82
Government grants	6,097,642.19	4,010,894.17
Credit interest	378,487.31	379,402.56
Others	30,750.00	
Total	28,251,910.65	29,401,569.55

2. Cash paid relating to other operating activities

Item	**Amount of current period**	**Amount of last period**
Transaction payment		
Cash payment	34,677,045.87	25,046,239.51
Total	34,677,045.87	25,046,239.51

Note 41. Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary materials	Amount of current period	Amount of last period
1. Cash flows converted from net profits for business operation activities:		
Net Profit	7,388,220.26	20,625,108.25
Add: provision for asset impairment		927,269.86
Provision for credit impairment	-191,526.56	
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	11,124,691.54	9,329,208.03
Amortization of intangible assets	915,967.86	915,967.88
Amortization of long-term deferred expenses	2,812,020.42	2,712,886.28
Losses on the disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by "-")	9,860,441.54	
Losses on retirement of fixed assets (gain is indicated by "-")		391.07
Loss on changes in fair value (gain is indicated by "-")		
Financial expenses (gain is indicated by "-")	4,003,764.89	4,546,011.76
Losses arising from investments (gain is indicated by "-")		
Decrease in deferred tax assets (increase is indicated by "-")	97,145.75	-171,479.68
Increase in deferred tax liabilities (decrease is indicated by "-")		
Decrease in inventory (increase is indicated by "-")	-32,831,771.68	1,818,662.33
Decrease in receivables from operating activities (increase is indicated by "-")	-8,218,567.89	2,139,438.56
Increase in payables from operating activities (decrease is indicated by "-")	7,125,526.77	838,281.63
Others		
Net cash flows from operating activities	2,085,912.90	43,681,745.97
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 acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	218,203,639.87	240,913,143.02
Less: opening balance of cash	258,090,355.07	214,674,020.33
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalent		
Net increase in cash and cash equivalents	-39,886,715.20	26,239,122.69

2. Composition of cash and cash equivalent

Item	Amount of current period	Amount of last period
I. Cash	218,203,639.87	240,913,143.02
Including: cash on hand	63,097.64	21,331.61
Bank deposit ready for payment at any time	218,036,461.60	240,840,511.77
Other monetary funds ready for payment at any time	104,080.63	51,299.64
II. Cash equivalents		
Including: bond investments due in three months		
III. Closing balance of cash and cash equivalents	218,203,639.87	240,913,143.02
Including: restricted cash and cash equivalents used by parent company or subsidiaries		

Note 42. Assets with restricted ownership or right of use

Item	Closing book value	Reasons for being restricted
Fixed assets	101,818,533.04	Mortgage loan
Intangible assets	12,263,168.16	Mortgage loan
Total	114,081,701.20	

Note: Please refer to Note VI "Note 16 Short-term loan" for details of mortgage loan.

VII. Changes of the Scope of Consolidation

(I) Business combination involving entities not under common control

During the reporting period, there was no business combination involving entities not under common control.

(II) Business combination involving entities under common control

During the reporting period, there was no business combination under common control.

(III) Reverse acquisition

During the reporting period, there was no reverse acquisition.

(IV) Disposal of subsidiaries

During the reporting period, the Company did not dispose of its subsidiaries.

(V) Changes in the consolidation scope due to other reasons

In April 2020, the Company invested and established Panzhihua Tianye Innovation Agricultural Technology Co., Ltd., and in 2020, the scope of consolidation of the Company increased by one subsidiary.

VIII. Equity in other Entities

(I) Equity in subsidiaries

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Acquisition method
Hainan Dachuan Food Co., Ltd.	Ding'an, Hainan	Ding'an, Hainan	Processing and sales of agricultural products	100.00		Business combination not under the same control
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	Nanning, Guangxi	Nanning, Guangxi	Agricultural planting and sales, technology R&D promotion and achievement transfer	100.00		Established through investment

Subsidiary	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Acquisition method
Hainan Tianye Drinks Food Sales Co. Ltd.	Ding'an, Hainan	Ding'an, Hainan	Sales of fruit food and drink	100.00		Established through investment
Hubei Iceman Foods Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Processing and sales of agricultural products	100.00		Business combination not under the same control
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	R&D, production and sales of agricultural products	100.00		Established through investment
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Agricultural planting and sales	100.00		Established through investment
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	Panzhihua Yanbian	Panzhihua Yanbian	Processing and sales of agricultural and sideline products, fruit planting and sales, etc.	100.00		Established through investment

(II) Equity in associates

1. Significant associates

(1) General information

Name of associates	Main place of business	Registered address	Business nature	Shareholding ratio (%) Directly	Indirectly	Accounting treatment for associates
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	Tianjin	Tianjin	Investment in modern agriculture, food industry, commercial chain industry and mobile internet industry; investment consulting.	99.00		Equity method

(2) Explanation that the shareholding ratio in the associated enterprise is different from the voting right ratio

Tianjin Fangfu Tianye Investment Center (Limited Partnership) has a total investment of RMB100 million. As a limited partner, the Company contributes RMB99 million with its own funds, accounting for 99.00% of the total investment of the partnership. As a general partner, Beijing Fangfu Capital Management Co., Ltd. contributes RMB1 million, accounting for 1.00% of the total investment of the partnership. According to the partnership agreement, Tianjin Fangfu Tianye Investment Center (Limited Partnership) has set up an Investment Decision-making Committee, which consists of five members, including four representatives appointed by the general partner and one member elected by the limited partner. Investment Decision-making

Committee is responsible for the final decision-making of partnership investment, and the investment decision-making can only be implemented by unanimous approval of all members. The resolutions of the Investment Decision-making Committee shall be implemented by the general partner and shall be legally binding on the partnership enterprise. The voting system of the Investment Decision-making Committee is one vote for one person, and the Investment Decision-making Committee shall implement the related party avoidance voting system in the process of investment decision-making. Therefore, the voting ratio of the Company to Tianjin Fangfu Tianye Investment Center (Limited Partnership) is different from the shareholding ratio.

IX. Risk Disclosure Related to Financial Instruments

The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies, and bears the ultimate responsibility for them. The management manages and monitors these risks to ensure that the risks are controlled within a limited range. The Company's main financial instruments include accounts receivable, accounts payable, loans, etc. Please refer to the relevant items in this note for details of various financial instruments. Due to the unpredictability of the financial market related to these financial instruments, the Company strives to reduce the potential adverse impact on the financial performance of the Company.

The objective of risk management of the Company is to strike a proper balance between risks and benefits, reduce the negative impact of risks on the operating performance of the Company to the lowest level, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze various risks faced by the company, establish an appropriate risk tolerance bottom line, supervise various risks in a timely and reliable manner, and formulate risk management policies to reduce risks as much as possible without excessively affecting the competitiveness and resilience of the Company.

(I) Credit risk: The credit risk of the Company mainly comes from monetary funds, accounts receivable and other receivables. The management has formulated appropriate credit policies and continuously monitored the exposure of these credit risks. The monetary funds held by the Company are mainly deposited in large commercial banks and other financial institutions, and the management thinks that these commercial banks have high reputation and asset status and low credit risk. For accounts receivable and other receivables, the Company sets relevant policies to control credit risk exposure. The Company evaluates the customer's credit qualification and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantee from a third party, credit history and other factors such as the current market situation. The Company will regularly monitor customer credit records to ensure that the overall credit risk of the Company is within the controllable range.

As of June 30, 2020, the book balance and expected credit impairment losses of related assets are as follows:

Aging	**Book balance**	**Impairment provision**
Accounts receivable	45,759,134.30	4,077,940.57
Other receivables	10,195,641.25	795,521.10
Total	55,954,775.55	4,873,461.67

(II) Liquidity risk: Liquidity risk refers to the risk that the Company cannot obtain sufficient funds in time to meet the needs of business development or pay due debts and other payment obligations. In order to control this risk, the Company comprehensively uses various financing means such as bank loans and adopts a combination of long-term and short-term financing to optimize the financing structure and maintain the continuity and flexibility of financing. The Company has obtained bank credit lines from a number of banks to meet working capital requirements and capital expenditure. As of June 30, 2020, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Closing balance			
Item	Net book amount	Original book value	<1 year	1-2 years	2-3 years	>3 years
Monetary funds	218,203,639.87	218,203,639.87	218,203,639.87			
Accounts receivable	41,681,193.73	45,759,134.30	34,817,937.03	5,630,201.90	4,407,370.77	903,624.60
Other receivables	9,400,120.15	10,195,641.25	9,564,418.37	69,811.00	300,200.00	261,211.88
Subtotal	269,284,953.75	274,158,415.42	262,585,995.27	5,700,012.90	4,707,570.77	1,164,836.48
Short-term loans	110,000,000.00	110,000,000.00	110,000,000.00			
Accounts payable	41,861,833.71	41,861,833.71	38,609,936.19	1,417,464.65	449,069.56	1,385,363.31
Other payables	1,734,492.84	1,734,492.84	1,401,193.21	15,510.00	32,997.00	284,792.63
Subtotal	153,596,326.55	153,596,326.55	150,011,129.40	1,432,974.65	482,066.56	1,670,155.94

As of December 31, 2019, the financial assets and financial liabilities of the Company are listed as follows with undiscounted contract cash flow by maturity date:

			Opening balance			
Item	Net book amount	Original book value	<1 year	1-2 years	2-3 years	>3 years
Monetary funds	256,829,568.17	256,829,568.17	256,829,568.17			
Accounts receivable	59,114,385.02	63,824,338.01	52,566,886.06	7,277,231.45	3,181,123.50	799,097.00
Other receivables	1,222,410.16	1,577,445.40	986,199.92	50,033.60	274,000.00	267,211.88
Subtotal	317,166,363.35	322,231,351.58	310,382,654.15	7,327,265.05	3,455,123.50	1,066,308.88
Short-term loans	114,084,728.03	114,084,728.03	114,084,728.03			
Accounts payable	34,109,853.27	34,109,853.27	30,351,559.30	1,961,599.60	650,382.39	1,146,311.98
Other payables	4,160,084.72	4,160,084.72	3,406,181.10	189,060.98	165,275.40	399,567.24
Subtotal	152,354,666.02	152,354,666.02	147,842,468.43	2,150,660.58	815,657.79	1,545,879.22

(III) Market risk: Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to the change of market price, which mainly includes foreign exchange risk and interest rate risk.

1. Foreign exchange risk: During the reporting period, the Company's operations gradually faced foreign countries, and its export business was mainly settled in US dollars. The foreign currency assets and liabilities and future foreign currency transactions (the foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) recognized by the Company have foreign exchange risks. The financial department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities of the Company to minimize the foreign exchange risks faced; therefore, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risks.

(1) The Company has not signed any forward foreign exchange contracts or currency swap contracts this year;

(2) As of December 31, 2019, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB is as follows:

	Closing balance			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	45,520.28			45,520.28
Subtotal	45,520.28			45,520.28

	Closing balance of last year			
Item	**USD item**	**EUR item**	**HKD item**	**Total**
Monetary funds	959.16			959.16
Subtotal	959.16			959.16

2. Interest rate risk: The Company's interest rate risk is mainly caused by the financial liabilities with floating interest rate of bank loans, which make the Company face cash flow interest rate risk, while the financial liabilities with fixed interest rate make the Company face fair value interest rate risk. The Company determines the relative proportion of fixed and floating interest rate contracts based on the prevailing market environment.

The financial department of the Company continuously monitors the interest rate level of the Company. Rising interest rate will increase the cost of newly added interest-bearing debt and the interest expense of the company's unpaid interest-bearing debt with floating interest rate, and will have a significant adverse impact on the Company's financial performance. The management will make timely adjustments according to the latest market conditions, which may be the arrangement of interest rate swap to reduce interest rate risk.

X. Financial Instruments Measured at Fair Value

(I) Financial instruments measured at fair value

As of June 30, 2020, the Company had no financial instruments measured at fair value.

(II) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include monetary funds, notes receivable, receivables, short-term loans, payables, non-current liabilities due within one year and long-term loans.

The difference between book value and fair value of above financial assets and financial liabilities of the Company not measured at fair value is very small.

XI. Related Parties and Related Party Transactions

(I) Actual controller of the Company

Name of the company or natural person	Related relationship	Organization code or ID number	Shareholding ratio to the Company (%)	Voting right ratio to the Company (%)
Yao Jiuzhi	One of the actual controllers	44522219710503****	17.72	17.72
Yao Linhao	One of the actual controllers	44522219670725****	2.03	2.03
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	Company controlled by Yao Jiuzhuang	915328223096945813	0.25	0.25
Yao Jiuzhuang	One of the actual controllers	44522219680626****		

Notes:

1. The above shareholding ratio is the shareholding ratio as of June 30, 2020.

2. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang are the actual joint controllers of the Company. Yao Jiuzhi, Yao Linhao and Yao Jiuzhuang signed the *Concerted Action Agreement* on September 26, 2012, in which the three parties agreed to jointly exercise major decision-making power as concerted action party. If the three parties could not reach an agreement on the matters under consideration, Yao Jiuzhi's opinion and voting intention shall prevail.

(II) Introduction to the Company's subsidiaries

See Note VIII (I) "Interests in subsidiaries" for details of subsidiaries of the Company.

(III) Information on the Company's associated enterprises

See Note VIII (II) "Interests in associated enterprises" for details of important associated enterprises of the Company.

(IV) Other related parties

Names of other related parties	Relationship between other related parties and the Company
Menghai Zhicun Gaoyuan Tea Industry Co., Ltd.	The company under the control of the actual controller
Shan Dan	Directors, general managers and shareholders
Guangxi Tianye Science and Technology Seed Industry Co., Ltd.	Company controlled by shareholders and actual controllers
Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	Subsidiaries of companies controlled by shareholders and actual controllers

(V) Related parties' transactions

1. *For the subsidiaries under control relationship and included in the scope of consolidated financial statements, the transactions among them and their parent companies have been offset.*

2. *Related transactions by selling products and providing labors*

There are no related transactions by selling products and providing labors.

3. *Related transactions on purchase of goods and labor service acceptance*

There are no related transactions by selling products and providing labors.

4. *Related guarantee*

The Company as the warrantee

Guarantor	Amount guaranteed	Start date of guarantee	Expiring date of guarantee	Guarantee performed fully or not
Yao Jiuzhi	75,000,000.00	December 19, 2018	December 19, 2021	No

Note: In December 2018, Hainan Dachuan Food Co., Ltd., a subsidiary of the Company, signed a loan contract (HKNSS/H (Z) 2018 ZGDKZ (040)) of RMB75 million with Haikou Rural Commercial Bank Co., Ltd., and the guarantor was Tianye Innovation Corporation, Yao Yuzhi and Hubei Tianye Nonggu Biological Technology Co., Ltd. And it also signed three guarantee contracts (HKNSS/H (Z) 2018 GBZ No. 040-1, HKNSS/H (Z) 2018 GBZ No. 040-2, HKNSS/H (Z) 2018 GBZ No. 040-3), and the scope of guarantee includes principal, interest, compound interest, penalty interest, liquidated damages, compensation for damage and expenses for realizing creditor's rights under the main contract.

5. *Accounts receivable and payable of related parties*

(1) The Company's receivables from related parties

Name	Related parties	Closing balance		Closing balance of last year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	31,644.10	1,582.21		

(2) The Company's payables to related parties

Name	Related parties	Closing balance	Closing balance of last year
Other payables	Guangxi Tianye Ecotourism Health Park Management Co., Ltd.	21,685.00	21,685.00

XII. Share-based Payment

During the reporting period, no matters related to share-based payment occurred in the Company.

XIII. Commitments and Contingencies

(I) Major commitments

1. The signed lease contracts being or to be performed and their financial impact

(1) Since 2013, Guangxi Tianye Innovation Agricultural Technology Co., Ltd., a subsidiary of the Company, has successively signed land lease agreements with villagers in Guangliang Village, Pumiao Town, Yongning District, Nanning City. Details of the aforementioned contracts are as follows:

Lessor	Land location	Contract or subcontract period	Land area *(mu)*	Contract amount	Payment method of rent
Villagers in Guangliang Village	Guangliang Village, Pumiao Town, Yongning District, Nanning City	10 years/ 13 years/ 16 years/ 25 years/ 39 years	9,406.85	The rent is RMB520/mu/year and paid once every four years, which is implemented according to the contract	4-year period and 5-year period

Except for the above commitments, as of June 30, 2020, the Company had no other major commitments that should be disclosed but not disclosed.

(II) Contingencies at the balance sheet date

As of June 30, 2020, there were no major contingencies that need to be disclosed by the Company.

XIV. Events after the Balance Sheet Date

NA.

XV. Other Important Events

NA.

XVI. Notes to Main Items of the Parent Company's Financial Statements

Note 1. Accounts receivable

1. Disclosure of accounts receivable by aging

Aging	Closing balance	Closing balance of last year
<1 year	13,780,191.91	17,180,689.21
1-2 years	1,796,088.80	1,994,245.37
2-3 years	2,000,951.83	1,958,996.50
3-4 years	119,154.40	119,154.40
4-5 years		
>5 years		
Subtotal	17,696,386.94	21,253,085.48
Less: bad debt provision	1,482,638.56	1,698,702.05
Total	16,213,748.38	19,554,383.43

2. Disclosure of accounts receivable by category

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Book value
Accounts receivable for expected credit loss withdrawn by single provision					
Accounts receivable for expected credit loss withdrawn by combination	17,696,386.94	100.00	1,482,638.56	8.54	16,213,748.38
Including: combination 1	17,344,294.95	97.97	1,482,638.56		15,861,656.39
Combination 2	352,091.99	2.03			352,091.99
Total	17,696,386.94	100.00	1,482,638.56	8.54	16,213,748.38

Category	Closing balance of last year Book balance Amount	Proportion (%)	Bad-debt provision Amount	Proportion (%)	Book value
Accounts receivable for expected credit loss withdrawn by single provision					
Accounts receivable for expected credit loss withdrawn by combination	21,253,085.48	100.00	1,698,702.05	7.99	19,554,383.43
Including: combination 1	21,172,124.66	99.62	1,698,702.05	8.02	19,473,422.61
Combination 2	80,960.82	0.38	80,960.82		
Total	21,253,085.48	100.00	1,698,702.05	7.99	19,554,383.43

3. Accounts receivable for which provision for bad debts is set aside in portfolios

(1) Combination 1

Aging	Closing balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	13,497,702.14	674,885.11	5.00
1-2 years	1,731,121.94	173,112.19	10.00
2-3 years	2,115,470.87	634,641.26	30.00
3-4 years			50.00
Total	17,344,294.95	1,482,638.56	

Contd.:

Aging	Opening balance Accounts receivable	Bad-debt provision	Proportion (%)
<1 year	17,159,429.53	857,971.48	5.00
1-2 years	1,934,544.23	193,454.42	10.00
2-3 years	1,958,996.50	587,698.95	30.00
3-4 years	119,154.40	59,577.20	50.00
4-5 years			
>5 years			
Total	21,172,124.66	1,698,702.05	

(2) Combination 2

Organization name	Accounts receivable	Closing balance Bad-debt provision	Proportion (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	300,479.96			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hainan Dachuan Food Co., Ltd.	21,240.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,372.03			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	352,091.99			

4. Provision, recovery or reversal and write-off of provision for bad-debt in current period

Category	Opening balance	Changes in current period Provision	Recovery or reversal	Write-off	Other changes	Closing balance
Accounts receivable for expected credit losses by single provision						
Accounts receivable for expected credit losses by combination	1,698,702.05		216,063.49			1,482,638.56
Including: combination 1	1,698,702.05		216,063.49			1,482,638.56
Combination 2						
Total	1,698,702.05		216,063.49			1,482,638.56

5. No write-off of accounts receivable in current period

6. Top five accounts receivable based on debtors

Organization name	Closing balance	Proportion in closing balance of accounts receivable (%)	Provision for bad-debt
Guangzhou Yuekai Trading Co., Ltd.	4,050,000.00	22.89%	202,500.00
Qingdao Badu Guoyue Foods Co., Ltd.	1,987,200.00	11.23%	99,360.00
Shandong Yipintang Industrial Co., Ltd.	1,356,254.00	7.66%	67,812.70
Hangzhou Haiguo Trading Co., Ltd.	1,288,514.40	7.28%	128,851.44
Beijing Haitai Foods Co., Ltd.	972,000.00	5.49%	291,600.00
Total	9,653,968.40	54.55	790,124.14

Note 2. Other receivables

Item	Closing balance	Closing balance of last year
Interests receivable		
Dividends receivable		
Other receivables	319,076,740.10	281,125,796.22
Total	319,076,740.10	281,125,796.22

1. Disclosure of other receivables by aging

Aging	Closing balance	Closing balance of last year
<1 year	60,201,559.20	18,258,895.44
1-2 years	178,700,000.00	50,009,022.60
2-3 years	80,345,698.44	212,934,669.98
3-4 years		
4-5 years		
>5 years		
Subtotal	319,247,257.64	281,202,588.02
Less: bad debt provision	170,517,54	76,791.80
Total	319,076,740.10	281,125,796.22

2. Disclosure of other receivables by bad-debt provision methods

	Closing balance				
	Book balance		Bad-debt provision		
Category	Amount (%)	Proportion	Amount (%)	Proportion	Book value
Accounts receivable for expected credit loss withdrawn by single provision					
Other receivables					
Accounts receivable for expected credit loss withdrawn by combination					
for single-item withdrawing of bad-debt provision	319,247,257.64	100.00	170,517.54	0.05	319,076,740.10
Including: combination 1					
Combination 2	315,945,698.44	98.97			315,945,698.44
Combination 3	3,301,559.20	1.03	170,517.54		3,131,041.66
Total	319,247,257.64	100.00	170,517.54	0.05	319,076,740.10

Category	Closing balance of last year				
	Book balance		Bad-debt provision		
	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Book value
Accounts receivable for expected credit loss withdrawn by single provision					
Other accounts receivable for expected credit loss withdrawn by combination	281,202,588.02	100.00	76,791.80	0.03	281,125,796.22
Including: combination 1					
Combination 2	280,434,669.98	99.73			280,434,669.98
Combination 3	767,918.04	0.27	76,791.80	10.00	691,126.24
Total	281,202,588.02	100.00	76,791.80	0.03	281,125,796.22

3. Other accounts receivable for expected credit loss withdrawn by combination

(1) Combination 3

Item	Closing balance		
	Other receivables	Bad-debt provision	Proportion *(%)*
Margin, deposit, advance payment and temporary payment, etc.	3,301,559.20	170,517.54	5.16
Total	3,301,559.20	170,517.54	5.16

Aging	Closing balance of last year		
	Other receivables	Bad-debt provision	Proportion *(%)*
<1 year			5.00
1-2 years	767,918.04	76,791.80	10.00
2-3 years			30.00
Total	767,918.04	76,791.80	10.00

(2) Combination 2

Organization name	Closing balance Other receivables	Bad-debt provision	Proportion (%)	Reason for withdrawal
Hubei Tianye Nonggu Biological Technology Co., Ltd.	264,420,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Hubei Iceman Foods Co., Ltd.	31,525,698.44			No withdrawal without risk for the amount of related parties within the scope of consolidation
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	20,000,000.00			No withdrawal without risk for the amount of related parties within the scope of consolidation
Total	315,945,698.44			

4. Provision for withdrawn or returned or transferred bad debt in current period

Bad-debt provision	Phase I Expected credit loss in the next 12 months	Phase II Expectation in whole duration Credit loss (not incurred credit impairment)	Phase III Expectation in whole duration Credit loss (occurred credit impairment)	Total
Opening balance	76,791.80			76,791.80
Opening balance in current period				
— Converted to the second stage				
— Transferred into phase III				
— Transferred back to phase II				
— Reversed to the first stage				
Provision of current period	93,725.74			93,725.74
Reversal of the current period				
Write-off of the current period				
Verification of the current period				
Other changes				
Closing balance	170,517.54			170,517.54

5. No write-off of other receivables in current period

6. Other receivables classified by nature of payment

Nature of payment	Closing balance	Closing balance of last year
Transaction payment	318,934,022.03	283,876,214.89
Reserve fund	174,918.79	18,578.60
Withholding social security, etc	35,302.36	28,399.26
Margin	101,001.46	1,158.00
Others	2,013.0	1,740.00
Total	319,247,257.64	283,926,090.75

7. Top five other accounts receivable based on debtors

Organization name	Nature of payment	Closing balance	Relationship with the Company	Aging	Proportion in closing balance of other receivables (%)	Closing balance of bad-debt provision
Hubei Tianye Nonggu Biological Technology Co., Ltd.	Transaction payment	264,420,000.00	Related parties	<3 years	82.83	
Hubei Iceman Foods Co., Ltd.	Transaction payment	31,525,698.44	Related parties	<3 years	9.88	
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	Transaction payment	20,000,000.00	Related parties	<1 year	6.26	
Hainan Ruigong Technology Engineering Co., Ltd.	Transaction payment	1,566,515.00	Non-affiliated party	<1 year	0.49	78,325.75
Guangxi Xinyue Construction Engineering Co., Ltd.	Transaction payment	454,242.00	Non-affiliated party	<1 year	0.14	22,712.10
Total		317,966,455.44			99.60	101,037.85

Note 3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value
Investment in subsidiaries	143,737,642.83	10,597,437.42	133,140,205.41	113,737,642.83	10,597,437.42	103,140,205.41
Investment in associated enterprises	17,758,310.00		17,758,310.00	17,758,310.00		17,758,310.00
Total	161,495,952.83	10,597,437.42	150,898,515.41	131,495,952.83	10,597,437.42	120,898,515.41

1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase of current period	Decrease of current period	Closing balance	Depreciation reserves in current period	Closing balance of provision for impairment
Hainan Dachuan Food Co., Ltd.	33,737,641.83	33,737,641.83			33,737,641.83		
Guangxi Tianye Innovation Agricultural Technology Co., Ltd.	30,000,000.00	30,000,000.00			30,000,000.00		
Hainan Tianye Drinks Food Sales Co. Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		2,800,051.82
Hubei Iceman Foods Co., Ltd.	15,000,001.00	15,000,001.00			15,000,001.00		7,797,385.60
Hubei Tianye Nonggu Biological Technology Co., Ltd.	25,000,000.00	25,000,000.00			25,000,000.00		
Hubei Tianye Innovation Nonggu Fruit & Vegetable Co., Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		
Panzhihua Tianye Innovation Agricultural Technology Co., Ltd.	30,000,000.00		30,000,000.00		30,000,000.00		
Total	143,737,642.83	113,737,642.83	30,000,000.00		143,737,642.83		10,597,437.42

2. Investment in associates

Investee	Opening balance	Increase and decrease of current period: Additional investment	Negative investment	Profits and losses on investments recognized by equity method	Adjustment of other comprehensive incomes
Tianjin Fangfu Tianye Investment Center (Limited Partnership)	17,758,310.00				
Total	17,758,310.00				

Investee	Increase and decrease of current period: Other equity changes	Distribution of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Tianjin Fangfu Tianye Investment Center (Limited Partnership)					17,758,310.00	
Total					17,758,310.00	

Note: See "Note 8 Long-term equity investment" in "VI. Main Notes to Consolidated Financial Statements" for details.

Note 4. Operating incomes and operating costs

1. Operating income, operating costs

Item	Amount of current period		Amount of last period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	45,338,715.97	33,036,559.72	46,668,389.58	32,629,124.92
Others	65,456.00	46,914.40	253.45	209.40
Total	45,404,171.97	33,083,474.12	46,668,643.03	32,629,334.32

XVII. Supplementary information

(I) Detailed statement of non-recurring profits and losses

Item	Amount of current period	Amount of last period
Profits and loss on disposal of non-current assets, including the write-off part of the provision for impairment of assets	-9,860,441.54	-391.07
Tax returns, reductions, and exemptions with unauthorized approval or without official approval documents with occurrence		
Government grant included in the current profits and losses (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	5,908,438.64	6,139,235.57
Fund possession cost charged from non-financial enterprises including in current profits and losses		
The investment cost for acquiring subsidiaries, associated enterprises and cooperative enterprises is less than the income generated by the fair value of the identifiable net assets of the merged unit when acquiring investment		
Exchange losses of non-monetary assets		
Profits and losses of assets invested or managed by entrustment		
Assets for impairment withdrawn due to force majeure such as natural disasters		
Profits and losses on debt restructuring		
Corporate restructuring costs, such as fees on staffing and integration		
Profits and losses exceeding the fair value part due to an unfair transaction price during the transaction		
Net profits and losses of the subsidiaries in the current period from the beginning of period to the date of merger due to the merger of enterprises under the common control		
Profit and loss caused by contingencies that are irrelevant to Company's normal businesses		

Item	Amount of current period	Amount of last period
Profits and losses from variation of fair value by holding transactional financial assets, transactional financial liability and investment incomes from handling transactional financial assets, transactional financial liability and salable financial assets, in addition to the valid arbitrage hedging business related to normal corporate business		
Reversing assets impairment of receivables for independent impairment test		
Losses and profits obtained from foreign entrusted loans		
Profit and loss from fair value variation of investment real estate by adopting fair value mode for follow-up calculation		
Influence on the current profit and loss by one-time adjustment as per laws and regulations on taxes and accounting		
Trustee fee income from entrusted operation		
Non-operating income and expenses in addition to the above-mentioned items	-358,521.53	-108,092.02
Other profit and loss items that conform to the definition of non-recurring profit and loss.		
Subtotal	-4,310,524.43	6,030,752.48
Less: income tax affected amount	164,461.80	769,268.53
Minority equity affected amount (after tax)		
Total	-4,146,062.63	6,800,021.01

(II) Rate of return on common stockholders' equity and earnings per share

	January-June 2020		
	Weighted-average	Earnings per share *(EPS)*	
Profits during reporting period	**Income rate of net assets** *(%)*	**Basic EPS**	**Diluted EPS**
Net profits attributable to common corporate shareholders	0.98	0.03	0.03
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	1.54	0.05	0.05

Profits during reporting period	January-June 2019 Weighted-average Income rate of net assets (%)	Earnings per share (EPS) Basic EPS	Diluted EPS
Net profits attributable to common corporate shareholders	2.82	0.09	0.09
Net profits attributable to common corporate shareholders after the deduction of the non-recurring profit and loss	2.10	0.06	0.06

XVIII. Changes of Main Data in Financial Statements and Reasons for Changes

Item	Closing balance	Opening balance	Amount	Variable proportion	Reason for change
Accounts receivable	41,681,193.73	59,114,385.02	-17,433,191.29	-29.49%	1
Prepayments	20,997,324.23	2,134,373.39	18,862,950.84	883.77%	2
Other receivables	9,400,120.15	1,222,410.16	8,177,709.99	668.98%	3
Other non-current assets	22,656,355.91	10,499,412.40	12,156,943.51	115.79%	4
Contract liabilities	4,567,026.11	2,692,363.10	1,874,663.01	69.63%	5
Taxes payable	790,953.50	3,081,368.31	-2,290,414.81	-74.33%	6
Taxes and surcharges	402,664.21	2,275,970.03	-1,873,305.82	-82.31%	7
Non-operating expense	469,799.68	113,258.10	356,541.58	314.80%	8
Non-operating income	111,278.15	4,775.01	106,503.14	2230.42%	9
Income tax expense	358,144.89	232,185.69	125,959.20	54.25%	10
Operating profits	8,219,154.83	20,965,777.03	-12,746,622.20	-60.80%	11
Total profits	7,860,633.30	20,857,293.94	-12,996,660.64	-62.31%	12
Net Profit	7,388,220.26	20,625,108.25	-13,236,887.99	-64.17%	13

1. Accounts receivable decreased by RMB17,433,191.29 at the end of the period compared with the beginning of the period, with a change ratio of -29.49%, mainly due to the decrease in customer payment;

2. The prepayments at the end of the period increased by RMB18,862,950.84 compared with the beginning of the period, with a change ratio of 883.77%. The main reasons are as follows: firstly, the newly established Panzhihua Field started construction, and RMB3.52 million was paid in advance for engineering and equipment purchases; secondly, RMB9.58 million was paid in advance for imported durian; and thirdly, payment in advance for raw materials and packaging materials increased. The Company paid for the preparation costs, as well as the purchase costs of durian, a large number of imported agricultural products, and the cost of purchased products;

3. Other receivables increased by RMB8,177,709.99 at the end of the period compared with the beginning of the period, with a change ratio of 668.98%. The main reason is that the newly established subsidiary Panzhihua Tianye proposed to buy land and real estate from local state-owned enterprises through local property rights exchanges and paid a deposit of RMB6 million. The Company paid for the cost of infrastructure construction and the construction cost of new frozen storage;

4. Other non-current assets increased by RMB12,156,943.51 at the end of the period compared with the beginning of the period, with a change ratio of 115.79%, mainly due to the increase in advance payment for construction;

5. The advance receipts at the end of the period increased by RMB1,874,663.01 compared with the beginning of the period, with a change ratio of 69.63%, mainly due to the increase in the advance payment received by the enterprise company according to the newly signed sales contract;

6. The tax payable at the end of the period decreased by RMB2,290,414.81 compared with the beginning of the period, with a change ratio of -74.33%, mainly due to the decrease of VAT and income tax payable;

7. Taxes and surcharges decreased by RMB1,873,305.82 compared with the same period of last year, with a change ratio of -82.31%, mainly due to the fact that the VAT paid in current period is lower than that in the same period of last year, thus affecting taxes and surcharges data;

8. Non-operating expenses increased by RMB356,541.58 compared with the same period of the last year, with a change ratio of 314.80%. The main reason is that the Company responded to the government's call to jointly fight against COVID-19 and donated materials and funds to medical institutions and epidemic prevention personnel;

9. Non-operating income increased by RMB106,503.14 compared with the same period of the last year, with a change ratio of 2,230.43%, mainly due to external donations and social security subsidies received due to the epidemic;

10. Income tax expenses increased by RMB125,959.20 compared with the same period of the last year, with a change ratio of 54.25%, mainly due to the fact that the current profit of the Tianye Headquarters was higher than that of the last year;

11. Operating profit, total profit and net profit decreased significantly compared with the same period of last year, mainly due to the decrease of income and the loss caused by the demolition of construction in progress.

Tianye Innovation Corporation
24 August 2020

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN TIANYE INNOVATION CORPORATION

To the Directors of Shineroad International Holdings Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 10 December 2020 prepared by International United Consulting & Appraisal Limited in respect of TIANYE INNOVATION CORPORATION (the "**Target**") as at 30 September 2020 is based. The valuation is set out in the circular of Shineroad International Holdings Limited (the "**Company**") dated 25 January 2021 (the "**Circular**") in connection with the acquisition of approximately 11.72% equity interest of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed "Principal assumptions of the valuation" of the Circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Certified Public Accountants
Hong Kong

Shineroad International Holdings Limited
欣融國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1587)

25 January 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

IN RELATION TO THE ACQUISITION OF APPROXIMATELY 11.72% OF THE TARGET COMPANY

We refer to the valuation performed by International United Consulting & Appraisal Limited in relation to per share equity interest of the Target Company as at 30 September 2020 (the "**Valuation**"). The Valuation was prepared based on income approach, which involves the use of the discounted cash flow approach. Accordingly, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 25 January 2021 unless the context otherwise requires.

We have reviewed the bases and assumptions upon which the Valuation has been prepared and for which International United Consulting & Appraisal Limited is responsible. We have also considered the report from the reporting accountants of the Company, Ernst & Young, on the arithmetical accuracy of the calculations of the discounted cash flow forecast of the Target Company, where it is opined that so far as the arithmetical accuracy of the calculations are concerned, the forecast has been properly compiled in all material respects in accordance with the Assumptions as set out in the Valuation.

On the basis of the foregoing, we confirm that we have made the profit forecast of the Target Company after due and careful enquiry.

By order of the Board
Shineroad International Holdings Limited
Huang Haixiao
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Position	Nature of interest	Number of Shares	Approximate Percentage of Shareholding in the Company *(Note 2)*
Huang Haixiao	Executive Director	Interest in controlled corporation *(Note 1)*	510,000,000	75.00%

Interest in the shares of the Company's associated corporations

Name of Director	Position	Name of associated corporation	Nature of interest	Number of Shares	Approximate Percentage of Shareholding in the Company *(Note 2)*
Huang Haixiao	Executive Director	Ocean Town Company Limited	Beneficial owner	1	100.00%
Huang Haixiao	Executive Director	Shineroad Group Limited	Interest in controlled corporation	1	100.00%

Notes:

(1) Huang Haixiao beneficially owns the entire issued share capital of Ocean Town Company Limited, which beneficially owns the entire issued share capital of the Shineroad Group Limited. Therefore, each of Huang Haixiao and Ocean Town Company Limited is deemed to be interested in 510,000,000 Shares held by Shineroad Group Limited for the purpose of the SFO.

(2) The total number of the issued Shares as at the Latest Practicable Date (i.e. 680,000,000 Shares) has been used for the calculation of the approximate percentage of shareholding in the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive(s) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and other persons' interests and short positions in the Shares and underlying Shares

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 3)*
Ocean Town Company Limited	Interest in controlled corporation *(Note 1)*	510,000,000	75.00%
Shineroad Group Limited	Beneficial owner *(Note 1)*	510,000,000	75.00%
Chen Dongying	Interest of spouse *(Note 2)*	510,000,000	75.00%

Notes:

(1) Such 510,000,000 Shares are held by Shineroad Group Limited as a registered holder. The entire issued share capital of Shineroad Group Limited is wholly-owned by Ocean Town Company Limited. Therefore, Ocean Town Company Limited is deemed to be interested in 510,000,000 Shares held by Shineroad Group Limited for the purpose of the SFO.

(2) Chen Dongying is the spouse of Huang Haixiao and is therefore deemed to be interested in 510,000,000 Shares in which Huang Haixiao has, or is deemed to have, for the purpose of the SFO.

(3) The total number of the issued Shares as at the Latest Practicable Date (i.e. 680,000,000 Shares) has been used for the calculation of the approximate percentage of shareholding in the Company.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company) had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, save as the agreements listed below of which Mr. Huang Haixiao, the Chairman of the Board, has deemed interests, (a) none of the Directors had any direct or indirect interest in any assets which have since 31 December 2019 being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; (b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group:

(i) the master purchase agreements dated 4 June 2018 and 9 October 2018 with Shanghai Hi-Road Food Technology Co., Ltd.* (上海海融食品科技股份有限公司) ("**Hi-Road**") and Shanghai Hi-morse Food Additives Co., Ltd.* (上海海象食品配料有限公司) in relation to the purchase of food flavourings, chocolate and other food ingredients and additives by the Group;

(ii) the master purchase agreements dated 4 June 2018 and 9 October 2018 with Zhejiang Teaheals Bio-tech Co., Ltd.* (浙江頂亨生物科技有限公司) in relation to the purchase of tea powder, herbal powder and fruit powder products by the Group;

(iii) the master supply agreements dated 4 June 2018 and 31 October 2018 with Hi-Road in relation to the sale of sucrose esters (蔗糖酯), vanillin (香蘭素) and other food ingredients and additives by the Group;

(iv) the rental agreement in relation to the office building located in No. 666, Jindou Road, Shanghai with a total building area of 641.1 square meters at a monthly rental fee of RMB15,000; and

(v) the rental agreement in relation to the office building located in Floor 25, No. 1, Lane 1040, Caoyang Road, Shanghai with a total building area of 584.26 square meters at a monthly rental fee of RMB53,000.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company have been made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

8. MATERIAL CONTRACTS

Except for the Share Transfer Agreement, no contract (being contract entered into outside the ordinary course of business of the Group) has been entered into by the members of the Group within two years preceding the date of this circular which are or may be material.

9. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the experts who have been named in this circular or have been given opinion or letter, which is contained in this circular:

Name	Qualifications
Ernst & Young	Certified Public Accountants
International United Consulting & Appraisal Limited	Independent valuer

As at the Latest Practicable Date, they had given and had not withdrawn their written consent to the issue of this circular with the inclusion of their letters or opinions or reports or references to their names in the form and context in which they appear.

As at the Latest Practicable Date, they did not have shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interests in any assets which had been, since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION

(a) The company secretary of the Company is Mr. Tse Yin Fung, who is admitted to practise as a solicitor in Hong Kong.

(b) The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters in the PRC in at 25/F South, Block 1 Zhongyou Building, Lane 1040 Caoyang Road, Putuo District, Shanghai, PRC. The principal place of business in Hong Kong is at Unit 6, 16/F, K. Wah Centre, 191 Java Road, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Unit 6, 16/F, K. Wah Centre, 191 Java Road, Hong Kong during normal business hours on any weekday (except public holidays), up to and including 14 days from the date of this circular:

(a) the memorandum of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020, as set out in Appendix I to this circular;

(c) the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the valuation report prepared by International United Consulting & Appraisal Limited in respect of the per share equity interest of the Target Company as at 30 September 2020;

(e) the report from Ernst & Young relating to the profit forecast of Target Company, the text of which is set out in Appendix III to this circular;

(f) the letter from the Board relating to the profit forecast of the Target Company, the text of which is set out in Appendix IV to this circular;

(g) the written consent of the experts as referred to in the section headed "Expert's Qualification and Consent" in this appendix;

(h) the Share Transfer Agreement; and

(i) this circular.