



**广东爱得威建设(集团)股份有限公司**

**ADWAY** GUANGDONG ADWAY CONSTRUCTION (GROUP) HOLDINGS COMPANY LIMITED\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 6189

# Interim Report 2021

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. YE Yujing (葉玉敬先生)  
Mr. YE Jiajun (葉家俊先生)  
Ms. YE Xiujin (葉秀近女士)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. YE Niangting (葉娘汀先生) *(Retired on 11 June 2021)*

### Non-executive Directors

Ms. LI Yuanfei (黎媛菲女士)  
Mr. ZHUANG Liangbin (莊良彬先生)  
*(Appointed on 11 June 2021)*

### Independent Non-executive Directors

Mr. CHEUNG Wai Yeung Michael (張威揚先生)  
Ms. ZHAI Xin (翟昕女士)  
Mr. LIN Zhiyang (林志揚先生)

## SUPERVISORS

Mr. ZU Li (祖力先生) *(Resigned on 11 June 2021)*  
Mr. Li Rui (李銳先生) *(Appointed on 11 June 2021)*  
Mr. YE Weizhou (葉偉周先生)  
Mr. TIAN Wen (田文先生)

## AUDIT COMMITTEE

Mr. CHEUNG Wai Yeung Michael (張威揚先生) *(Chairman)*  
Ms. ZHAI Xin (翟昕女士)  
Mr. LIN Zhiyang (林志揚先生)

## NOMINATION COMMITTEE

Mr. LIN Zhiyang (林志揚先生) *(Chairman)*  
Mr. YE Yujing (葉玉敬先生)  
Ms. ZHAI Xin (翟昕女士)

## REMUNERATION COMMITTEE

Ms. ZHAI Xin (翟昕女士) *(Chairman)*  
Mr. YE Guofeng (葉國鋒先生)  
Mr. CHEUNG Wai Yeung Michael (張威揚先生)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

## STRATEGY COMMITTEE

Mr. YE Yujing (葉玉敬先生) *(Chairman)*  
Ms. ZHAI Xin (翟昕女士)  
Mr. LIN Zhiyang (林志揚先生)  
Mr. YE Guofeng (葉國鋒先生)  
Mr. YE Jiajun (葉家俊先生)

## AUTHORISED REPRESENTATIVES

Mr. YE Guofeng (葉國鋒先生)  
Ms. KOU Yue (寇悅女士)

## AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP

## H SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKS

Bank of China  
China Construction Bank  
Industrial and Commercial Bank of China  
Bank of Beijing

## JOINT COMPANY SECRETARIES

Ms. KOU Yue (寇悅女士) *(FCCA, CPA, MAcc)*

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 705, 7F., Office Plus @ Prince Edward,  
794-802 Nathan Road,  
Kowloon, Hong Kong

## STOCK CODE

6189

## COMPANY'S WEBSITE

<http://www.aidewei.cn>

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

The first half of 2021 is a period full of challenges and changes. While the PRC economic growth has slowed down in its growth, the Coronavirus (COVID-19) pandemic continued to have a major impact on the business and operations of the Group and the building decoration industry as a whole.

On the other hand, despite facing a serious challenge, the PRC economy still has substantial growth potential. While the building decoration industry has encountered its development bottleneck, there are still firm and strong market demands on which the industrial development relies on. There is still room for growth, with the co-existence of opportunities and challenges. The building decoration industry is shifting from a high-speed growth stage to a quality development stage.

## BUSINESS REVIEW

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

With over 20 years of operating history, the Group has gained substantial experience and established a solid reputation in the building decoration industry in the PRC, with a broad range of the highest level of qualifications and licenses in the building decoration industry.

The Group has established a wide operations network. In the first half of 2021, the Group established two new offices. And as at 30 June 2021, there are 23 branches and offices across 16 provinces, autonomous regions and municipalities in the PRC.

During the six months ended 30 June 2021, the Group has signed 33 new contracts with a value of more than RMB1 million each, 6 contracts with a value of more than RMB10 million each and 1 contracts with a value of more than 50 million each.

During the six months ended 30 June 2021, the Group carried out 298 projects (each with a contract value of more than RMB1 million). The total contract value is approximately RMB3.913 billion, including 100 projects with a contract value of more than RMB10 million each and 13 projects with a contract value of more than RMB50 million each.

Since 2013, the Company has been awarded the certificate of "High and New Technology Enterprise (高新技術企業)" ("HNTE") by relevant PRC governmental authorities and has been enjoying a preferential Enterprise Income Tax rate of 15%. The HNTE Certificate of the Company has been renewed in 2019, which is valid for three years from 2019 to 2021.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no significant investments, or acquisitions and disposals of subsidiaries or affiliated companies during the six months ended 30 June 2021.

## FUTURE DEVELOPMENT PROSPECTS AND STRATEGIES

Striving to be a global leading position of comprehensive environmental-friendly decoration service provider, the Group will focus on its core business in the future, especially in the segment areas and regional markets, and enhance our performance from horizontal and vertical points of view. The Group believes that the following strategies will help further enhance its competitiveness and operating results:

### 1. To pay attention to segmentation of markets and focusing on regional development

The Group will focus on the support and development of the business in medical care and hotel segments, continue to reinforce and highlight our advantage in these segments. We placed our focus on the development in Guangdong-Hong Kong Macao Greater Bay Area, and exploring the chance in winning tender bids which align with our corporate development strategies in order to layout ahead of the competitions. We will keep an eye on the development of Hainan free trade zone and planning in advance on the strategies and our market entry.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group will continue to optimize the project management process and improving the efficiency of the project management through business process re-engineering and innovative solution. We will maximize the utilization of the Group's collective purchasing platform and to enhance the economy of scale, in order to ensure the premium quality of our projects.

## 3. Strengthen the talent pool

The Group will strengthen the corporate culture and improve the cohesive force, communications skills, coordination skills, problem-solving skills of the team, and thrive to build a talent team branded as market-developing, professional, enterprising, transformational and comprehensive in management.

## 4. Deepen the comprehensive governance of the Group

The Group focuses on maintaining and improving the qualification, improving the research and development skills, maintaining and upgrading the brand value, integrated development in corporate finance and managing with standardized approach in refined segments, so as to promote our competitiveness and influential power.

## FINANCIAL REVIEW

### Operating revenue and gross profit margin

The operating revenue of the Group comprised of primary business revenue and other business revenue. The operating revenue increased by 59.2% from approximately RMB159.9 million for the six months ended 30 June 2020 to approximately RMB254.6 million for the six months ended 30 June 2021. The Group's primary business revenue increased by 59.1% from approximately RMB159.8 million for the six months ended 30 June 2020 to approximately RMB254.2 million for the six months ended 30 June 2021. The increase in primary business revenue was mainly due to the fact that the significant adverse impacts on the building decoration business, as a direct consequence of the COVID-19 pandemic, already alleviated in the six months ended 30 June 2021.

The Group's gross profit increased by 40.2% from approximately RMB31.1 million for the six months ended 30 June 2020 to approximately RMB43.6 million for the six months ended 30 June 2021. The gross profit margin decreased from 19.5% for the six months ended 30 June 2020 to 17.1% for the six months ended 30 June 2021. Such decrease is mainly due to the severe competition that led to slightly lower gross margin in our new projects.

### Profit (loss) for the Current Period

Net profit for the six months ended 30 June 2021 was RMB4.1 million (the six months ended 30 June 2020: net loss of RMB21.5 million\*) or 1.6% (the six months ended 30 June 2020: -13.4%) of operating revenue, representing an achieved net profit turnaround. The main reasons for the Group's increase in profit are (i) the cost reduction measures taken by the Group in response to the COVID-19 pandemic; (ii) the impact of COVID-19 pandemic has alleviated, resulting in the rebound of the economy and the Group's increased operating revenue; and (iii) during the corresponding period in 2020, the significant impairment provision was made in relation to certain large projects of which the settlement or payment process had been delayed.

\* Being presented in accordance with the adjustment for differences arising from the conversion from Hong Kong Financial Reporting Standard into China Accounting Standards for Business Enterprises ("CASBE") on First Application Date. Please refer to page 6-7 of this interim report for more details.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021 and 31 December 2020, the Group had monetary capital (cash and cash equivalents and restricted cash) of approximately RMB66.1 million and approximately RMB159.5 million, respectively. The decrease in the monetary capital is primarily due to the decrease in bank borrowings for the six months ended 30 June 2021.

The Group monitors the cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business development and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank borrowings. Other than normal bank borrowings that the Group obtained from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

### 1. Account receivables and contract assets

The account receivables decreased from approximately RMB607.8 million as at 31 December 2020 to approximately RMB563.8 million as at 30 June 2021. The account receivables are the amounts due from customers in the ordinary course of business. The decrease is primarily due to the fact that the Company endeavored to accelerate the collection of the account receivables during the six months ended 30 June 2021.

The contract assets decreased from approximately RMB962.5 million as at 31 December 2020 to approximately RMB819.3 million as at 30 June 2021. The level of the amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our request of interim progress payment and the endorsement on the project progress report. Such decrease was mainly due to the fact that the Company endeavored to accelerate customers' endorsement of project progress report during the six months ended 30 June 2021.

### 2. Account payables and note payables

Account payables decreased from approximately RMB512.3 million as at 31 December 2020 to approximately RMB427.5 million as at 30 June 2021. Such decrease was due to the fact that during the first half of 2020 the more rigorously implemented national labor law shortened up the settlement term of labor fee. Note payables decreased from approximately RMB55.0 million as at 31 December 2020 to approximately RMB35.0 million as at 30 June 2021. As at 30 June 2021, the Group's account receivables and fixed assets with carrying value of approximately RMB52.3 million (31 December 2020: RMB50.3 million) and approximately RMB42.9 million (31 December 2020: nil) respectively were pledged to secure notes payables as of approximately RMB35.0 million (31 December 2020: RMB55.0 million) which are also guaranteed by certain related parties (31 December 2020: same).

### 3. Short-term borrowings

As at 30 June 2021, the Group had interest-bearing short term borrowings in the amount of approximately RMB284.9 million (31 December 2020: RMB364.3 million), majority of which are interest-bearing bank borrowings subject to repayment within 1 year. As of 30 June 2021, the Group did not have any inter-company borrowings. As at 30 June 2021, the Group's account receivables, investment property and fixed assets with carrying value of approximately RMB86.5 million (31 December 2020: RMB141.3 million and the time deposit of RMB15.0 million), approximately RMB0.6 million (31 December 2020: nil) and approximately RMB42.9 million (31 December 2020: nil) respectively were pledged to secure short-term borrowings as of approximately RMB284.9 million (31 December 2020: RMB364.3 million) which are also guaranteed by certain related parties (31 December 2020: same).

Among the collaterals aforementioned, account receivables and fixed assets with carrying value of approximately RMB52.3 million and approximately RMB42.9 million were pledged to secure both notes payables and short term borrowings of the Group simultaneously.

The gearing ratio was 21% as at 30 June 2021 (31 December 2020: 21%).

Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings plus lease liability less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Capital expenditure

Capital expenditures decreased slightly from approximately RMB50.5 thousand for the Preceding Period to approximately RMB49.4 thousand for the Current Period.

## 5. Capital commitments

As at 30 June 2021, the Group had no capital commitments (31 December 2020: nil).

## 6. Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: nil).

## 7. Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group.

The Group currently has no hedging policy with respect to the foreign exchange risks. Therefore, the Group has not entered into any hedging.

## 8. Acquisitions or disposal

The Group did not have any significant acquisitions or disposal of subsidiaries or affiliated companies or assets during the six months ended 30 June 2021.

## 9. Adjustment for Differences in the Conversion of Hong Kong Financial Reporting Standards to the CASBE on the First Application Date

- (1) The Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports.
- (2) On the First Application Date of CASBE (1 January 2020), adjustment for differences between net profit and net assets disclosed in financial statements for the Conversion of Hong Kong Financial Reporting Standards to the CASBE for net profits and net assets in the statements is as follows:

	January-June of 2020 Net profit	30 June 2020 Net assets
In according with Hong Kong Financial Reporting Standards	(22,786,000.0)	1,255,503,000.0
Items and amount adjusted in accordance with the CASBE:		
Operating cost	1,319,000.0	—
In accordance with the CASBE	(21,467,000.0)	1,255,503,000.0

*Note:*

Since the Group has adopted the CASBE for the first time on 1 January 2020 to prepare financial accounting reports, the enterprise that is directly engaged in the construction of the engineering projects is required to extract safety fees in accordance with CaiQi [2012] No. 16 "Administrative Measures on the Extraction and Usage of Production Safety Fees of Enterprises" and "Interpretation No. 1 of the Enterprise Accounting Standards" and the extracted safety fees shall be included in related products' costs or profit or loss for the Current Period, and are reflected separately in the "4301 special reserve" under shareholders' equity. Per the consolidated statement of change in equity disclosed in 2020 interim report issued on 16 September 2020, the safety reserve transfer back to the net profit as of RMB1.3 million during the six months ended 30 June 2020. Hence the aforementioned adjustment caused by conversion of the financial reporting standards would not affect the net asset of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

- (3) Hong Kong Financial Reporting Standards did not require the Company to disclose Research and development expenses separately on the income statement as it is required by the CASBE. On the First Application Date of CASBE (1 January 2020), Research and development expenses was transferred out of Operating cost from primary business and Administrative expenses to be disclosed separately. These reclassification adjustment caused by conversion of the financial reporting standards would not affect the net asset or the net profit of the Company. The details are as below:

	Operating cost in Preceding Period	Research and development expenses in Preceding Period	Administrative expenses in Preceding Period
In according with Hong Kong Financial Reporting Standards	135,027,431.8		17,644,990.5
Items and amount adjusted in accordance with the CASBE :			
Transfer safety fee back from reserve into operating cost	-1,319,063.9		
Transfer Taxes and surcharges out of operating cost	-2,207,443.8		
Transfer Research and development expenses out of operating cost	-2,681,473.9	2,681,473.9	
Transfer from other cost into operating cost	27,885.6		
Transfer financial handling fee out of Administrative expenses			-195,981.5
Transfer Research and development expenses out of Administrative expenses		2,465,587.2	2,465,587.2
Transfer gain from disposal of assets pout of Administrative expenses			-4,703.3
Transfer Non-operating expenses out of Administrative expenses			-424,355.0
In accordance with the CASBE	128,847,335.8	5,147,061.1	14,554,363.5

## EVENTS DURING THE REPORTING PERIOD

### Change of auditor and change of accounting standards

On 13 January 2021, the Company announced that PricewaterhouseCoopers has resigned as auditor of the Company. The Board resolved to adopt the recommendations of the Audit Committee for the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO") as the new auditor of the Company with effect from 4 January 2021 to fill the temporary vacancy arising from the resignation of PricewaterhouseCoopers and BDO shall hold office until the conclusion of the next annual general meeting of the Company. On the even date the Company has proposed to change the accounting standard of the Company from Hong Kong Financial Reporting Standards to China Accounting Standards for Business Enterprises ("CASBE"). On 5 March 2021, the shareholders of the Company approved the change of accounting standard. Please refer to the announcement of the Company dated 13 January 2021 and the circular of the Company dated 18 January 2021 for more details.

### DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

### EMPLOYEES

The Group mainly recruits through regulated recruitment websites and practice bases for the new graduates in the major counterparts universities. As at 30 June 2021, the Group had 279 employees. The staff costs for the six months ended 30 June 2020 were approximately RMB13.88 million.



## OTHER INFORMATION

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

As at 30 June 2021, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Director/Supervisor	Nature of interest	Number of shares of The Company	Approximate percentage of shareholdings in the relevant class of Shares of The Company <sup>(1)</sup>	Approximate percentage of shareholdings in the total share capital of the Company <sup>(2)</sup>
YE Yujing (葉玉敬) <sup>(Note 3)</sup>	Beneficial Owner	67,694,000	37.99%	28.10%
	Interest of spouse	15,504,000	8.70%	6.44%
YE Xiujin (葉秀近) <sup>(Note 4)</sup>	Beneficial Owner	15,504,000	8.70%	6.44%
	Interest of spouse	67,694,000	37.99%	28.10%
YE Guofeng (葉國鋒) <sup>(Note 5)</sup>	Interest in a controlled corporation	6,075,000	3.41%	2.52%
LI Yuanfei (黎媛菲) <sup>(Note 6)</sup>	Interest in a controlled corporation	22,580,645	12.67%	9.37%

*Notes:*

- The calculation is based on the percentage of shareholdings in the Domestic Shares.
- The calculation is based on the total number of 240,930,645 Shares in issue after the issue of 19,880,645 new Domestic Shares.
- Mr. Ye Yujing is the husband of Ms. Ye Xiujin. Under the SFO, Mr. Ye Yujing will be deemed to be interested in the same number of Shares in which Ms. Ye Xiujin is interested.
- Ms. Ye Xiujin is the wife of Mr. Ye Yujing. Under the SFO, Ms. Ye Xiujin will be deemed to be interested in the same number of Shares in which Mr. Ye Yujing is interested.
- ShenZhen GongXiangLi Investment Entity (Limited Partnership) (深圳市共享利投資企業 (有限合夥)) (“Shenzhen GongXiangLi”), a limited partnership entity established under the PRC laws, is owned as to 88.15% by Mr. Ye Guofeng, our executive Director. In light of the above, Mr. Ye Guofeng is deemed to be interested in all the Shares held by ShenZhen GongXiangLi.
- Ms. Li Yuanfei is a partner of Shenzhen Qianhai Xingwang Investment Management Co., Ltd (深圳前海興旺投資管理有限公司) (“Shenzhen Qianhai Xingwang”). Shenzhen Qianhai Xingwang is the general partner of Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (寧波梅山保稅港區興旺羸華股權投資中心 (有限合夥)) (“Ningbo Xingwang Yinghua”), and Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (寧波梅山保稅港區羸享投資中心 (有限合夥)) (“Ningbo Yingxiang”), which are interested in 10,000,000 and 12,580,645 domestic shares of the Company respectively. In light of the above, Ms. Li Yuanfei is deemed to be interested in all shares held by Ningbo Xingwang Yinghua and Ningbo Yingxiang under the SFO.

## OTHER INFORMATION

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

As at 30 June 2021, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

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

## OTHER INFORMATION

### Notes:

1. The calculation is based on the percentage of shareholdings in the Domestic Shares and H Shares (as the case may be).
2. The calculation is based on the total number of 240,930,645 Shares in issue.
3. Ningbo Meishan Bonded Area Yingxiang Investment Center (Limited Partnership) (“Ningbo Yingxiang”) is a limited partnership incorporated in the PRC on 10 May 2017. As of 30 June 2021, Ningbo Yingxiang is owned as to 12%, 6%, 6%, 6%, 4.8%, 3.96%, respectively by Zhao Anchang, by Cheng Donghai, by Feng Qing, by Gu Qijun, by Cen Yinglan, by Chen Min; as to 3.6% by each of Zhang Linkui, Guo Dong, Qiao Xiuqin, Qiu Yingji, Yang Weiguang, Wang Zeliang, Xia Binqun, Ren Wei, Tang Zhiqing, Jiang Xiaochun, Zhu Weiliang, Sun Yihua, Yu Huagui, Qu Maojuan, Wang Jianping, Xia Liping, Wang Qing; and as to 0.01% by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center (Limited Partnership) (“Shenzhen Qianhai Xingwang Investment Center”) and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by LiuJun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Yingxiang under the SFO.

4. Ningbo Meishan Bonded Area Xingwang Yinghua Equity Investment Center (Limited Partnership) (“Ningbo Xingwang Yinghua”), a limited partnership entity established under PRC law on 6 March 2017, is controlled by the general partner, Shenzhen Qianhai Xingwang Investment Management as of 31 December 2019. As of 30 June 2021, Ningbo Xingwang Yinghua is owned as to 31.60%, 15.80%, 9.48%, 7.90%, 7.90%, 6.48%, 6.32%, 4.74%, 1.58% and 0.32%, respectively by Bai Xinliang, by Cui Hegen, by Zhang Yao, by Gu Jianfang, by Zhou Ying, by Wu Mohai, by Liu Jun, by Gu Bin, by Yang Mingjiong, by Liu Qian and by Shenzhen Qianhai Xingwang Investment Management, which is a limited liability company established under PRC law on 15 June 2015 is owned as to 99% by Shenzhen Qianhai Xingwang Investment Center and 1% by Xiong Mingwang. Shenzhen Qianhai Xingwang Investment Center, a limited partnership entity established under PRC law on 1 February 2016 is owned as to 99% by Xiong Mingwang and 1% by LiuJun.

In light of the above, Shenzhen Qianhai Xingwang Investment Management, Shenzhen Qianhai Xingwang Investment Center and Xiong Mingwang are deemed to be interested in all shares held by Ningbo Xingwang Yinghua under the SFO.

5. South China Sea Selected (Tianjin) Equity Investment Fund Limited Partnership Corporation (Limited Partnership) (“South China Sea LP”), a limited partnership entity established under PRC laws on 13 April 2011, is controlled by four general partners who were as at 30 June 2021, (i) Shenzhen Co-Win Jinxiu Asset Management Limited (“Shenzhen Co-Win Jinxiu Asset”), (ii) Zheng Wei He; (iii) Huang Li; and (iv) Ding Bao Yu. Shenzhen Co-Win Jinxiu Asset, a limited liability company established under PRC laws on 24 December 2014, is a wholly-owned subsidiary of Shenzhen Co-Win Asset Management Holding Company Limited (“Shenzhen Co-Win Asset”). Shenzhen Co-Win Asset, a company limited by shares established under PRC laws on 27 December 2010 is owned as to 35.01% by Shenzhen Co-Win Venture Capital Investments Limited (“Shenzhen Co-Win Venture Capital”), 15.02% by Zheng Wei He, 14.94% by Huang Li, 10.45% by Shenzhen Co-Win Victory Investment Limited Partnership Corporation (Limited Partnership) (深圳同創贏投資合夥企業 (有限合夥)) (“Shenzhen Co-Win Victory LP”), 7.13% by Shenzhen Co-Win South China Asset Management Company Limited (深圳市同創偉業南海資產管理有限公司) which is a limited liability company established under PRC laws on 5 February 2013 and is wholly-owned by Shenzhen Co-Win Venture Capital, 3.38% by Ding Bao Yu, 1.60% by Xue Xiaoqing, 1.07% by Zhang Wenjun, 1.07% by Duan Yao, 0.89% by Tang Zhongcheng (唐忠誠) as at 30 June 2021, with the remaining 9.44% owned by other shareholders. Shenzhen Co-Win Venture Capital, a limited liability company established under PRC laws on 26 June 2000, is owned as to 45% by Zheng Wei He and 55% by Huang Li. In light of the above, Shenzhen Co-Win Jinxiu Asset, Shenzhen Co-Win Asset, Shenzhen Co-Win Venture Capital, Zheng Wei He, Huang Li and Ding Bao Yu are deemed to be interested in all Shares held by South China Sea LP under the SFO.

## CHANGES IN DIRECTORS' AND SUPERVISOR'S INFORMATION

Changes in information on Directors and Supervisor during the Reporting Period and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Ye Nianting retired as an executive Director of the Company when his term expired at the conclusion of the annual general meeting of the Company dated 11 June 2021 (the “AGM”).

Mr. Zhuang Liangbin was appointed and approved by the shareholders at the AGM as a non-executive Director with effect from the conclusion of the AGM.

Mr. Zu Li has resigned as a supervisor of the Company, with effect from the conclusion of the AGM due to personal career development plan.

Mr. Li Rui was appointed and approved by the shareholders at the AGM as a supervisor with effect from the conclusion of the AGM.

## OTHER INFORMATION

Save as the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES**

At no time during the Current Period was the Company or its subsidiaries a party to any arrangement (including share option scheme) to enable the Directors or Supervisors or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of Listing Rules as the Company's code of conduct regarding Directors' and Supervisors' securities transactions.

Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the Reporting Period. Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the Current Period.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the Reporting Period.

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

During the Reporting Period, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 relevant of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ye Yujing currently performs these two roles. The Board believes that the performance of the roles of both chairman and chief executive officer by the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority in the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

### **REVIEW OF INTERIM RESULTS OF THE GROUP**

The Company established the Audit Committee on 21 August 2015 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cheung Wai Yeung Michael (as chairman), Ms. Zhai Xin and Mr. Lin Zhiyang. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021 and has no disagreement with the accounting policies adopted by the Company.

The Board of the Company hereby presents the unaudited financial statements of the Company and the Group for the six months ended June 30, 2021 prepared in accordance with CASBE.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2021 (All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 5	Closing balance	Balance at the end of last year
<b>Current assets:</b>			
Monetary capital	(I)	66,171,563.89	159,515,439.36
Settlement provisions			
Placements with banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	(II)	11,532,810.80	22,755,118.74
Accounts receivable	(III)	563,828,167.60	607,775,832.17
Receivables financing			
Prepayments	(IV)	297,460,420.55	208,152,663.59
Premiums receivable			
Reinsurance receivable			
Reinsurance contract reserve receivable			
Other receivables	(V)	37,701,946.37	24,012,973.96
Financial assets held under resale agreements			
Inventory			
Contract assets	(VI)	819,321,756.53	962,499,032.68
Assets held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>1,796,016,665.74</b>	1,984,711,060.50
<b>Non-current assets:</b>			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments			
Investment in other equity instruments			
Other non-current financial assets			
Investment properties	(VII)	10,038,097.99	645,450.65
Fixed assets	(VIII)	50,177,893.38	54,495,287.80
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(IX)	1,137,772.60	1,509,667.71
Intangible assets	(X)	5,973.42	9,112,081.29
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	(XI)	100,073,017.56	100,327,045.56
Other non-current assets	(XII)	2,216,322.77	1,952,628.77
<b>Total non-current assets</b>		<b>163,649,077.72</b>	168,042,161.78
<b>Total assets</b>		<b>1,959,665,743.46</b>	2,152,753,222.28

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**

# CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2021 (All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNER'S EQUITY	Note 5	Closing balance	Balance at the end of last year
<b>Current liabilities:</b>			
Short-term borrowings	(XIII)	284,853,880.89	364,250,000.00
Borrowings from central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Note payables	(XIV)	35,000,000.00	55,000,000.00
Accounts payable	(XV)	427,528,773.70	512,328,088.59
Advance receipts from customers			
Contract liabilities	(XVI)	158,764,152.55	123,622,941.35
Financial assets sold under repurchase agreements			
Deposit taking and interbank deposit			
Brokerage for trading securities			
Brokerage for underwriting securities			
Staff salaries payable	(XVII)	8,099,554.52	8,561,963.77
Taxes payable	(XVIII)	82,517,022.05	96,973,349.96
Other payables	(XIX)	15,294,127.03	13,743,687.75
Bank charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(XX)	203,003.80	
Other current liabilities	(XXI)	7,528,582.10	25,110,653.30
<b>Total current liabilities</b>		<b>1,019,789,096.64</b>	1,199,590,684.72
<b>Non-current liabilities:</b>			
Insurance contract reserve			
Long-term payables			
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	(XXII)	1,036,243.32	1,477,088.01
Long-term payables			
Long-term staff salaries payables			
Estimated liabilities			
Deferred income	(XXIII)	1,520,717.91	1,556,925.51
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>2,556,961.23</b>	3,034,013.52
<b>Total liabilities</b>		<b>1,022,346,057.87</b>	1,202,624,698.24

# CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2021 (All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNER'S EQUITY	Note 5	Closing balance	Balance at the end of last year
<b>Owners' equity:</b>			
Share capital	(XXIV)	240,930,645.00	240,930,645.00
Other equity instruments Including: Preferred shares Perpetual bonds			
Capital reserve	(XXV)	323,069,734.88	323,069,734.88
Less: Treasury shares			
Other comprehensive income			
Special reserve	(XXVI)	11,604,679.49	28,479,818.00
Surplus reserve	(XXVII)	80,532,877.01	80,126,247.00
General risk reserve			
Undistributed profit	(XXVIII)	281,181,749.21	277,522,079.16
<b>Total equity attributable to the owners of the Company</b>		<b>937,319,685.59</b>	950,128,524.04
<b>Minority interests</b>			
<b>Total owners' equity</b>		<b>937,319,685.59</b>	950,128,524.04
<b>Liabilities and owners' equity</b>		<b>1,959,665,743.46</b>	2,152,753,222.28

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**

# PARENT COMPANY BALANCE SHEET

As at 30 June 2021 (All amounts in RMB Yuan unless otherwise stated)

<b>ASSETS</b>	<i>Note 13</i>	<b>Closing balance</b>	Balance at the end of last year
<b>Current Assets:</b>			
Monetary funds		<b>65,520,478.74</b>	159,332,077.35
Financial assets held for trading			
Derivative financial assets			
Notes receivable	(I)	<b>11,532,810.80</b>	22,755,118.74
Accounts receivable	(II)	<b>563,828,167.60</b>	607,775,832.17
Receivables financing			
Advance to suppliers		<b>297,460,420.55</b>	208,152,663.59
Other receivables	(III)	<b>49,534,013.88</b>	35,844,377.50
Inventory			
Contract assets		<b>819,321,756.03</b>	962,499,032.18
Assets held for sale			
Non-current assets maturing within one year			
Other current assets			
<b>Total current assets</b>		<b>1,807,197,647.60</b>	1,996,359,101.53
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	(IV)	<b>10,096,001.00</b>	10,171,815.64
Investment in other equity instruments			
Other non-current financial assets			
Investment properties		<b>623,724.95</b>	645,450.65
Fixed assets		<b>50,177,893.38</b>	53,995,321.78
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		<b>1,137,772.60</b>	1,509,667.71
Intangible assets		<b>5,973.42</b>	37,009.45
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		<b>100,073,017.56</b>	100,327,045.56
Other non-current assets		<b>2,216,322.77</b>	1,952,628.77
<b>Total non-current assets</b>		<b>164,330,705.68</b>	168,638,939.56
<b>Total assets</b>		<b>1,971,528,353.28</b>	2,164,998,041.09

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**



# PARENT COMPANY BALANCE SHEET (Continued)

As at 30 June 2021 (All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNER'S EQUITY	Note 13	Closing balance	Balance at the end of last year
<b>Current liabilities:</b>			
Short-term borrowings		284,853,880.89	364,250,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		35,000,000.00	55,000,000.00
Accounts payable		427,528,773.70	512,328,088.59
Advances from customers			
Contractual liabilities		158,605,152.55	123,622,941.35
Employee compensation payable		8,087,784.52	8,549,963.77
Taxes payable		82,492,364.20	96,972,628.96
Other payables		24,389,773.24	22,909,010.50
Liabilities held for sale			
Non-current liabilities maturing within one year		203,003.80	
Other current liabilities		7,528,582.10	25,110,653.30
<b>Total current liabilities</b>		<b>1,028,689,315.00</b>	1,208,743,286.47
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bonds			
Lease liabilities		1,036,243.32	1,477,088.01
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income		1,520,717.91	1,556,925.51
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>2,556,961.23</b>	3,034,013.52
<b>Total liabilities</b>		<b>1,031,246,276.23</b>	1,211,777,299.99
<b>Owners' equity</b>			
Share capital		240,930,645.00	240,930,645.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves		323,049,734.88	323,049,734.88
Less: treasury stock			
Other comprehensive income			
Special reserves		11,604,679.49	28,479,818.00
Surplus reserves		80,526,770.45	80,133,123.00
Undistributed profits		284,170,247.23	280,627,420.22
<b>Total owners' equity</b>		<b>940,282,077.05</b>	953,220,741.10
<b>Total liabilities and owners' equity</b>		<b>1,971,528,353.28</b>	2,164,998,041.09

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

Legal Representative:  
Mr. Ye Yujing

Financial controller:  
Mr. Zhang Zhiqin

Head of the financial department:  
Ms. Chen Yan

# CONSOLIDATED INCOME STATEMENT

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note 5	Amount of the six months ended 30 June 2021 (the "Current Period")	Amount of the six months ended 30 June 2020 (the "Preceding Period")
<b>1. Total Operating revenue</b>		<b>254,635,619.10</b>	159,916,692.35
Including: Operating revenue	(XXIX)	<b>254,635,619.10</b>	159,916,692.35
Interest income			
Premiums earned			
Fee and commission income			
<b>2. Total operating cost</b>		<b>249,865,845.47</b>	170,453,153.53
Including: Operating costs	(XXIX)	<b>211,062,001.92</b>	128,847,335.84
Interest expenses			
Fee and commission expense			
Surrenders			
Net payment from indemnity			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Tax and surcharges	(XXX)	<b>1,052,780.68</b>	2,207,443.80
Selling expenses	(XXXI)	<b>3,755,984.14</b>	4,929,939.75
Administrative expenses	(XXXII)	<b>13,604,548.79</b>	14,554,363.49
Research and development costs	(XXXIII)	<b>9,539,901.34</b>	5,147,061.14
Financial expenses	(XXXIV)	<b>10,850,628.60</b>	14,767,009.51
Including: Interest expense		<b>11,178,695.99</b>	14,825,714.22
Interest income		<b>658,882.58</b>	252,798.06
Add: Other gains	(XXXV)	<b>609,318.02</b>	4,524,206.07
Investment income (losses are represented by "-")	(XXXVI)		226,051.27
Including: Gains from investment in associates and joint ventures			
Gains from derecognition of financial assets at amortised cost			
Exchange gain (losses are represented by "-")			
Income on hedging the net exposure (losses are represented by "-")			
Gains from changes in fair value (losses are represented by "-")			
Credit impairment loss (losses are represented by "-")	(XXXVII)	<b>-41,782,614.42</b>	-30,032,541.00
Asset impairment loss (losses are represented by "-")	(XXXVIII)	<b>41,518,907.39</b>	-2,390,562.65
Gains on disposal of assets (losses are represented by "-")	(XXXIX)	<b>860,304.57</b>	-4,703.25
<b>3. Operating profit (losses) (losses are represented by "-")</b>		<b>5,975,689.19</b>	-38,214,010.74
Add: Non-operating income	(XL)	<b>30,827.70</b>	5,629,796.64
Less: Non-operating expenses	(XLI)	<b>813,639.75</b>	424,355.02
<b>4. Total profit (total losses are represented by "-")</b>		<b>5,192,877.14</b>	-33,008,569.12
Less: Income tax expense	(XLII)	<b>1,126,577.08</b>	-11,541,420.99

# CONSOLIDATED INCOME STATEMENT (Continued)

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note 5	Amount of the six months ended 30 June 2021 (the "Current Period")	Amount of the six months ended 30 June 2020 (the "Preceding Period")
<b>5. Net profit (net losses are represented by "-")</b>		<b>4,066,300.06</b>	-21,467,148.13
(1) Classified by the business continuity			
1. Net profit from continued operations (net losses are represented by "-")		<b>4,066,300.06</b>	-21,467,148.13
2. Net profit from discontinued operation (net losses are represented by "-")			
(2) Classified by the attribution of the ownership			
1. Net Profit attributable to the shareholders of the Company (net losses are represented by "-")		<b>4,066,300.06</b>	-21,467,148.13
2. Minority interests (net losses are represented by "-")			
<b>6. Net other comprehensive income after tax</b>			
Other comprehensive income (net of tax) attributable to the owners of the parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Re-measurement of changes in defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of enterprise's own credit risk			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified as other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flows hedging reserve			
6. Exchange differences from translation of foreign currency financial statements			
7. Others			
Other comprehensive income (net of tax) attributable to minority shareholders			
<b>7. Total comprehensive income</b>		<b>4,066,300.06</b>	-21,467,148.13
Total comprehensive income attributable to the owners of the Company		<b>4,066,300.06</b>	-21,467,148.13
Total comprehensive income attributable to minority shareholders			
<b>8. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)	(XLIII)	<b>0.02</b>	-0.09
(II) Diluted earnings per share (RMB/share)	(XLIII)	<b>0.02</b>	-0.09

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**

# PARENT COMPANY INCOME STATEMENTS

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note 13	Amount of the Current Period	Amount of the Preceding Period
<b>1. Operating revenue</b>	(V)	<b>254,332,761.96</b>	159,916,692.35
Less: Operating cost	(V)	<b>210,901,337.10</b>	128,847,335.84
Taxes and surcharges		<b>1,050,963.54</b>	2,207,443.80
Selling expenses		<b>3,755,984.14</b>	4,929,939.75
Administrative expenses		<b>13,523,324.61</b>	14,317,132.05
Research and development expenses		<b>9,539,901.34</b>	5,147,061.14
Financial expenses		<b>10,852,468.11</b>	14,761,901.97
Including: Interest expenses		<b>11,178,695.99</b>	14,825,714.22
Interest income		<b>649,952.98</b>	252,223.76
Plus: Other income		<b>609,318.02</b>	4,524,055.59
Investment income ("-" for losses)	(VI)		226,051.27
Including: income from investment in associates and joint ventures			
Income from derecognition of financial assets at amortized cost			
Net exposure hedging income ("-" for losses)			
Income from changes in fair value ("-" for losses)			
Loss from credit impairment("-" for losses)		<b>-41,782,614.42</b>	-30,032,541.00
Loss from assets impairment ("-" for losses)		<b>41,443,092.75</b>	-2,468,758.00
Income from disposal of assets ("-" for losses)		<b>860,304.57</b>	-4,703.25
<b>2. Operating profit ("-" for loss)</b>		<b>5,838,884.04</b>	-38,050,017.59
Plus: non-operating revenue		<b>30,827.70</b>	5,629,796.64
Less: non-operating expenses		<b>813,639.75</b>	424,355.02
<b>3. Total profits ("-" for total losses)</b>		<b>5,056,071.99</b>	-32,844,575.97
Less: Income tax expenses		<b>1,119,597.53</b>	-11,541,420.99
<b>4. Net profit ("-" for net loss)</b>		<b>3,936,474.46</b>	-21,303,154.98
Net profit from continued operation ("-" for net loss)		<b>3,936,474.46</b>	-21,303,154.98
Net profit of discontinued operation("-" for net loss)			
<b>5. Other comprehensive income, net of tax</b>			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of the investment in other equity instruments			
4. Changes in the fair value of the Company's credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of creditors' investment			
3. Amount of the financial assets reclassified into the other comprehensive income			
4. Provision for impairment in the credit of other creditors' investment			
5. Reserve for cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
<b>6. Total comprehensive income</b>		<b>3,936,474.46</b>	-21,303,154.98
<b>7. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>0.02</b>	-0.09
(II) Diluted earnings per share (RMB/share)		<b>0.02</b>	-0.09

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

Legal Representative:  
Mr. Ye Yujing

Financial controller:  
Mr. Zhang Zhiqin

Head of the financial department:  
Ms. Chen Yan

# CONSOLIDATED STATEMENT OF CASH FLOW

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note 5	Amount of the Current Period	Amount of the Preceding Period
<b>1. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>521,380,284.65</b>	507,613,598.46
Net increase in deposits from customers and due from banks and other financial institutions			
Net increase in borrowings from the central bank			
Net increase in loans from other financial institutions			
Cash received from receiving insurance premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, handling charge and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from acting sales of securities			
Refund of taxes and surcharges			
Cash received from other operating activities	(XLIV)	<b>82,949,401.06</b>	86,886,086.90
<b>Sub-total of cash inflows from operating activities</b>		<b>604,329,685.71</b>	594,499,685.36
Cash paid for goods purchased and services received		<b>503,561,047.23</b>	562,403,316.66
Net increase in loans and advances to customers			
Net increase in deposits with central bank and with banks and other financial institutions			
Cash paid for original insurance contract claims			
Net increase in lending funds			
Cash paid for interest, handling charge and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		<b>14,347,010.22</b>	14,131,510.51
Cash paid for taxes and surcharges		<b>8,265,254.78</b>	15,830,173.69
Cash paid for other operating activities	(XLIV)	<b>57,011,424.27</b>	77,008,216.29
<b>Sub-total of cash outflows from operating activities</b>		<b>583,184,736.50</b>	669,373,217.15
<b>Net cash flow from operating activities</b>		<b>21,144,949.21</b>	-74,873,531.79
<b>2. Cash flows from investing activities:</b>			
Cash received from disinvestment			80,000,000.00
Cash received from returns on investments			226,051.27
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>3,520,000.00</b>	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>3,520,000.00</b>	80,226,051.27
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		<b>49,363.15</b>	50,455.00
Cash paid for investments			80,000,000.00
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>49,363.15</b>	80,050,455.00
<b>Net cash flows from investing activities</b>		<b>3,470,636.85</b>	175,596.27

# CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Note 5	Amount of the Current Period	Amount of the Preceding Period
<b>3. Cash flows from financing activities:</b>			
Cash from absorption of investments			
Including: cash received by subsidiaries from investments by minority shareholders			
Cash received from borrowings		49,999,000.00	259,250,000.00
Cash received from other financing activities	(XLIV)	8,400,875.00	
<b>Sub-total of cash inflows from financing activities</b>		<b>58,399,875.00</b>	259,250,000.00
Cash paid for debt repayments		149,383,119.11	334,227,300.98
Cash paid for distribution of dividends and profits or payment of interest		11,178,695.99	14,825,714.22
Including: dividends and profits paid to minority shareholders by subsidiaries			
Cash paid for other financing activities	(XLIV)	303,480.70	18,595,689.39
<b>Sub-total of cash outflows from financing activities</b>		<b>160,865,295.80</b>	367,648,704.59
<b>Net cash flows from financing activities</b>		<b>-102,465,420.80</b>	-108,398,704.59
<b>4. Effect of fluctuation in exchange rate on cash and cash equivalents</b>		<b>419.97</b>	-498.86
<b>5. Net increase in cash and cash equivalents</b>		<b>-77,849,414.77</b>	-183,097,138.97
Plus: beginning balance of cash and cash equivalents		110,600,765.32	254,590,543.34
<b>6. Ending balance of cash and cash equivalents</b>		<b>32,751,350.55</b>	71,493,404.37

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

Legal Representative:  
Mr. Ye Yujing

Financial controller:  
Mr. Zhang Zhiqin

Head of the financial department:  
Ms. Chen Yan

# PARENT COMPANY STATEMENT OF CASH FLOW

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Notes	Amount of the Current Period	Amount of the Preceding Period
<b>1. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		521,380,284.65	507,613,598.46
Refunds of taxes			
Other cash payments relating to operating activities		92,463,071.46	104,045,262.12
<b>Sub-total of cash inflows from operating activities</b>		<b>613,843,356.11</b>	611,658,860.58
Cash paid for goods and services		503,561,047.23	562,403,316.66
Cash paid to and for employees		14,334,049.88	14,123,419.09
Taxes paid		8,265,254.78	15,830,173.69
Other cash payment related to operating activities		67,005,180.21	94,164,405.09
<b>Sub-total of cash outflows from operating activities</b>		<b>593,165,532.10</b>	686,521,314.53
<b>Net Cash Flows from Investing Activities</b>		<b>20,677,824.01</b>	-74,862,453.95
<b>2. Cash Flows from Investing Activities:</b>			
Cash received from disinvestment			80,000,000.00
Cash received from return on investments			226,051.27
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,520,000.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
<b>Sub-total of cash inflows from investing activities</b>		<b>3,520,000.00</b>	80,226,051.27
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		49,363.15	50,455.00
Cash paid for investment			80,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>49,363.15</b>	80,050,455.00
<b>Net cash flows from investing activities</b>		<b>3,470,636.85</b>	175,596.27
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments			
Cash received from borrowings		49,999,000.00	259,250,000.00
Cash received relating to other financing activities		8,400,875.00	
<b>Sub-total of cash inflows from financing activities</b>		<b>58,399,875.00</b>	259,250,000.00
Cash paid for repayment of borrowings		149,383,119.11	334,227,300.98
Dividends or profits paid to minority shareholders by subsidiaries		11,178,695.99	14,825,714.22
Cash paid relating to other financing activities		303,480.70	18,595,689.39
<b>Sub-total of cash outflows from financing activities</b>		<b>160,865,295.80</b>	367,648,704.59
<b>Net cash flows from financing activities</b>		<b>-102,465,420.80</b>	-108,398,704.59
<b>4. Effect of changes in exchange rate on cash and cash equivalents</b>		<b>-177.97</b>	278.15
<b>5. Net increase in cash and cash equivalents</b>		<b>-78,317,137.91</b>	-183,085,284.12
Add: Cash and cash equivalents at the beginning of the Current Period		110,417,403.31	254,365,432.06
<b>6. Cash and cash equivalents at the end of the Current Period</b>		<b>32,100,265.40</b>	71,280,147.94

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

Legal Representative:  
Mr. Ye Yujing

Financial controller:  
Mr. Zhang Zhiqin

Head of the financial department:  
Ms. Chen Yan

# CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Current Period													
	Equity attributable to parent company												Minority interest	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total		
Preference shares		Perpetual bond	Other											
<b>I. Balance at the end of last year</b>	240,930,645.00				323,069,734.88			28,479,818.00	80,126,247.00		277,522,079.16	950,128,524.04		950,128,524.04
Add: Changes in accounting policies														
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
<b>II. Opening balance for the year</b>	240,930,645.00				323,069,734.88			28,479,818.00	80,126,247.00		277,522,079.16	950,128,524.04		950,128,524.04
<b>iii. Movements in the Current Period (decrease is represented by "-")</b>														
(i) Total comprehensive income											3,659,670.05	-12,808,838.45		-12,808,838.45
(ii) Capital contribution and reduced by owners											4,066,300.06	4,066,300.06		4,066,300.06
1. Ordinary shares contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment recognized in shareholders' equity														
4. Others														
(iii) Profit distribution											406,630.01	-406,630.01		
1. Appropriations of surplus reserve											406,630.01	-406,630.01		
2. Appropriations of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Other														
(iv) Internal transfer of owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves offsetting losses														
4. Changes in defined benefit plans transferred to undistributed profit														
5. Other comprehensive income transferred to undistributed profit														
6. Others														
(v) Special reserve														
1. Appropriations in the Current Period														
2. Utilization in the Current Period														
(vi) Others														
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,069,734.88			11,604,679.49	80,532,877.01		281,181,749.21	937,319,685.59		937,319,685.59

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**



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

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	Amount of the Preceding Period													
	Equity attributable to parent company												Minority interest	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total		
Preference shares		Perpetual bond	Other											
<b>I. Balance at the end of last year</b>	240,930,645.00				323,069,734.88			24,891,891.10	80,126,247.00		609,270,245.99	1,278,288,763.97		1,278,288,763.97
Add: Changes in accounting policies														
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
<b>II. Opening balance for the year</b>	240,930,645.00				323,069,734.88			24,891,891.10	80,126,247.00		609,270,245.99	1,278,288,763.97		1,278,288,763.97
<b>III. Movements in the Current Period (decrease is represented by "-")</b>														
(I) Total comprehensive income														
(II) Capital contribution and reduced by owners														
1. Ordinary shares contribution from owners														
2. Capital contribution from owners of other equity instruments														
3. Amount of share-based payment recognized in owners' equity														
4. Other														
(III) Profit distribution														
1. Appropriations of surplus reserve														
2. Appropriations of general risk reserve														
3. Distribution to owners (or shareholders)														
4. Others														
(IV) Internal transfer of owners' equity														
1. Transfer to capital (or share capital) from capital reserve														
2. Transfer to capital (or share capital) from surplus reserve														
3. Surplus reserves offsetting losses														
4. Changes in defined benefit plans transferred to undistributed profit														
5. Other comprehensive income transferred to undistributed profit														
6. Others														
(V) Special reserve														
1. Appropriations in the Current Period														
2. Utilization in the Current Period														
(VI) Others														
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,069,734.88			23,572,827.17	80,126,247.00		587,803,097.86	1,255,502,551.91		1,255,502,551.91

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**

# PARENT COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Current Period										Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
		Preference shares	Perpetual bond	Other							
<b>1. Balance at the end of last year</b>	240,930,645.00				323,049,734.88			28,479,818.00	80,133,123.00	280,627,420.22	953,220,741.10
Add: Changes in accounting policies											
Correction of accounting errors in prior periods											
Other											
<b>II. Opening balance for the year</b>	240,930,645.00				323,049,734.88			28,479,818.00	80,133,123.00	280,627,420.22	953,220,741.10
<b>III. Movements in the Current Period (decrease is represented by "-")</b>											
(I) Total comprehensive income								-16,875,138.51	393,647.45	3,542,827.01	-12,938,664.05
(II) Capital contribution and reduced by owners										3,936,474.46	3,936,474.46
1. Ordinary shares contribution from owners											
2. Capital contribution from owners of other equity instruments											
3. Amount of share-based payment recognized in owners' equity											
4. Other											
(III) Profit distribution									393,647.45	-393,647.45	
1. Appropriations of surplus reserve									393,647.45	-393,647.45	
2. Distribution to owners (or shareholders)											
3. Other											
(IV) Internal transfer of owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves offsetting losses											
4. Changes in defined benefit plans transferred to undistributed profit											
5. Other comprehensive income transferred to undistributed profit											
6. other											
(V) Special reserve								-16,875,138.51			-16,875,138.51
1. Appropriations in the Current Period								4,891,663.49			4,891,663.49
2. Utilization in the Current Period								21,766,802.00			21,766,802.00
(VI) Others											
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,049,734.88			11,604,679.49	80,526,770.45	284,170,247.23	940,282,077.05

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

Legal Representative:  
**Mr. Ye Yujing**

Financial controller:  
**Mr. Zhang Zhiqin**

Head of the financial department:  
**Ms. Chen Yan**

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

January-June 2021 (Unless otherwise stated, all amounts are denominated in RMB)

Items	The amount of the Preceding Period										
	Share capital	Other equity instrument			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
<b>1. Balance at the end of last year</b>	240,930,645.00				323,049,734.88			24,891,891.10	80,133,123.00	612,040,849.46	1,281,046,243.44
Add: Changes in accounting policies											
Correction of accounting errors in prior periods											
Other											
<b>II. Opening balance for the year</b>	240,930,645.00				323,049,734.88			24,891,891.10	80,133,123.00	612,040,849.46	1,281,046,243.44
<b>III. Movements in the Current Period (decrease is represented by "-")</b>											
(I) Total comprehensive income								-1,319,063.93		-21,303,154.98	-22,622,218.91
(II) Capital contribution and reduced by owners										-21,303,154.98	-21,303,154.98
1. Ordinary shares contribution from owners											
2. Capital contribution from owners of other equity instruments											
3. Amount of share-based payment recognized in owners' equity											
4. Other											
(III) Profit distribution											
1. Appropriations of surplus reserve											
2. Distribution to owners (or shareholders)											
3. Other											
(IV) Internal transfer of owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves offsetting losses											
4. Changes in defined benefit plans transferred to undistributed profit											
5. Other comprehensive income transferred to undistributed profit											
6. Other											
(V) Special reserve								-1,319,063.93			-1,319,063.93
1. Appropriations in the Current Period								3,203,673.74			3,203,673.74
2. Utilization in the Current Period								4,522,737.67			4,522,737.67
(VI) Others											
<b>IV. Closing balance for the Current Period</b>	240,930,645.00				323,049,734.88			23,572,827.17	80,133,123.00	590,737,694.48	1,258,424,024.53

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

Legal Representative:  
Mr. Ye Yujing

Financial controller:  
Mr. Zhang Zhiqin

Head of the financial department:  
Ms. Chen Yan

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 1. INFORMATION ABOUT THE COMPANY

### (I) Company profile

Guangdong Adway Construction (Group) Holdings Company Limited (the “Company”) was established under the name of Guangdong Yahe Decoration Construction Company Limited (廣東雅和裝飾工程有限公司) in the People’s Republic of China (the “PRC”) on 18 December 1996. On 3 December 2007, upon the resolution of the meeting of the shareholders, the Company was fully converted into a joint stock company with limited liability in compliance with Company Law. The Company became listed on Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016. The registered capital of the company was RMB240,930.6 thousand. As of 30 June 2021, the share capital of the company is RMB240,930.6 thousand.

Unified social credit code: 91440300617421139M.

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

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

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

The financial statements has been approved by the Board of the Company.

### (II) Scope of consolidated financial statements

As of 30 June, 2021, the subsidiaries in the company scope of consolidated financial statements are as follows:

#### **Name of companies**

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Huidong Shikuan Decorative Furniture Creative Culture Company Limited

Huidong Yip’s Development Company Limited

Jingdi Industrial (Shenzhen) Company Limited

Adway Constructional Engineering Design (Shenzhen) Company Limited

Adway Construction (Hong Kong) Limited

For the relevant information about the subsidiaries of the Company, please refer to the Note 6. Equity in other entities.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (I) Preparation of basis

The financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (together referred to as the "Accounting Standards for Business Enterprises"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

### (II) Going concern

For at least 12 months since the end of the reporting period, the Company's has ability to continue as a going concern and there's no significant risk affecting its ability to continue as a going concern. The financial statements are based on going concern.

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

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

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, reflecting both consolidated and the parent company's financial position as at 30 June 2021, and both consolidated and the parent company's operating results and cash flows for the period from January-June 2021 on a true and complete basis.

### (II) Accounting period

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

### (III) Operating cycle

The Company takes 12 months as its operating cycle.

### (IV) Functional currency

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

#### 1. Scope of consolidation

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

#### 2. Consolidation procedures

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

#### 2. Consolidation procedures (Continued)

##### (2) Disposal of subsidiary

##### ① General treatment for disposal

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

##### ② Stepwise disposal of subsidiary

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

#### 2. Consolidation procedures (Continued)

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

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

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

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

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

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

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

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

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

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

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



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

#### 1. Foreign currency transactions

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

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

#### 2. Translation of financial statements denominated in foreign Currency

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

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

### (X) Financial instruments

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

#### 1. Classification of financial instruments

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial instruments (Continued)

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

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

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

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

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through current profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income.

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial Instruments *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial Instruments *(Continued)*

#### 3. **Derecognition of financial asset and financial asset transfers** *(Continued)*

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial Instruments (Continued)

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

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

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

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

The Company combines the receivables with shared credit risk characteristics and the Company estimates the proportion of accruing bad debt provision by aging portfolio based on all reasonable and evidenced information, including forward-looking information:

Aging	Provision ratios for accounts receivable (%)	Provision ratios for other receivable (%)
Within 1 year	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
Over 5 years	100.00	100.00

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (X) Financial Instruments *(Continued)*

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

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

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

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

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

### (XI) Inventories

#### 1. **Classification and costs for inventories**

Inventories are classified into raw materials, and goods in stock.

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

#### 2. **Measurement for inventories delivered**

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XI) Inventories (Continued)

#### 4. Inventory system

The perpetual inventory system is adopted.

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

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

### (XII) Contract assets

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

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

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

And accounting treatment methods for the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to the accounting treatment of accounts receivable in relation to Note "III. (X) 6. Testing of Impairment of Financial Assets and Accounting Treatment Methods".

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

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

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

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

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



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XIV) Long-term equity investments

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

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

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

#### 2. Determination of initial investment cost

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XV) Investment property

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

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

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

### (XVI) Fixed assets

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XVI) Fixed assets (Continued)

#### 2. Methods for depreciation

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

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

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

#### 3. Disposal of fixed assets

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

### (XVII) Construction in progress

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

### (XVIII) Borrowing costs

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XVIII) Borrowing costs (Continued)

#### 2. Capitalisation period of borrowing costs

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

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

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

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

#### 3. Suspension of capitalisation period

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XIX) Intangible assets

#### 1. Measurement of intangible assets

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

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

(2) *Subsequent measurement*

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XIX) Intangible assets (Continued)

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

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

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

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

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

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

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

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



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

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

### (XXI) Long-term deferred expenses

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

### (XXII) Contract liabilities

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

### (XXIII) Employee benefits

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXIII) Employee benefits (Continued)

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

##### (1) Defined contribution plan

The Company will pay basic pension insurance and unemployment insurance for the staff in accordance with the relevant provisions of the local government. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profit or loss or costs of relevant assets. In addition, the Company will participate in the corporate annuity scheme and supplementary pension insurance approved by the local government. And the Company will make annuity contributions in proportion to its employees' total salaries to the annuity scheme or local social institutes. The payment would be charged into current profit or loss or costs of relevant assets.

##### (2) Defined benefit plan

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

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

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

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

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

#### 3. Accounting treatment of termination benefits

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXIV) Estimated liabilities

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

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

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

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

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

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

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

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

### (XXV) Revenue

#### 1. General principles for revenue recognition

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXV) Revenue (Continued)

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXV) Revenue (Continued)

#### 2. Specific method of revenue recognition

##### (1) Revenue recognition at a point in time

The Company's sales of goods and design and other services render to performance obligations of which are fulfilled at a particular point of time. Revenue is recognized where the Company, as agreed under the contract, delivers the goods to the customers who has already accepted the goods or services, and thus collected the payments or payment receipts, in which case, the relevant economic benefits may flow in while major risks and returns attached to the ownership of such goods have been transferred along with the legal titles of such goods.

##### (2) Revenue recognized by performance progress

Where the Company mainly performs the contract to render building decoration services, and the customers are able to control the services in progress during the performance by the Company of such contract, and the Company is entitled to receive payment for the works which had been completed and thus accumulated to date throughout the contract period. The Company considers this as a performance obligation fulfilled in a specific period of time, in such case, revenue is recognized by performance progress, unless otherwise such performance progress cannot be reasonably determined. The Company confirms the performance progress of rendering services using the input approach. Where the performance progress cannot be identified reasonably but compensation for the costs incurred by the Company as expected, the amount of such costs incurred shall be recognized as revenue until the performance progress can be reasonably identified.

##### (3) Others

Others are applicable to housing lease, property management, etc., revenue is recognised on the straight-line method according to the lease period agreed in the contract.

### (XXVI) Contract costs

Contract costs comprise contract performance costs and contract acquisition costs.

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXVI) Contract costs (Continued)

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

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

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

### (XXVII) Government grants

#### 1. Types

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

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

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

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

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

#### 2. Timing for recognition

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

#### 3. Accounting treatment

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXIX) Lease

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

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

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

#### 1. *The Company as a lessee*

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

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

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

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

The Company determines whether the right-of-use assets have been impaired in accordance with the principles described in the note "III. (XX)—Impairment of long-term assets" and conducts accounting treatment for impairment loss identified.

##### (2) *Lease liabilities*

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

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



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXIX) Lease (Continued)

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

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

##### (4) Lease change

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

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

#### 2. *The Company as a lessor*

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXIX) Lease (Continued)

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

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

##### (1) As a lessee

If the asset transfer in the after-sale and leaseback transaction is a sale, the Company, as a lessee, measures the right-of-use assets formed by the after-sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognize relevant gains or losses only for the right to transfer to the lessor; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income. For details of accounting treatment for financial liabilities, please see Note "III. (X) Financial instruments".

##### (2) As a lessor

If the transfer of assets in the after-sale and leaseback transaction is a sale, the Company, as a lessor, accounts for asset purchase, and accounts for asset lease in accordance with policies in the aforementioned "2. The Company as a lessor"; if the transfer of assets in the after-sale and leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income. For details of accounting treatment for financial assets, please see Note "III. (X) Financial instruments".

### (XXX) Discontinued operations

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

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

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXXI) Segment information

The Company will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Company that meets the following conditions simultaneously:

- (1) the component is able to generate revenues and incur expenses from its ordinary activities;
- (2) whose operating results are regularly evaluated by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance;
- (3) for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

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

#### 1. Changes in significant accounting policies

##### (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 14

On 2 February 2021, the Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 14 (Cai Kuai [2021] No. 1, hereinafter referred to as "Interpretation No. 14") with the effective from the date of issuance ("the Effective Date"). Any newly added service from 1 January 2021 to the Effective Date shall be subject to the adjustments under Interpretation No. 14.

##### ① Government and Public-Private-Partnership ("PPP") project contract

Interpretation No. 14 applies to PPP project contracts that meet both the "Dual feature" and "Dual control" described in the interpretation, and retroactive adjustments should be made to the relevant PPP project contracts that were implemented before 31 December 2020 and have not been completed by the effective date. For those that a retroactive adjustment is not practicable, it should be applied from the beginning of the earliest period for which retroactive adjustments can be made, the retained profit at the beginning of the year and other related items of the financial statements on the effective date of the cumulative impact adjustment, without adjusting the information for comparable periods. The implementation of this Interpretation 14 has no material impact on the Company's financial position and operating results.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (XXXII) Changes in significant accounting policies and accounting estimates (Continued)

#### 1. Changes in significant accounting policies (Continued)

##### (1) Implementation of Accounting Standards for Business Enterprises Interpretation No. 14 (Continued)

###### ② Interest rate benchmark reform

Interpretation No. 14 provides simplified accounting treatment for changes in the basis for determining cash flows related to financial instrument contracts and lease contracts as a result of the interest rate benchmark reform.

In accordance with the provisions of the interpretation, a retrospective adjustment should be applied to operations related to the benchmark interest rate reform that occurred before 31 December 2020, unless otherwise it is impractical to do so, and there is no need to adjust the prior period comparative financial statement data. At the effective date of the interpretation, the difference between the original and new carrying amounts of financial assets and financial liabilities shall be included in opening undistributed profit or other comprehensive income for the annual reporting period in which the Interpretation is effective. The implementation of the provision did not have a material impact on the Company's financial position and operating results.

##### (2) Implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19

On 19 June 2020, the Ministry of Finance issued the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 (Cai Kuai [2020] No. 10), which will come into effect on 19 June 2020, allowing enterprises to adjust the relevant rent concessions that occurred between 1 January 2020 and the date of effect of the provision. According to the provision, enterprises can choose to use simplified methods for accounting treatment for rent reductions, delay in payment and other rent concessions directly caused by the COVID-19.

On 26 May 2021, the Ministry of Finance issued the Circular on Adjustment to the Scope of Implementation of the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 9), with effect from 26 May 2021, adjusting the scope of implementation of adopting a simplified method for accounting treatment of rental concession related to COVID-19 pandemic as stipulated in the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic from "any reduction or concession in lease payments affects only lease payments payable before 30 June 2021" to "any reduction or concession in lease payments affects only lease payments payable before 30 June 2022", and other applicable conditions remain unchanged.

The Company has adopted the simplified method for accounting treatment for all eligible lease contracts before the adjustment of the scope of application, and also adopted the simplified method for accounting treatment for all eligible lease contracts after the adjustment of the scope of application, and adopted leases before the notice was issued. Retrospective adjustments will be made to the relevant lease contracts that are subject to accounting changes, but the previous comparative financial statement data will not be adjusted; the relevant rent concessions that have not been accounted for in accordance with the provisions of the notice that occur between January 1, 2021 and the effective date of the notice, would adjust according to the notice.

The implementation of the Accounting Treatment Provisions on Rent Concessions related to the COVID-19 has no material impact on the Company's financial position and operating results.

#### 2. Changes in significant accounting estimates

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 4. TAXATION

### (I) Main taxes and tax rates

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

Companies subject to different income tax rates are disclosed as follows:

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

### (II) Tax Preference

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

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 5. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### I. Monetary Capital

Items	Closing balance	Balance at the end of last year
Cash on hand	27,062.90	27,095.90
Bank deposit	32,724,287.65	110,573,669.42
Other monetary funds	33,420,213.34	48,914,674.04
<b>Total</b>	<b>66,171,563.89</b>	<b>159,515,439.36</b>
Of which: Total amount of deposits abroad	32,267.00	26,865.14

The monetary capital which was limited to use by mortgage, pledge, and frozen, or limited to remit to China from foreign countries are as following:

Items	Closing balance	Balance at the end of last year
Deposit for the issuance of bank acceptance bills	22,279,125.00	21,000,000.00
Deposits for the issuance of letter of guarantee	810,277.72	810,277.72
Deposits for the issuance of letter of credit	10,000,000.00	10,000,000.00
Term deposit or notice deposit for pledge		15,000,000.00
Wage guarantee for migrant workers	292,409.91	157,553.33
Other restricted cash	38,400.71	1,946,842.99
<b>Total</b>	<b>33,420,213.34</b>	<b>48,914,674.04</b>

### II. Notes receivable

#### 1. Notes receivable shown as classification

Items	Closing balance	Balance at the end of last year
Bank acceptance bills	119,412.47	10,247,710.52
Commercial acceptance bills	12,020,388.37	12,507,408.22
Subtotal	12,139,800.84	22,755,118.74
Less: bad debt provision	606,990.04	
<b>Total</b>	<b>11,532,810.80</b>	<b>22,755,118.74</b>

#### 2. Notes receivable endorsed or discounted by the Company and not matured on the balance sheet date

Items	Closing balance of amount derecognized	Closing balance of amount not derecognized
Bank acceptance bills	8,890,000.00	
Commercial acceptance bills		9,819,707.27
<b>Total</b>	<b>8,890,000.00</b>	<b>9,819,707.27</b>



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### III. Accounts receivable

#### (1) Ageing analysis of accounts receivables based on invoice date is as follow

Aging	Closing balance	Balance at the end of last year
Within 1 year (including 1 year)	238,807,157.41	176,899,528.99
1-2 years	153,765,395.40	459,858,633.84
2-3 years	345,495,366.46	119,163,232.17
3-4 years	85,640,034.30	82,756,222.44
4-5 years	66,889,740.27	64,389,529.08
Over 5 years	112,783,198.05	105,888,233.89
Subtotal	1,003,380,891.89	1,008,955,380.41
Less: provision for bad debts	439,552,724.29	401,179,548.24
Total	563,828,167.60	607,775,832.17

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

Item	Closing balance					Balance at the end of last year				
	Gross carrying amount		Bad debt provision			Gross carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Percent of provision (%)	Net carrying amount	Amount	Proportion (%)	Amount	Percent of provision (%)	Net carrying amount
Accounts receivable with provision for the bad debt based on an individual basis	245,412,793.70	24.46	245,412,793.70	100.00		245,039,692.55	24.29	245,039,692.55	100.00	
Accounts receivable with the provision for bad debt based on a collective basis	757,968,098.19	75.54	194,139,930.59	25.61	563,828,167.60	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
Inc: aging portfolio	757,968,098.19	75.54	194,139,930.59	25.61	563,828,167.60	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
Total	1,003,380,891.89	100.00	439,552,724.29		563,828,167.60	1,008,955,380.41	100.00	401,179,548.24		607,775,832.17

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### III. Account receivable (Continued)

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

Significant provision for bad debt made on individual basis

Debtors	Closing balance			Reasons for provision
	Gross carrying amount of account receivables	Bad debt provision	Proportion of provision (%)	
Nanyang Zhongtai property development Ltd	30,620,359.35	30,620,359.35	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Chongqing Nengtou Property Ltd	27,418,863.26	27,418,863.26	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Qinghai Xinhua Merchandise Commercial Ltd	23,406,746.91	23,406,746.91	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhen Futian Bureau of public works	18,100,766.66	18,100,766.66	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhou Great Wall International Engineering Ltd	17,340,677.02	17,340,677.02	100.00	Expected to be unrecoverable as the customer went bankruptcy
Zunyi Xin Ao Property development Ltd	17,303,217.74	17,303,217.74	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Gansu Jincheng 5th tourism investment Ltd	15,847,404.78	15,847,404.78	100.00	Expected to be unrecoverable as the customer is in financial difficulty
<b>Total</b>	<b>150,038,035.72</b>	<b>150,038,035.72</b>		

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### III. Account receivable (Continued)

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

Provision for bad debt on a collective basis: aging portfolio

Aging	Closing balance		
	Gross carrying amount of account receivables	Bad debt provision	Proportion of provision (%)
Within 1 year (including 1 year)	238,807,157.41	11,931,357.87	5.00
1-2 years	151,984,949.98	15,198,495.00	10.00
2-3 years	244,190,828.03	73,257,248.41	30.00
3-4 years	47,341,275.40	23,670,637.70	50.00
4-5 years	27,853,478.79	22,282,783.03	80.00
Over 5 years	47,790,408.58	47,790,408.58	100.00
Total	757,968,098.19	194,130,930.59	

#### (3) Provision, reverse and recovery of bad debts in the Current Period

Item	Balance at the end of last year	Changes during the Current Period			Closing balance
		Provision accrued	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	245,039,692.55	760,000.00	-386,898.85		245,412,793.70
Provision for bad debts on collective basis	156,139,855.69	38,000,074.90			194,139,930.59
Total	401,179,548.24	38,760,074.90	-386,898.85		439,552,724.29

#### (4) Top five account receivables according to closing balance of debtors

Debtors	Closing balance		
	Gross carrying amount of account receivables	Proportion of total balance of account receivable (%)	Bad debt provision
Linyi Dongfang Xinjiyuan Property., Ltd.	186,351,900.39	18.57	39,319,932.36
Zhong jian Installation engineering., Ltd	49,904,801.74	4.97	4,990,470.60
Shenzhen xinrunyuan property development., Ltd.	36,945,099.57	3.68	11,083,529.87
Nanyang Zhongtai property development., Ltd.	30,620,359.35	3.05	30,620,359.35
Chongqing nengtou property., Ltd	27,418,863.26	2.73	27,418,863.26
Total	331,241,024.31	33	113,433,155.44

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### IV. Prepayments

#### (1) Prepayments presented by aging

Aging	Closing balance		Balance at the end of last year	
	Amount	Percent (%)	Amount	Percent (%)
Within 1 year	229,938,893.19	75.92	169,321,365.01	79.75
1-2 years	47,417,672.24	15.66	35,161,469.26	16.56
2-3 years	20,662,517.42	6.82	3,669,829.32	1.73
Over 3 years	4,869,861.10	1.61	4,170,892.87	1.96
Sub-total	302,888,943.95	100	212,323,556.46	100
Less: provision for bad debts	5,428,523.40		4,170,892.87	
Total	297,460,420.55	100.00	208,152,663.59	100.00

#### (2) Top five prepayments according to closing balance of prepaid objects

Prepaid objects	Closing balance	Proportion in total closing balance of prepayments (%)
Shenzhen jingye construction labor., Ltd	42,636,475.99	14.08
Shenzhen antai construction Labor., Ltd.	23,162,950.20	7.65
Lihua Yilijin petrochemical Ltd	20,275,858.00	6.69
Shenzhen heshun construction Labor.co., Ltd	10,568,534.53	3.49
Shenzhen Bozhen Electric Ltd	10,534,280.00	3.48
Total	107,178,098.72	35.39

### V. Other receivable

Item	Closing balance	Balance at the end of last year
Interest receivable		
Dividend receivable		
Other receivables	37,701,946.37	24,012,973.96
Total	37,701,946.37	24,012,973.96

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### V. Other receivable (Continued)

#### 1. Other receivable

(1) Other receivables disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year (including 1 year)	23,814,215.48	16,137,870.18
1-2 years	10,676,168.04	6,150,327.85
2-3 years	6,011,750.61	2,589,397.72
3-4 years	2,262,323.24	2,427,990.80
4-5 years	353,643.49	635,432.93
Over 5 years	14,070,090.79	14,013,381.96
Subtotal	57,188,191.65	41,954,401.44
Less: provision for bad debts	19,486,245.28	17,941,427.48
Total	37,701,946.37	24,012,973.96

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

Item	Closing balance				Balance at the end of last year				
	Gross carrying amount		Bad debt provision		Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Percent of provision (%)	Amount	Proportion (%)	Amount	Percent of provision (%)	
Other receivable with provision for the bad debt based on an individual basis	9,376,523.40	16.40	9,376,523.40	100.00	10,136,523.40	24.16	10,136,523.40	100.00	
Other receivable with the provision for bad debt based on a collective basis	47,811,668.25	83.60	10,109,721.88	21.14	31,817,878.04	75.84	7,804,904.08	24.53	24,012,973.96
In: aging portfolio	47,811,668.25	83.60	10,109,721.88	21.14	31,817,878.04	75.84	7,804,904.08	24.53	24,012,973.96
Total	57,188,191.65	100.00	19,486,245.28	37,701,946.37	41,954,401.44	100.00	17,941,427.48	24,012,973.96	

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### V. Other receivable (Continued)

#### 1. Other receivable (Continued)

(3) Particulars of accrued bad debt provision

Provision for bad debts	Stage I Expected credit loss for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	7,804,904.08		10,136,523.40	17,941,427.48
Opening balance in the current period				
— Transferred to Stage II				
— Transferred to Stage III				
— Reversed to Stage II				
— Reversed to Stage I				
Accrued in the Current Period	2,304,817.80			2,304,817.80
Reversed in the Current Period				
Reseller in the Current Period			-760,000.00	-760,000.00
Written off in the Current Period				
Other changes				
Closing balance	10,109,721.88		9,376,523.40	19,486,245.28

Change in gross carrying amount of other receivables is as follows:

Balance of gross carrying amount	Stage I Expected credit loss for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	31,817,878.04		10,136,523.40	41,954,401.44
Opening balance in the current period				
— Transferred to Stage II				
— Transferred to Stage III				
— Reversed to Stage II				
— Reversed to Stage I				
Increase in current period	29,057,474.64			29,057,474.64
Current termination recognition	13,063,684.43		760,000.00	13,823,684.43
Other changes				
Closing balance	47,811,668.25		9,376,523.40	57,188,191.65

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### V. Other receivable (Continued)

#### 1. Other receivable (Continued)

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

Type	Balance at the end of last year	Changes during the current period		Closing balance
		Provision	Recovered or reversed / Charged off or written off	
Provision for bad debts on an individual basis	10,136,523.40		-760,000.00	9,376,523.40
Provision for bad debts on collective basis	7,804,904.08	2,304,817.80		10,109,721.88
Total	17,941,427.48	2,304,817.80	-760,000.00	19,486,245.28

(5) Nature of other receivables

Nature of other receivables	Closing balance of gross carrying amount	Balance of gross carrying amount at the end of the last year
Deposit	39,191,367.94	39,904,116.56
Current account	8,559,703.74	892,104.66
Reserve fund	495,009.93	468,694.82
Other	8,942,110.04	689,485.40
Total	57,188,191.65	41,954,401.44

(6) Top five other receivables according to closing balance of debtors

Debtors	Nature of other receivable	Closing balance	Aging	Percentage of total closing balance of other Receivable (%)	Closing balance of provision for bad debts
Sanya zhongtie property., Ltd.	Guarantee monies for bidding	4,424,588.00	Over 5 years	7.74	4,424,588.00
Chongqing Henggao property co., Ltd	Guarantee monies for bidding	3,000,000.00	Over 5 years	5.25	3,000,000.00
Shanghai Zhujiang Investment Group Ltd	Guarantee monies for bidding	2,000,000.00	Within 1 year	3.50	100,000.00
Shenzhen pengcheng construction group., Ltd.	Guarantee monies for performance	2,000,000.00	3-4 years	3.50	1,000,000.00
Qinghai Xinhua merchandise business group., Ltd.	Guarantee monies for performance	1,500,000.00	Over 5 years	2.62	1,500,000.00
Total		12,924,588.00		22.61	10,024,588.00

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### VI. Contract assets

#### (1) Particulars of contract assets

Item	Closing balance			Balance at the end of last year		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Assets sourced from building decoration projects	1,016,309,100.17	197,379,048.97	818,930,051.20	1,197,784,405.31	238,596,784.74	959,187,620.57
Quality assurance deposit of which warranty period less than one year	412,321.40	20,616.07	391,705.33	3,485,696.96	174,284.85	3,311,412.11
Total	1,016,721,421.57	197,399,665.04	819,321,756.53	1,201,270,102.27	238,771,069.59	962,499,032.68

#### (2) Amount from significant change in gross carrying amount and reason therefor during the reporting period

Item	Changed amount	Reason for change
Assets sourced from building decoration projects	-181,475,305.14	To transfer contract assets recognized at the beginning of this year into account receivable
Total	-181,475,305.14	

#### (3) Classification of contract assets by basis of impairment provisions made

Item	Closing balance				Balance at the end of last year					
	Gross carrying amount		Impairment provision		Gross carrying amount		Impairment provision		Net carrying amount	
	Amount	Proportion (%)	Amount	Percentage of provision (%)	Amount	Proportion (%)	Amount	Percentage of provision (%)		
Contract assets with the provision for impairment based on an individual basis	33,593,602.89	3.30	33,593,602.89	100.00	33,593,602.89	2.80	33,593,602.89	100.00		
Contract assets with the provision for impairment based on a collective basis	983,127,818.68	96.70	163,806,062.15	16.66	819,321,756.53	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68
Including: Aging portfolio	983,127,818.68	96.70	163,806,062.15	16.66	819,321,756.53	1,167,676,499.38	97.20	205,177,466.70	17.57	962,499,032.68
Total	1,016,721,421.57	100.00	197,399,665.04		819,321,756.53	1,201,270,102.27	100.00	238,771,069.59		962,499,032.68



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### VI. Contract assets (Continued)

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

Significant accrued provision for impairment on individual basis:

Name	Closing balance			Reason for provision
	Gross carrying amount	Impairment provision	Percentage of provision made (%)	
Renhua County Hexing Industry investment Ltd	14,299,916.30	14,299,916.30	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Shenzhen Guang Group Could., Ltd	7,905,334.28	7,905,334.28	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Huizhou Kanghong Property development Ltd	1,928,617.44	1,928,617.44	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Changsha County Nantuo Beitang village committee	1,652,235.66	1,652,235.66	100.00	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
Chenmei (Xiamen) photoelectric Ltd	1,583,493.32	1,583,493.32	100.00	Expected to be unrecoverable as the dispute existed over settlement between the customer and the Company
<b>Total</b>	<b>27,369,597.00</b>	<b>27,369,597.00</b>		

Provision for impairment loss on a collective basis: aging portfolio:

Aging	Closing balance		
	Contract asset	Impairment provision	Percentage of provision made (%)
Within 1 year (including 1 year)	308,140,153.47	15,407,007.65	5.00
1-2 years	385,042,283.10	38,504,228.31	10.00
2-3 years	199,312,234.89	59,793,670.47	30.00
3-4 years	77,853,214.63	38,926,607.31	50.00
4-5 years	8,026,920.91	6,421,536.73	80.00
Over 5 years	4,753,011.69	4,753,011.69	100.00
<b>Total</b>	<b>983,127,818.68</b>	<b>163,806,062.15</b>	

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### VI. Contract assets (Continued)

#### (4) Particulars of impairment provision for contract assets

Item	Balance at the end of last year	Provision in current period	Reversal in current period	Charged off/ written-off in current period	Closing balance
Provision for bad debts on an individual basis	33,593,602.89				33,593,602.89
Provision for bad debts on collective basis	205,177,466.70		41,371,404.54		163,806,062.15
Total	238,771,069.59		41,371,404.54		197,399,665.04

### VII. Investment properties

#### 1. Investment properties measured at cost

Item	House and building	Land-use right	Total
1. Original carrying amount			
(1) Balance at the end of last year	1,373,919.00		1,373,919.00
(2) Increase in the Current Period	710,011.00	11,242,609.00	11,952,620.00
— Transferred from fixed asset or intangible assets	710,011.00	11,242,609.00	11,952,620.00
(3) Decrease in the Current Period			
(4) Closing balance	2,083,930.00	11,242,609.00	13,326,539.00
2. Accumulated depreciation and accumulated amortization			
(1) Closing balance at preceding year	728,468.35		728,468.35
(2) Increase in the Current Period	249,520.96	2,310,451.70	2,559,972.66
— Provision	231,770.68	2,167,537.16	2,399,307.84
— Transferred from fixed asset or intangible assets	17,750.28	142,914.54	160,664.82
(3) Decrease in the Current Period			
(4) Closing balance	977,989.31	2,310,451.70	3,288,441.01
3. Provision for impairment			
(1) Balance at the end of last year			
(2) Increase in the Current Period			
(3) Decrease in the Current Period			
(4) Closing balance			
4. Net carrying amount			
(1) Closing balance	1,105,940.69	8,932,157.30	10,038,097.99
(2) Balance at the end of last year	645,450.65		645,450.65

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### VIII. Fixed assets

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

Item	Closing balance	Balance at the end of last year
Fixed assets	50,177,893.38	54,495,287.80
Disposal of fixed assets		
Total	50,177,893.38	54,495,287.80

#### 2. Details of fixed assets

Item	House and building	Mechanical equipment	Vehicle	Office equipment	Other	Total
1. Original carrying amount						
(1)Balance at the end of last year	89,981,894.33	157,000.00	14,513,766.38	5,943,245.45	1,449,020.42	112,044,926.58
(2)Increase in the Current Period		24,540.00		24,823.15		49,363.15
— Purchase		24,540.00		24,823.15		49,363.15
(3)Decrease in the Current Period	710,011.00		5,894,520.38			6,604,531.38
— Disposal or scraping			5,894,520.38			5,894,520.38
— Transfer to						
Investment property	710,011.00					710,011.00
(4)Closing balance	89,271,883.33	181,540.00	8,619,246.00	5,968,068.60	1,449,020.42	105,489,758.35
2. Accumulated depreciation						
(1)Balance at the end of last year	40,060,019.93	80,209.31	10,747,588.93	5,310,056.80	1,351,763.81	57,549,638.78
(2)Increase in the Current Period	1,015,701.48	14,502.60	434,237.85	93,613.01	53,996.93	1,612,051.87
— Provision	1,015,701.48	14,502.60	434,237.85	93,613.01	53,996.93	1,612,051.87
(3)Decrease in the Current Period	210,044.98		3,639,780.70			3,849,825.68
— Disposal or scraping			3,639,780.70			3,639,780.70
— Transfer to						
Investment property	210,044.98					210,044.98
(4)Closing balance	40,865,676.43	94,711.91	7,542,046.08	5,403,669.81	1,405,760.74	55,311,864.97
3. Provision for impairment						
(1)Balance at the end of last year						
(2)Increase in the Current Period						
(3)Decrease in the Current Period						
(4)Closing balance						
4. Net carrying amount						
(1)Closing balance	48,406,206.90	86,828.09	1,077,199.92	564,398.79	43,259.68	50,177,893.38
(2)Balance at the end of last year	49,921,874.40	76,790.69	3,766,177.45	633,188.65	97,256.61	54,495,287.80

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### VIII. Fixed assets (Continued)

#### 3. The fixed assets with pending certificates of ownership

Item	Carrying amount	Reason for pending certificates of ownership
House and building	5,475,684.11	During the process of handling the certificate of ownership

### IX. Right of use asset

Items	House and building	Total
1. Original carrying amount		
(1) Balance as at the end of the last year	3,160,270.62	3,160,270.62
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Closing balance	3,160,270.62	3,160,270.62
2. Accumulated depreciation		
(1) Balance as at the end of the last year	1,650,602.91	1,650,602.91
(2) Increase in the current period	371,895.11	371,895.11
— Provision	371,895.11	371,895.11
(3) Decrease in the current period		
(4) Closing balance	2,022,498.02	2,022,498.02
3. Provision for impairment		
(1) Balance as at the end of the last year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Closing balance		
4. Net carrying amount		
(1) Closing balance of net carrying amount	1,137,772.60	1,137,772.60
(2) Balance of net carrying amount as at the end of the last year	1,509,667.71	1,509,667.71

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### X. Intangible assets

Items	Software	Land use right	Total
1. Original carrying amount			
(1) Balance as at the end of the last year	5,369,822.32	11,242,609.00	16,612,431.32
(2) Increase in the current period			
(3) Decrease in the current period		11,242,609.00	11,242,609.00
— Disposal			
— Transferred to Investment property		11,242,609.00	11,242,609.00
(4) Closing balance	5,369,822.32		5,369,822.32
2. Accumulated amortization			
(1) Balance as at the end of the last year	5,332,812.87	2,167,537.16	7,500,350.03
(2) Increase in the current period	31,036.03		31,036.03
— Provision	31,036.03		31,036.03
(3) Decrease in the current period		2,167,537.16	2,167,537.16
— Disposal			
— Transferred to Investment property		2,167,537.16	2,167,537.16
(4) Closing balance	5,363,848.90		5,363,848.90
3. Provision for impairment			
(1) Balance as at the end of the last year			
(2) Increase in the current period			
(3) Decrease in the current period			
(4) Closing balance			
4. Net carrying amount			
(1) Closing balance of net carrying amount	5,973.42		5,973.42
(2) Closing balance of net carrying amount as at the end of the last year	37,009.45	9,075,071.84	9,112,081.29

### XI. Deferred income tax assets and deferred income tax liabilities

#### 1. Deferred income tax assets before offsetting

Items	Closing balance		Balance at the end of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for credit impairment	465,074,483.01	69,761,172.45	423,291,868.59	63,532,231.55
Provision for asset impairment	197,645,923.13	29,646,888.46	239,164,830.53	35,874,724.58
Social security and provident fund	2,912,326.39	436,848.96	4,577,004.00	686,550.60
Deferred income	1,520,717.93	228,107.69	1,556,925.53	233,538.83
Total	667,153,450.46	100,073,017.56	668,590,628.65	100,327,045.56

#### 2. Breakdown of unrecognised deferred income tax assets

Items	Closing balance	Balance at the end of last year
Deductible losses	2,035,994.21	2,524,408.22
Total	2,035,994.21	2,524,408.22

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XI. Deferred income tax assets and deferred income tax liabilities (Continued)

#### 3. Deductible losses from unrecognized deferred income tax assets to be expired in the following years

Year	Closing balance	Balance at the end of last year
2021		567,014.46
2022	504,030.07	504,030.07
2023	360,021.05	360,021.05
2024	596,043.45	596,043.45
2025	497,299.19	497,299.19
2026	78,600.45	
Total	2,035,994.21	2,524,408.22

### XII. Other non-current assets

Items	Closing balance			Balance at the end of last year		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Project's quality assurance deposit of which warranty period exceeding one year	2,462,580.86	246,258.09	2,216,322.77	2,346,389.70	393,760.93	1,952,628.77
Total	2,462,580.86	246,258.09	2,216,322.77	2,346,389.70	393,760.93	1,952,628.77

### XIII. Short-term borrowings

#### 1. Classification of short term borrowings

Items	Closing balance	Balance at the end of last year
Borrowings — secured and pledged	220,853,880.89	70,000,000.00
Borrowings — secured and guaranteed	64,000,000.00	250,000,000.00
Borrowings — secured		14,250,000.00
Guaranteed borrowings		30,000,000.00
Total	284,853,880.89	364,250,000.00

### XIV. Notes payable

Items	Closing balance	Balance at the end of last year
Bank acceptance bill	35,000,000.00	35,000,000.00
Commercial acceptance bill		20,000,000.00
Total	35,000,000.00	55,000,000.00

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XV. ACCOUNT PAYABLES

#### (1) Ageing analysis of accounts payables based on invoice date is as follow

Aging	Closing balance	Reason for outstanding
Within 1 year (including 1 year)	211,417,758.46	263,794,197.73
1-2 years	74,155,997.69	158,924,174.20
2-3 years	79,610,261.99	56,917,258.16
Over 3 years	62,344,755.56	32,692,458.50
Total	427,528,773.70	512,328,088.59

#### (2) List of accounts payable

Items	Closing balance	Balance at the end of last year
Material expenses payable	311,479,952.08	355,860,805.86
Labor fee payable	96,827,624.93	146,358,255.00
Others	19,221,196.69	10,109,027.73
Total	427,528,773.70	512,328,088.59

#### (3) Significant account payables aged over 1 year

Items	Closing balance	Reason for outstanding
Shenzhen Xincai Materials Co., Ltd	24,738,353.06	Within the settlement period
Shenzhen Guangjin Construction Labor Co., Ltd	6,278,777.00	Within the settlement period
Shenzhen Xiaolong Caiye Industrial Co., Ltd	4,985,858.69	Within the settlement period
Shenzhen Junxingde Industrial Co., Ltd	4,740,716.10	Within the settlement period
Huizhou Puyuan Hongye Technology Co., Ltd	4,721,381.06	Within the settlement period
Total	45,465,085.91	

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XVI. Contract liabilities

#### 1. Particulars of contract liabilities

Items	Closing balance	Balance at the end of last year
Contract liabilities relating to building decoration business	157,527,334.09	122,655,432.24
Contract liabilities relating to design business	1,236,818.46	967,509.11
Total	158,764,152.55	123,622,941.35

#### 2. Amount from significant change in balance of carrying amount during the reporting period and reasons therefore

Items	Amount of the Change	Reasons for the change
Contract liabilities relating to building decoration business	34,871,901.85	Receipt of contract advance payment
Total	34,871,901.85	

### XVII. Staff Remuneration Payable

#### 1. Particulars of Staff Remuneration Payable

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance
Short-term Remuneration	5,733,681.54	12,787,324.99	13,152,285.66	5,368,720.87
Post-employment benefit-defined contribution plan	2,828,282.23	1,097,275.98	1,194,724.56	2,730,833.65
Total	8,561,963.77	13,884,600.97	14,347,010.22	8,099,554.52



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XVII. Staff Remuneration Payable (Continued)

#### 2. Short-term Remuneration

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance
(1) Salary, bonus, allowance and subsidies	3,846,253.10	11,624,504.81	11,996,076.20	3,474,681.71
(2) Employee welfare		223,660.51	219,680.51	3,980.00
(3) Social insurance premium	1,069,690.11	376,930.78	376,930.78	1,069,690.11
Inc.: medical insurance premium	911,534.76	329,333.25	329,333.25	911,534.76
work-related injury insurance premium	35,397.37	12,959.80	12,959.80	35,397.37
maternity insurance premium	122,757.98	34,637.73	34,637.73	122,757.98
(4) Housing provident fund	780,237.09	363,817.80	362,747.80	781,307.09
(5) Labor union funds and employee education funds	37,501.24	198,411.09	196,850.37	39,061.96
<b>Total</b>	<b>5,733,681.54</b>	<b>12,787,324.99</b>	<b>13,152,285.66</b>	<b>5,368,720.87</b>

#### 3. Breakdown of defined contribution plan

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance
Basic endowment insurance premiums	2,761,516.41	1,070,128.91	1,167,577.49	2,664,067.83
Unemployment insurance premiums	66,765.82	27,147.07	27,147.07	66,765.82
<b>Total</b>	<b>2,828,282.23</b>	<b>1,097,275.98</b>	<b>1,194,724.56</b>	<b>2,730,833.65</b>

### XVIII. Tax payable

Tax item	Closing balance	Balance at the end of last year
Value-added tax	65,606,443.22	79,501,042.99
Enterprise income tax	8,323,317.49	8,091,061.61
Urban maintenance and construction tax	4,985,498.87	5,424,017.33
Educational surcharges	3,561,050.84	3,874,278.31
Individual income tax	40,711.63	82,949.72
<b>Total</b>	<b>82,517,022.05</b>	<b>96,973,349.96</b>

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XIX. Other payable

Item	Closing balance	Balance at the end of last year
Interest payable	403,678.30	531,273.20
Other payables	14,890,448.73	13,212,414.55
Total	15,294,127.03	13,743,687.75

#### 1. Interest payable

Item	Closing balance	Balance at the end of last year
Interests payable from short-term borrowing	403,678.30	531,273.20
Total	403,678.30	531,273.20

#### 2. Other payables

(1) Other payables presented in terms of nature

Item	Closing balance	Balance at the end of last year
Deposit	679,920.18	6,754,782.55
Current accounts balance	8,210,666.24	1,368,789.71
Other	5,999,862.31	5,088,842.29
Total	14,890,448.73	13,212,414.55

### XX. Non-current liabilities maturing within one year

Item	Closing balance	Balance at the end of last year
Leasing liabilities maturing within one year	203,003.80	
Total	203,003.80	

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXI. Other current liabilities

Item	Closing balance	Balance at the end of last year
Discounted notes receivable that are not mature	1,800,000.00	
Output tax to be carried forward	5,728,582.10	5,122,653.30
Letter of credit financing		10,000,000.00
Factoring financing		9,988,000.00
Total	7,528,582.10	25,110,653.30

### XXII. Lease liability

Item	Closing balance	Balance at the end of last year
Lease payment	1,099,777.22	1,620,909.99
Less: unrecognized financial expense	63,533.90	143,821.98
Total	1,036,243.32	1,477,088.01

### XXIII. Deferred income

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance	Reason
Government grant	1,556,925.51		36,207.60	1,520,717.91	The government grants was related to the assets
Total	1,556,925.51		36,207.60	1,520,717.91	

Items involving government grants:

Item	Balance at the end of last year	New grants in current period	Recorded in profit or loss in the current period	Other changes	Closing balance	Assets related/ income related
Subsidy for property purchase	1,556,925.51		36,207.60		1,520,717.91	Assets related
Total	1,556,925.51		36,207.60		1,520,717.91	

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXIV. Share capital

Item	Balance at the end of last year	Changes during the Current Period (increase (+), decrease (-))				Total	Closing balance
		Issuance of new share	Bonus share	Conversion of the capital reserve into shares	Other		
Total share capital	240,930,645.00						240,930,645.00

### XXV. Capital reserve

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance
Share premium	323,069,734.88			323,069,734.88
Total	323,069,734.88			323,069,734.88

### XXVI. Special reserves

Item	Balance at the end of last year	Increase in the Current Period	Decrease in the Current Period	Closing balance
Work safety expenses	28,479,818.00	4,891,663.49	21,766,802.00	11,604,679.49
Total	28,479,818.00	4,891,663.49	21,766,802.00	11,604,679.49

### XXVII. Surplus reserve

Item	Balance at the end of last year	Balance at the beginning of this year	Increase in the Current Period	Decrease in the Current Period	Closing balance
Statutory surplus reserve	80,126,247.00	80,126,247.00	406,630.01		80,532,877.01
Total	80,126,247.00	80,126,247.00	406,630.01		80,532,877.01

### XXVIII. Undistributed profit

Item	Amount of the Current Period	Amount of the Preceding Period
Undistributed profits at the end of last year before adjustment	277,522,079.16	609,270,245.99
Undistributed profits at the beginning of this year after adjustment	277,522,079.16	609,270,245.99
Add: Net profit attributable to owners of the parent company	4,066,300.06	-331,748,166.83
Less: Appropriation of statutory surplus reserve	406,630.01	
Closing balance of undistributed profits	281,181,749.21	277,522,079.16

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXIX. Operating Revenue and Operating Cost

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

Item	Amount of the Current Period		Amount of the Preceding Period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Primary business	254,184,190.56	210,879,611.40	159,750,778.35	128,819,450.27
Other business	451,428.54	182,390.52	165,914.00	27,885.57
Total	254,635,619.10	211,062,001.92	159,916,692.35	128,847,335.84

Breakdown of operating revenue:

Item	Amount of the Current Period	Amount of the Preceding Period
Building decoration business	244,583,174.38	146,462,116.45
Design service	6,658,230.02	6,418,516.26
Sales of goods	2,423,802.64	4,128,141.58
Other	970,412.06	2,907,918.06
Total	254,635,619.10	159,916,692.35

#### 2. Details of income from contracts

Categories of contract	Building decoration project	Design service	Sales of goods	Other	Total
Categorized by transfer time of commodities:					
Recognized at a certain point of time		6,658,230.02	2,423,802.64	970,412.06	10,052,444.72
Recognized during a certain period	244,583,174.38				244,583,174.38
Total	244,583,174.38	6,658,230.02	2,423,802.64	970,412.06	254,635,619.10

#### 3. Performance obligation

The Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer obtains control of that asset. Whether performance obligations satisfied over time or at a point in time is based on the contracts and related law regulations. The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXX. Taxes and surcharges

Item	Amount of the Current Period	Amount of the Preceding Period
City maintenance and construction tax	439,578.46	1,201,827.55
Education surcharge	313,984.61	858,448.25
Stamp duty	292,197.61	140,482.50
Vehicle and vessel tax	7,020.00	6,660.00
Resource tax		25.50
Total	1,052,780.68	2,207,443.80

### XXXI. Selling expenses

Item	Amount of the Current Period	Amount of the Preceding Period
Salary and benefits	3,023,575.91	3,962,447.98
Bidding fee	129,616.04	593,249.03
Business entertainment fee	91,633.70	76,477.40
Office expense	47,195.21	69,535.52
Transportation fee	42,704.95	50,346.29
Depreciation and amortization	28,203.49	11,070.66
Advertising and promotion fee	21,892.92	142,808.82
Business traveling expense	8,664.15	15,201.97
Other	362,497.77	8,802.08
Total	3,755,984.14	4,929,939.75

### XXXII. Administrative expenses

Item	Amount of the Current Period	Amount of the Preceding Period
Salary and benefits	4,988,438.01	3,670,031.60
Depreciation and amortization	2,666,981.67	3,364,988.98
Professional Service fee	1,550,639.62	2,508,665.06
Audit fee	1,262,457.44	1,286,237.17
Business entertainment fee	863,647.25	1,392,721.97
Transportation fee	468,668.95	405,145.83
Business traveling expense	416,819.39	194,227.42
Office expense	361,424.93	416,837.70
Insurance fee	210,855.26	1,252,088.14
Labor protection fee	141.80	30,927.97
Other	814,474.47	32,491.65
Total	13,604,548.79	14,554,363.49

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXXIII. Research and development expenses

Item	Amount of the Current Period	Amount of the Preceding Period
Salary and benefits	4,283,304.02	4,378,729.90
Material	4,431,769.44	268,007.59
Depreciation and amortization	495,385.78	166,664.12
Other	329,442.10	333,659.53
Total	9,539,901.34	5,147,061.14

### XXXIV. Finance expenses

Item	Amount of the Current Period	Amount of the Preceding Period
Interest expenses	11,178,695.99	14,825,714.22
Including: interest expenses on lease liabilities	35,072.65	44,449.00
Less: interest income	658,882.58	252,798.06
Exchange gain and loss	419.97	-498.86
Other	330,395.22	194,592.21
Total	10,850,628.60	14,767,009.51

### XXXV. Other income

Item	Amount of the Current Period	Amount of the Preceding Period
Government grants	599,607.60	4,507,957.04
Personal income tax withholding commission	9,710.42	16,249.03
Total	609,318.02	4,524,206.07

### XXXVI. Investment income

Item	Amount of the Current Period	Amount of the Preceding Period
Investment income from financial assets held for trading during the holding period		226,051.27
Total		226,051.27

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XXXVII. Credit impairment losses

Item	Amount of the Current Period	Amount of the Preceding Period
Losses from impairment of note receivable	606,990.04	
Losses on bad debts of account receivables	38,373,176.05	32,196,504.80
Losses on bad debts of other receivables	1,544,817.80	-2,163,963.80
Losses from impairment of prepayment	1,257,630.53	
Total	41,782,614.42	30,032,541.00

Explanation: Credit impairment losses are disclosed as positive numbers.

### XXXVIII. Asset impairment losses

Item	Amount of the Current Period	Amount of the Preceding Period
Losses from impairment of other non-current assets	-147,502.84	
Losses from impairment of contract assets	-41,371,404.55	2,390,562.65
Total	-41,518,907.39	2,390,562.65

Explanation: Credit impairment losses are disclosed as positive numbers.

### XXXIX. Gain from disposal of assets

Item	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profits and losses in the Current Period
Gains from disposal of fixed assets	860,304.57	-4,703.25	860,304.57
Total	860,304.57	-4,703.25	860,304.57

### XL. Non-operating income

Item	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profits and losses in the Current Period
Litigation compensation from others		272,922.00	
Balance due not applicable to pay		5,280,008.21	
Other	30,827.70	76,866.43	30,827.70
Total	30,827.70	5,629,796.64	30,827.70



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XII. Non-operating expense

Item	Amount of the Current Period	Amount of the Preceding Period	Amount included in non-recurring profits and losses
Donation to external parties		210,000.00	
Litigation compensation to others	590,595.51	214,355.02	590,595.51
Loss of debt reorganization	203,939.14		203,939.14
Other	19,105.10		19,105.10
Total	813,639.75	424,355.02	813,639.75

### XIII. Income tax expenses

#### 1. Breakdown of income tax expenses

Item	Amount of the Current Period	Amount of the Preceding Period
Current income tax	872,549.08	-7,046,360.99
Deferred income tax	254,028.00	-4,495,060.00
Total	1,126,577.08	-11,541,420.99

#### 2. Adjustment process of accounting profits and income tax expenses

Item	Amount of the Current Period
Total profit	5,192,877.14
Effect of different tax rates applicable to subsidiaries	-32,883.31
Effect of non-deductible costs, expenses and losses	361,186.73
Influence of unrecognized deferred income tax assets and deductible temporary differences or losses in current period	19,342.09
Total income tax expenses	1,126,577.08

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XLIII. Earning per share

#### 1. Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to holders of ordinary shares of the Company by weighted average number of ordinary shares in issue of the Company:

Item	Amount of the Current Period	Amount of the Preceding Period
Consolidated net profit attributable to common shareholders of the parent company	4,066,300.06	-21,467,148.13
Weighted average number of common shares issued by the company	240,930,645.00	240,930,645.00
Basic earnings per share	0.02	-0.09
Including: Basic earnings per share of continued operation	0.02	-0.09
Basic earnings per share of discontinued operation		

#### 2. Diluted earnings per share

Diluted earnings per share is calculated by dividing consolidated net profit (diluted) attributable to holders of ordinary shares of the Company by weighted average number (diluted) of diluted ordinary shares in issue of the Company:

Item	Amount of the Current Period	Amount of the Preceding Period
Consolidated net profit attributable to common shareholders of the parent company (diluted)	4,066,300.06	-21,467,148.13
Weighted average number of common shares issued by the company (diluted)	240,930,645.00	240,930,645.00
Diluted earnings per share	0.02	-0.09
Including: Diluted earnings per share of continued operation	0.02	-0.09
Diluted earnings per share of discontinued operation		

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XIV. Information of cash flow statement

#### 1. Cash received from other operating activities

Item	Amount of the Current Period	Amount of the Preceding Period
Interest income received	658,882.58	252,798.06
Government grant received	563,400.00	4,471,749.44
Current account received and others	81,727,118.48	82,161,539.40
Total	82,949,401.06	86,886,086.90

#### 2. Cash paid for other operating activities

Item	Amount of the Current Period	Amount of the Preceding Period
Administrative expense paid	5,611,265.94	7,498,925.37
Selling expense paid	672,317.76	956,421.11
R&D paid	329,442.10	333,659.53
current account paid and others	50,398,398.47	68,219,210.28
Total	57,011,424.27	77,008,216.29

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

Item	Amount of the Current Period	Amount of the Preceding Period
Borrowing margin	3,720,875.00	
Cash received from notes discounted	4,680,000.00	
Total	8,400,875.00	

#### 4. Other cash payment related to financing activities

Item	Amount of the Current Period	Amount of the Preceding Period
Borrowing margin		18,208,633.46
Lease liability paid	303,480.70	387,055.93
Total	303,480.70	18,595,689.39

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XIV. Information of cash flow statements

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

Supplementary information	Amount of the Current Period	Amount of the Preceding Period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	4,066,300.06	-21,467,148.13
Add: Impairment loss of credit	41,782,614.42	30,032,541.00
Impairment loss of assets	-41,518,907.39	2,390,562.65
Depreciation of fixed assets	1,772,716.69	2,030,619.73
Depreciation of right of use	371,895.11	388,498.62
Amortisation of intangible assets	173,950.57	988,957.29
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for Gain)	-860,304.57	4,703.25
Financial expenses ("-" for gain)	11,178,695.99	14,825,714.22
Investment loss ("-" for gain)		-226,051.27
Decrease in deferred income tax assets ("-" for increase)	254,028.00	-4,495,060.00
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)		
Decrease of operating receivables ("-" for increase)	86,344,433.10	205,310,128.58
Increase of operating payables ("-" for decrease)	-82,420,472.77	-305,645,955.02
Other		
Net cash flows from operating activities	21,144,949.21	-74,873,531.79
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the Current Period	32,751,350.55	71,493,404.37
Less: cash at the beginning of the Current Period	110,600,765.32	254,590,543.34
Add: cash equivalents at end of the Current Period		
Less: cash equivalents at beginning of the Current Period		
Net increase in cash and cash equivalents	-77,849,414.77	-183,097,138.97

#### (2) The breakdown of cash and cash equivalents

Items	Closing balance	Balance at the end of last year
1. cash	32,751,350.55	110,600,765.32
Inc.: Cash in hand	27,062.90	27,095.90
Bank deposit available for payment at any time	32,724,287.65	110,573,669.42
2. Cash equivalents		
3. Cash and cash equivalents at the end of the Current Period	32,751,350.55	110,600,765.32

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XLVI. Assets restricted for use or ownership

Item	Closing balance	Reason for restrictions
Monetary capital	33,420,213.34	Deposit
Account receivable	86,454,881.16	Pledged for bank facility
Investment property	623,724.95	Pledged for bank facility
Fixed asset	42,930,522.79	Pledged for bank facility
<b>Total</b>	<b>163,429,342.24</b>	

### XLVII. Monetary items in foreign currency

#### 1. Monetary items in foreign currency

Item	Closing balance in foreign currency	Conversion Rate	Closing balance of RMB amount translated
Cash on hand	37,424.48	0.83	31,159.62
Inc: HKD	37,424.48	0.83	31,159.62

### XLVIII. Government grants

#### 1. Government grants related to asset

Type	Amount	Items presented in the balance sheet	Amount included in the current profit or loss or offsetting the loss in related cost expenses Amount of the Current Period	Amount of the Preceding Period	The item that is included in the current profit or loss or used to offset the losses of related costs
Subsidy for property-purchase	1,979,700.00	Deferred income	36,207.60	36,207.60	Other income

#### 2. Government grants related to income

Type	Amount	Amount included in the current profit or loss or offsetting the loss in related cost expenses Amount of the Current Period	Amount of the Preceding Period	The item that is included in the current profit or loss or used to offset the losses of related costs
Subsidized interest of loan	563,000.00	563,000.00		Other income
Shenzhen first patent Software copyright registration subsidy	400.00	400.00		Other income
Key management insurance	399,000.00		399,000.00	Other income
2020 Return-job Employment stabilization subsidy	30,198.96		30,349.44	Other income
Protection gear subsidy			20,000.00	Other income
Building decoration R&D subsidy			2,000,000.00	Other income
Pre-job training subsidy	6,400.00		6,400.00	Other income
Shenzhen second patent application subsidy	1,000.00		1,000.00	Other income
Enterprise R&D subsidy	2,015,000.00		2,015,000.00	Other income

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### XLIX. Lease

#### 1. Company as a Lessee

Item	Amount of the Current Period
Interest expense on lease liabilities	35,072.65
Total cash outflow related to lease	303,480.70

The amounts disclosed below represent future lease payments for leases committed but not yet commenced

Remaining lease term	Undiscounted lease payment
Within 1 year	675,517.55
1-2 years	428,385.64
2-3 years	154,210.00
Over 3 years	
Total	1,258,113.19

#### 2. Company as a lessor

##### (1) Operating lease

Item	Amount of the Current Period
Operating lease income	451,428.54
Including: Income related to variable lease payments not included in lease receipts	

The undiscounted lease receipts to be received after June 30,2021 are as follows:

Remaining lease term	Undiscounted lease payment
Within 1 year	859,200.00
1-2 years	859,200.00
2-3 years	859,200.00
3-4 years	636,000.00
4-5 years	636,000.00
Over 5 years	106,000.00
Total	3,955,600.00

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 6. EQUITY IN OTHER ENTITIES

### (I) Equity in subsidiaries

#### (1) Structure of the Group

Name of the subsidiary	Principal place of business	Registration place	Business nature	Shareholding percentage (%)		Way of acquisition
				Direct	Indirect	
Jingdi Industrial (Shenzhen) Company Limited	Shenzhen	Shenzhen	Trading	100		Investment
Adway Constructional Engineering Design (Shenzhen) Company Limited	Shenzhen	Shenzhen	Project design	100		Investment
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	Huizhou	Huizhou	Trading	100		Investment
Huidong Yip's Development Company Limited	Huizhou	Huizhou	Decoration	100		Investment
Adway Construction (Hong Kong) Limited	Hong Kong	Hong Kong	Decoration	100		Investment

## 7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

During its business operation, the Company faces various financial risks: credit risks, liquidity risks and market risks (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the board of directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly audits the risk management controls and procedures, and reports their findings to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

### (1) Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The company credit risk is mainly produced in the monetary funds, notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investment, other debt investment and the financial guarantee contract, and debt instrument investment and derivative financial assets not included in the impairment evaluation scope to fair value and whose fluctuations are included in the current profits and losses. At the balance sheet date, the carrying amount of the Company's financial assets represents its maximum credit exposure.

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and it will almost not generate significant losses caused by bank default.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### (1) Credit risk (Continued)

In addition, with respect to notes receivable, accounts receivable, receivables financing and other receivables, the Company has policies to control credit risk exposure. The Company evaluates the Customer's credit qualification and establishes the corresponding credit period based on the Customer's financial position, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company will regularly monitor the credit records of customers. For customers with poor credit records, the Company will use written methods to urge payment, shorten the credit period or cancel the credit period to ensure that the overall credit risk of the Company is within a controllable range.

### (2) Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle by delivering cash or other financial assets.

It is the company's policy to ensure that it has sufficient cash to meet maturing debts. Liquidity risk is centrally controlled by the financial department of the company. By monitoring cash balances and rolling projections of cash flows over the next 12 months, the finance department ensures that the company has sufficient funds to repay its debts under all reasonable projections. At the same time, continuously monitor the company's compliance with borrowing agreements and obtain commitments from major financial institutions to provide adequate standby funds to meet short- and long-term funding needs.

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

Items	Closing balance					Total
	Immediate repayment	Within 1 year	1-2 years	2-5years	More than 5 years	
Short-Term Borrowing		284,853,880.89				284,853,880.89
Notes Payable		35,000,000.00				35,000,000.00
Accounts Payable		427,528,773.70				427,528,773.70
Contract Liability		158,764,152.55				158,764,152.55
Other Payables		15,294,127.03				15,294,127.03
<b>Total</b>		<b>921,440,934.17</b>				<b>921,440,934.17</b>
	Balance at the end of last year					
Items	Immediate repayment	Within 1 year	1-2 years	2-5years	More than 5 years	Total
Short-Term Borrowing		364,250,000.00				364,250,000.00
Notes Payable		55,000,000.00				55,000,000.00
Accounts Payable		512,328,088.59				512,328,088.59
Contract Liability		123,622,941.35				123,622,941.35
Other Payables		13,743,687.75				13,743,687.75
<b>Total</b>		<b>1,068,944,717.69</b>				<b>1,068,944,717.69</b>



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 7. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### (3) Market Risk

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

#### 1. Interest rate risk

Interest rate risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate. The Company's interest rate risk mainly arises from short term bank borrowings.

On June 30, 2021, when all other variables remain unchanged, the net profits of the Company would decrease or increase by RMB111,787.00 (on December 31, 2020: RMB148,257.14) supposing that floating rate increase or decrease by 100 basis points. The management thinks that 100 basis points reflect the reasonable range of the possible changes of interest rates in the next half year.

#### 2. Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate.

The Company continuously monitor the foreign currency transactions and the scale of foreign currency assets and liabilities to minimize the foreign exchange risks. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to achieve the purpose of avoiding exchange rate risk. In both the Current Period and the Preceding Period, the Company did not sign any forward foreign exchange contract or currency swap contract.

The exchange rate risk faced by the Company mainly come from the financial assets and liabilities denominated in HK dollars, and the foreign currency assets and liabilities are equivalent to the amount denominated in RMB indicated as below:

Item	Closing balance			Balance at the end of last year		
	US\$	HK\$	Total	US\$	HK\$	Total
Monetary capital		37,424.48	37,424.48	33,062.47		33,062.47
Total		37,424.48	37,424.48	33,062.47		33,062.47

On June 30, 2021, when all other variables remain unchanged, the net profits of the Company would decrease or increase by RMB1,871.22 (on December 31, 2020: RMB1,653.12) supposing that RMB to HKD appreciates or depreciates by 5%. The management thinks that 5% reflect the reasonable range of the possible changes of RMB to HKD in the next year.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 8. RELATED PARTY AND TRANSACTIONS

### (I) Controlling shareholders and actual controllers

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

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

Please refer to note 6. 'Interests in other entities' for details on the Company's subsidiaries.

### (III) Details on other related parties

<u>Name of other related parties</u>	<u>Relation between other related parties and the company</u>
Ye Guofeng	Family member who has a close relationship with the ultimate actual controller of the Company, executive director of the Company
Ye Niangting	Former executive director of the Company
Zhuang Liangbin	Family member who has a close relationship with the ultimate actual controller of the Company, non-executive director of the Company
Ye Jiajun	Family member who has a close relationship with the ultimate actual controller of the Company, executive director of the Company
Li Yuanfei	Non-executive director of the Company
Zhai Xin	Independent Non-executive director of the Company
Cheung Wai Yeung Michael	Independent Non-executive director of the Company
Lin Zhiyang	Independent Non-executive director of the Company
Ye Weizhou	Supervisors of the Company
Li Rui	Supervisors of the Company
Zu Li	Former supervisors of the Company
Tian Wen	Supervisors of the Company
Kou Yue	Senior management of the Company
Zhang Zhiqin	Senior management of the Company

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 8. RELATED PARTY AND TRANSACTIONS (Continued)

### (IV) Related party transactions

#### (1) Related party guarantees

The Company being as the guaranteed party:

Name of guarantor	Guaranteed amount	Guarantee start date	Guarantee due date	Whether guarantee has been fulfilled
Ye Yujing, Ye Xiujin, Ye Guofeng	80,000,000.00	2020/7/6	2024/6/16	No
Ye Yujing, Ye Xiujin, Ye Guofeng	150,000,000.00	2020/7/6	2024/6/16	No
Ye Yujing, Ye Xiujin, Ye Guofeng	60,000,000.00	2020/11/19	2023/11/1	No
Ye Yujing, Ye Xiujin	75,000,000.00	2020/2/10	2023/1/23	No
Ye Yujing, Ye Xiujin	40,000,000.00	2020/3/2	2023/3/1	No
Ye Yujing, Ye Xiujin	50,000,000.00	2020/4/24	2024/4/24	No
Ye Yujing, Ye Xiujin	50,000,000.00	2020/9/2	2023/9/25	No
Ye Yujing, Ye Xiujin	80,000,000.00	2020/12/20	2023/12/19	No
Ye Xiujin	100,000,000.00	2019/11/28	2021/11/28	No
Ye Yujing	26,054,880.98	2020/3/16	2025/3/16	No
Ye Yujing	120,000,000.00	2020/5/29	2023/5/28	No

#### (2) Key Management remuneration

Items	Amount of the Current Period	Amount of the Preceding Period
Key Management remuneration	1,361,168.14	1,370,000.00

## 9. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant capital commitments or contingent liabilities should be disclosed.

## 10. SUBSEQUENT EVENT

As at 30 September 2021, the Group had no significant subsequent events should be disclosed.

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 11. CAPITAL MANAGEMENT

The main objectives of the company's capital management are:

- to ensure the company's abilities of going concern, therefore, the company can provide continued returns to shareholders and other stakeholders.
- Pricing the products and services according to the risk level, so as to provide sufficient returns to shareholders.

The company has set a capital amount that is proportional to the risk. The capital structure is adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the company may adjust the amounts of dividends paid to shareholders, revise the capital returned to shareholders, issue new shares or sell assets to reduce liabilities.

The company monitors capital based on the adjusted debt/capital ratio.

The company's adjusted debt/capital ratios at the balance sheet date are as follows:

	Closing balance	Balance at the end of last year
Total liabilities	1,022,346,057.87	1,202,624,698.24
Less : Cash and cash equivalent	32,751,350.55	110,600,765.32
Adjusted net liabilities	989,594,707.32	1,092,023,932.92
Shareholder's equity	937,319,685.59	950,128,524.04
Adjusted capital	937,319,685.59	950,128,524.04
Adjusted debt/capital ratio	1.06	1.15

## 12. OTHER SIGNIFICANT EVENTS

### (I) Segment Information

#### 1. The determination basis and the accounting policy for the segment reporting

The Group will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Group that meets the following conditions simultaneously: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly evaluated by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

The Group is principally engaged in provision of interior and exterior building decoration and design services in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the Group regards that there is only one segment which is used to make decisions on resource allocation. All of the operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue is derived in the PRC during the six months ended 30 June 2021 (six months ended 30 June 2020: same). As at 30 June 2021, all of the non-current assets were located in the PRC (31 December 2020: same).

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (I) Note receivable

#### (1). Notes receivable shown as classification

Item	Closing balance	Balance at the end of last year
Bank acceptance bills	119,412.47	10,247,710.52
Commercial acceptance bills	12,020,388.37	12,507,408.22
Subtotal	12,139,800.84	22,755,118.74
Less: bad debt provision	606,990.04	
Total	11,532,810.80	22,755,118.74

#### (2). Notes receivable endorsed or discounted by the Company and not matured on the balance sheet date

Item	Closing balance of amount derecognized	Closing balance of amount not derecognized
Bank acceptance bills	8,890,000.00	
Commercial acceptance bills		9,819,707.27
Total	8,890,000.00	9,819,707.27

### (II) Account receivable

#### (1) Ageing analysis of accounts receivables based on invoice date is as follow

Ageing	Closing balance	Balance at the end of last year
Within 1 year (including 1 year)	238,807,157.41	176,899,528.99
1-2 years	153,765,395.40	459,858,633.84
2-3 years	345,495,366.46	119,163,232.17
3-4 years	85,640,034.30	82,756,222.44
4-5 years	66,889,740.27	64,389,529.08
Over 5 years	112,783,198.05	105,888,233.89
Subtotal	1,003,380,891.89	1,008,955,380.41
Less: provision for bad debts	439,552,724.29	401,179,548.24
Total	563,828,167.60	607,775,832.17

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (II) Account receivable (Continued)

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

Item	Closing balance					Balance at the end of last year				
	Gross carrying amount		Bad debt provision			Gross carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Percent of provision (%)	Net carrying amount	Amount	Proportion (%)	Amount	Percent of provision (%)	Net carrying amount
Account receivable with provision for the bad debt based on an individual basis	245,412,793.70	24.46	245,412,793.70	100.00		245,039,692.55	24.29	245,039,692.55	100.00	
Account receivable with the provision for bad debt based on a collective basis	757,968,098.19	75.54	194,139,930.59	25.61	563,828,167.60	763,915,687.86	75.71	156,139,855.69	20.44	607,775,832.17
Inc: aging portfolio	757,968,098.19	75.54	194,139,930.59	25.61	563,828,167.60	763,915,687.86	75.7	156,139,855.69	20.44	607,775,832.17
Total	1,003,380,891.89	100.00	439,552,724.29		563,828,167.60	1,008,955,380.41	100.00	401,179,548.24		607,775,832.17

Significant provision for bad debt made on individual basis:

Debtors	Closing balance			
	Gross carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Nanyang Zhongtai Property Development Ltd	30,620,359.35	30,620,359.35	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Chongqing Nengtou Property Ltd	27,418,863.26	27,418,863.26	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Qinghai Xinhua Merchandise Commercial Ltd	23,406,746.91	23,406,746.91	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhen Futian Bureau of public works	18,100,766.66	18,100,766.66	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Shenzhou Great Wall International Engineering Ltd	17,340,677.02	17,340,677.02	100.00	Expected to be unrecoverable as the customer went bankruptcy
Zunyi Xin Ao Property development Ltd	17,303,217.74	17,303,217.74	100.00	Expected to be unrecoverable as the dispute over settlement existed between the customer and the Company
Gansu Jincheng 5th Tourism Investment Ltd	15,847,404.78	15,847,404.78	100.00	Expected to be unrecoverable as the customer is in financial difficulty
Total	150,038,035.72	150,038,035.72		

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (II) Account receivable (Continued)

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

Provision for bad debt made on collective basis: aging portfolio

Aging	Closing balance		
	Gross carrying amount of account receivables	Bad debt provision	Proportion of provision (%)
Within 1 year (including 1 year)	238,807,157.41	11,931,357.87	5.00
1-2 years	151,984,949.98	15,198,495.00	10.00
2-3 years	244,190,828.03	73,257,248.41	30.00
3-4 years	47,341,275.40	23,670,637.70	50.00
4-5 years	27,853,478.79	22,282,783.03	80.00
Over 5 years	47,790,408.58	47,790,408.58	100.00
Total	757,968,098.19	194,130,930.59	

#### (3) Allowances for bad debts made, reversed or recovered for the current period

Item	Balance at the end of last year	Changes during the current period			Closing balance
		Provision accrued	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	245,039,692.55	760,000.00	-386,898.85		245,412,793.70
Provision for bad debts on collective basis	156,139,855.69	38,000,074.90			194,139,930.59
Total	401,179,548.24	38,760,074.90	-386,898.85		439,552,724.29

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (II) Account receivable (Continued)

#### (4) Top five account receivables according to closing balance of debtors

Debtors	Closing balance		Bad debt provision
	Gross carrying amount of account receivables	Proportion of total balance of account receivable (%)	
Linyi Dongfang Xinjiyuan Property., Ltd.	186,351,900.39	18.57	39,319,932.36
Zhong jian Installation engineering., Ltd	49,904,801.74	4.97	4,990,470.60
Shenzhen xinrunyuan property development., Ltd.	36,945,099.57	3.68	11,083,529.87
Nanyang Zhongtai property development., Ltd.	30,620,359.35	3.05	30,620,359.35
Chongqing nengtou property., Ltd	27,418,863.26	2.73	27,418,863.26
Total	331,241,024.31	33	113,433,155.44

### (III) Other receivable

Items	Closing balance	Balance at the end of last year
Interest receivable		
Dividend receivable		
Other receivables	49,534,013.88	35,844,377.50
Total	49,534,013.88	35,844,377.50

#### 1. Other receivable

##### (1) Other receivables disclosed by aging

Aging	Closing balance	Balance at the end of last year
Within 1 year (including 1 year)	25,751,405.38	18,047,870.18
1-2 years	10,676,168.04	6,220,427.85
2-3 years	6,121,156.88	2,632,019.99
3-4 years	2,382,575.77	2,596,453.26
4-5 years	496,862.30	755,651.74
Over 5 years	23,592,090.79	23,533,381.96
Subtotal	69,020,259.16	53,785,804.98
Less: provision for bad debts	19,486,245.28	17,941,427.48
Total	49,534,013.88	35,844,377.50



# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (III) Other receivable (parent company) (Continued)

#### 1. Other receivable (Continued)

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

Type	Closing balance				Balance at the end of last year				
	Gross carrying amount		Bad debt provision		Gross carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Percent of provision (%)	Amount	Proportion (%)	Amount	Percent of provision (%)	
Other receivable with provision for the bad debt based on an individual basis	9,376,523.40	13.59	9,376,523.40	100.00	10,136,523.40	18.85	10,136,523.40	100.00	
Other receivable with the provision for bad debt based on a collective basis	59,643,735.76	86.41	10,109,721.88	16.95	49,534,013.88	81.15	7,804,904.08	17.88	35,844,377.50
Inc: aging portfolio	47,811,668.25	69.27	10,109,721.88	21.14	37,701,946.37	59.16	7,804,904.08	24.53	24,012,973.96
Portfolio of related parties	11,832,067.51	17.14			11,832,067.51	22.00			11,831,403.54
<b>Total</b>	<b>69,020,259.16</b>	<b>100.00</b>	<b>19,486,245.28</b>		<b>49,534,013.88</b>	<b>53,785,804.98</b>	<b>100.00</b>	<b>17,941,427.48</b>	<b>35,844,377.50</b>

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

Provision for bad debts	Stage I Expected credit loss ("ECL") for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	7,804,904.08		10,136,523.40	17,941,427.48
Opening balance of the current period				
— Transferred to Stage II				
— Transferred to Stage III				
— Reversed to Stage II				
— Reversed to Stage I				
Accrued in the Current Period	2,304,817.80			2,304,817.80
Reversed in the Current Period				
Reseller in the Current Period			760,000.00	760,000.00
Written off in the Current Period				
Other changes				
Closing balance	10,109,721.88		9,376,523.40	19,486,245.28

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (III) Other receivable (parent company) (Continued)

#### 1. Other receivable (Continued)

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

Change in gross carrying amount of other receivables is as follows:

Balance of gross carrying amount	Stage I Expected credit loss for the following 12 months	Stage II Lifetime ECL (without credit impairment)	Stage III Lifetime ECL (with credit impairment)	Total
Balance at the end of last year	43,649,281.58		10,136,523.40	53,785,804.98
Opening balance of the current period				
— Transferred to Stage II				
— Transferred to Stage III				
— Reversed to Stage II				
— Reversed to Stage I				
Addition in the Current Period	18,983,955.91			18,983,955.91
Derecognition in the Current Period	2,989,501.73		760,000.00	3,749,501.73
Other changes				
Closing balance	59,643,735.76		9,376,523.40	69,020,259.16

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

Type	Balance at the end of last year	Changes during the current period			Closing balance
		Provision accrued	Recovered or reversed	Charged off or written off	
Provision for bad debts on an individual basis	10,136,523.40			-760,000.00	9,376,523.40
Provision for bad debts on collective basis	7,804,904.08	2,304,817.80			10,109,721.88
Total	17,941,427.48	2,304,817.80		-760,000.00	19,486,245.28

##### (5) Classification of other receivables

Nature	Closing balance of gross carrying amount	Balance of gross carrying amount at the end of the last year
Deposit	39,191,367.94	39,904,116.56
Current account	20,391,771.25	12,723,508.20
Reserve fund	495,009.93	468,694.82
Other	8,942,110.04	689,485.40
Total	69,020,259.16	53,785,804.98

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (III) Other receivable (parent company) (Continued)

#### 1. Other receivable (Continued)

(6) Top five other receivables according to closing balance of debtors

Debtors	Nature	Closing balance	Aging	Percentage of total closing balance of other Receivable (%)	Closing balance of bad debts provision
Huidong Yip's Development Company Limited	Current account	11,796,059.89	1-5 years	17.09	
Sanya zhongtie property cost., Ltd.	Guarantee monies for bidding	4,424,588.00	Over 5 years	6.41	4,424,588.00
Chongqing Henggao property co., Ltd	Guarantee monies for bidding	3,000,000.00	Over 5 years	4.35	3,000,000.00
Shanghai Zhujiang Investment Group Ltd	Guarantee monies for bidding	2,000,000.00	Within 1 year	2.90	100,000.00
Shenzhen pengcheng construction group cost., Ltd.	Guarantee monies for performance	2,000,000.00	3-4 years	2.90	1,000,000.00
Total		23,220,647.89		33.65	8,524,588.00

### (IV) Long term equity investment

Item	Closing balance			Balance at the end of last year		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Investment in subsidiaries	11,103,427.00	1,007,426.00	10,096,001.00	11,103,427.00	931,611.36	10,171,815.64
Total	11,103,427.00	1,007,426.00	10,096,001.00	11,103,427.00	931,611.36	10,171,815.64

#### 1. Investment in subsidiaries

Invested entities	Balance at the end of last year	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of impairment provision
Jingdi Industrial (Shenzhen) Company Limited	10,095,000.00			10,095,000.00	75290.68	985,698.00
Huidong Yip's Development Company Limited	500,000.00			500,000.00		
Huidong Shikuan Decorative Furniture Creative Culture Company Limited	500,000.00			500,000.00	523.96	13,301.00
Adway Construction (Hong Kong) Limited	8,427.00			8,427.00		8,427.00
Total	11,103,427.00			11,103,427.00	75,814.64	1,007,426.00

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

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

### (V) Operating revenue and operating cost

#### (1) Details of Operating revenue and operating cost

Item	Amount of the Current Period		Amount of the Preceding Period	
	Revenue	Cost	Revenue	Cost
Primary business	254,184,190.56	210,879,611.40	159,750,778.35	128,819,450.27
Other business	148,571.40	21,725.70	165,914.00	27,885.57
Total	254,332,761.96	210,901,337.10	159,916,692.35	128,847,335.84

Details of operating revenue:

Item	Amount of the Current Period	Amount of the Preceding Period
Building decoration business	244,583,174.38	145,241,885.10
Design service	6,658,230.02	6,418,516.26
Sales of goods	2,423,802.64	4,128,141.58
Others	667,554.92	2,907,918.06
Total	254,332,761.96	158,696,461.00

### (VI) Investment income

Item	Amount of the Current Period	Amount of the Preceding Period
Investment income from financial assets held for trading during the holding period		226,051.27
Total		226,051.27

# NOTES TO 2021 INTERIM FINANCIAL STATEMENTS

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

## 14. SUPPLEMENTARY INFORMATION

### (I) Breakdown of non-recurring profit or loss for the Current Period

Item	Amount	Note
Profit or loss on disposal of non-current assets	860,304.57	
Government grants included in profits or losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	599,607.60	
Profit or loss from debt restructuring	-203,939.14	
Reversal of provisions for impairment of receivables and contract assets with separate impairment test	386,898.85	
Other non-operating income and expenses other than the aforementioned items	-578,872.91	
Sub-total	1,063,998.97	
Impact of income tax	-159,599.85	
<b>Total</b>	<b>904,399.12</b>	

### (II) Net asset yield and earnings per share:

Profits of the reporting period	Weighted average net asset yield	Earnings per share (RMB)	
		Basic	Diluted
	(%)		
Net profit attributable to ordinary shareholders of the Company	0.43	0.02	0.02
Net profit attributable to ordinary shareholders net of non-recurring profit or loss	0.34	0.01	0.01