

Hangzhou Robam Appliances Co., Ltd.

Semi-Annual Report 2020



August 2020

Chapter 1 Important Notes, Contents and Interpretations

The Board of Directors, the Board of Supervisors, as well as the directors, supervisors and senior management of Hangzhou Robam Appliances Co., Ltd. (the Company) hereby guarantee that there are no false representations, misleading statements, or material omissions in this Semi-Annual Report (“the Report”), and are severally and jointly liable for the authenticity, accuracy and completeness of the information contained herein.

Ren Jianhua, the head of the Company, Zhang Guofu, the person in charge of the Company’s accounting, and Zhang Guofu, the head of the accounting department (the accountant in charge) hereby declare and warrant that the financial report contained in the Report is authentic, accurate, and complete.

All the directors attended a board meeting during which they reviewed the Report.

The Company does not plan to distribute cash dividends or bonus shares, or convert capital reserve into capital stock.

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Interpretations

Item	refer(s) to	Contents
The Company, Company, Robam Appliances	refer to	Hangzhou Robam Appliances Co., Ltd.
MingQi	refers to	Hangzhou MingQi Electric Co., Ltd.
The Group	refers to	Robam Appliances, MingQi, Beijing Robam Appliances Sales Co. Ltd., Shanghai Robam Appliances Sales Co. Ltd., Kinde Intelligent
Robam Group	refers to	Hangzhou Robam Industrial Group Co., Ltd., controlling shareholder of the Company
The reporting period	refers to	the first half of 2020
Kinde	refers to	Shengzhou Kinde Intelligent Kitchen Appliances Co., Ltd.
AVC	refers to	Beijing All View Cloud Data Technology Co., Ltd.

Chapter 2 Company Profile and Major Financial Indicators

I. Company Profile

Stock abbreviation	Robam	Stock code	002508
Stocks traded on	Shenzhen Stock Exchange		
Chinese name of the Company	杭州老板电器股份有限公司		
Short Chinese name of the Company (if any)	老板电器		
English name of the Company (if any)	HANGZHOU ROBAM APPLIANCES CO., LTD.		
Short English name of the Company (if any)	ROBAM		
Legal representative of the Company	Ren Jianhua		

II. Contact Person and Contact Information

	Secretary of the Board of Directors	Representative of securities affairs
Name	Wang Gang	Jiang Yu
Contact address	No. 592, Linping Avenue, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province	No. 592, Linping Avenue, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province
Telephone	0571-86187810	0571-86187810
Fax	0571-86187769	0571-86187769
E-mail	wg@robam.com	jy@robam.com

III. Other Information

1. Contact information

Whether the registered address, office address and zip code as well as the website and email address of the Company changed during the reporting period?

Applicable Not Applicable

There are no changes in the registered address, office address and zip code as well as the website and email address of the Company during the reporting period. For details, please refer to the Annual Report 2019.

2. Information disclosure and filing location

Whether the information disclosure and filing locations changed during the reporting period?

Applicable Not Applicable

During the reporting period, there were no changes in the newspapers designated by the Company for information disclosure, the website designated by China Securities Regulatory Commission (CSRC) for publishing the semi-annual report, and the location for filing the semi-annual report of the Company. For details, please refer to the Annual Report 2019.

IV. Key Accounting Data and Financial Indicators

Whether the Company needs to retroactively adjust or restate the accounting data of previous years?

Yes No

	The reporting period	The same period last year	YoY change
Operating Income (RMB)	3,211,172,335.79	3,527,413,882.96	-8.97%
Net profit attributable to shareholders of the listed company (RMB)	612,317,249.29	670,403,994.20	-8.66%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains/losses (RMB)	551,320,432.05	622,539,579.01	-11.44%
Net cash flow from operating activities (RMB)	407,687,133.56	658,691,084.58	-38.11%
Basic earnings per share (EPS) (RMB/share)	0.65	0.71	-8.45%
Diluted EPS (RMB/share)	0.65	0.71	-8.45%
Weighted average return on net assets	8.64%	10.51%	-1.87%
	End of the reporting period	End of last year	Change
Total assets (RMB)	10,753,455,626.61	10,651,922,572.87	0.95%
Net assets attributable to shareholders of the listed company (RMB)	7,002,194,105.75	6,864,388,881.46	2.01%

V. Differences in Accounting Data under Domestic and Foreign Accounting Standards

1. Whether there are differences in the net profit and net asset disclosed in the Financial Report under International Accounting Standards (IAS) and China's accounting standards?

Applicable Not Applicable

There is no difference in the net profit and net asset disclosed in the Financial Report under IAS and China's accounting standards during the reporting period.

2. Whether there are differences in the net profit and net asset disclosed in the Financial Report under foreign accounting standards and China's accounting standards during?

Applicable Not Applicable

There is no difference in the net profit and net asset disclosed in the Financial Report under foreign accounting standards and China's accounting standards during the reporting period.

VI. Items and Amounts of Non-recurring Gains and Losses

Applicable Not Applicable

In RMB

Item	Amount	Description
Gains and losses on disposal of non-current assets (including the part written-off with provision for asset impairment accrued)	11,388.98	
Government subsidy included in current gains and losses (except the government subsidy closely related to the Company's business and enjoyed by quota or ration in accordance with the unified national standard)	73,756,234.28	
Gains and losses from entrusting others with investment or asset management	0.00	
Other non-operating revenues and expenses except the above items	-1,138,951.47	
Less: Affected amount of income tax	11,320,206.38	
Affected amount of minority shareholders' equity (after tax)	311,648.17	
Total	60,996,817.24	--

During the reporting period, there is no circumstance that the items of non-recurring gains and losses defined and enumerated in accordance with the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-current Gains and Losses* are defined as recurring gains and losses.

Chapter 3 Overview of the Company's Business

I. Main Businesses during the Reporting Period

Dedicated to creating higher-quality kitchens for families, the Company focuses on the research and development (R&D), production, sales and comprehensive services of kitchen appliances, including range hoods, gas stoves, disinfection cabinets, steam ovens, baking ovens, steaming-baking ovens, dishwashers, water purifiers, water heaters, microwaves and integrated stoves. After 41 years of development and growth, ROBAM has become a leading company in the Chinese kitchen appliance industry, with the longest history, the highest market share and the largest production capacity.

II. Significant Changes in Major Assets

1. Significant changes in major assets

Major assets	Notes on significant changes
Equity assets	No significant change in the Company's equity assets during the reporting period
Fixed assets	No significant change in the Company's fixed assets during the reporting period
Intangible assets	No significant change in the Company's intangible assets during the reporting period
Projects under construction	No significant change in the Company's projects under construction during the reporting period

2. Major overseas assets

Applicable Not Applicable

III. Analysis of Core Competitiveness

There is no significant change in the Company's core competitiveness during the reporting period. The Company's core competitiveness is mainly reflected in its high-end brand positioning, R&D capability for continuous innovation, comprehensive and efficient operation capability, as shown in the Annual Report 2019.

Chapter 4 Discussion and Analysis of Operations

I. Overview

In the first half of 2020, the COVID-19 caused serious impact on the production and operation of enterprises and residents' consumption, and the kitchen appliance industry was heavily hit, with an overall significant decline. In terms of the retail channel, as shown in AVC monthly data report based on offline retail monitoring ("AVC Offline Report"), the year-on-year (YoY) growths of the retail sales of the main categories of kitchen appliances, i.e. range hoods, gas stoves and disinfection cabinets, registered -28.0%, -27.1% and -31.1% respectively, a sharp decline due to the epidemic. In terms of the online channel, as shown in AVC monthly data report based on online retail monitoring ("AVC Online Report"), the retail sales of the kitchen appliance packages, range hoods and gas stoves increased by -6.0%, 7.2% and 11.4% respectively as compared with those of the same period last year, a slight impact of the epidemic due to the online transaction mode. In terms of the engineering channel, as shown in AVC half-year monitoring data analysis report of finely decorated commercial housing market ("AVC Fine Decoration Report"), the size of the supporting facilities of range hoods decreased by 33.4% year on year, a sharp decline due to the fact that it was impossible to carry out the construction during the epidemic.

The epidemic also caused severe impact and challenges to the Company. As a leader in the industry, the Company took strict measures for epidemic prevention and control, and actively promoted the efficient resumption of work and production, implementing the annual business concept of "improving strength cross fiscal periods and making steady growth", in an effort to enhance our products and seizing more market share. As a result, the performance across all channels improved greatly year-on-year from the second quarter onwards, with the operating income reaching RMB 3,211,172,335.79 in the first half of 2020, down 8.97% YoY; and the net profits for shareholders of the listed company of RMB 612,317,249.29, down 8.66% YoY, significantly higher than the average level of the industry.

As of June 30, 2020, according to AVC Offline Report, the market shares and market rankings of the Company's main product categories in terms of offline retail sales are shown in the following table:

Range hood	Gas stove	Disinfection cabinet	Built-in electric steam oven	Built-in microwave oven	Built-in all-purpose oven	Built-in electric oven	Built-in dishwasher
28.30%	25.60%	20.60%	33.70%	38.40%	31.30%	27.60%	9.50%
1	1	2	1	1	2	2	4

As of June 30, 2020, according to AVC Online Report, the market shares and market rankings of the Company's main

product categories in terms of online retail sales are shown in the following table:

Kitchen appliance package	2-piece package of range hood and stove	Range hood	Gas stove	Built-in electric steam oven	Built-in all-purpose oven	Built-in disinfection cabinet	Built-in dishwasher
26.40%	27.0%	15.70%	6.6%	24.0%	8.20%	8.30%	8.1%
1	1	2	4	2	3	3	4

As of June 30, 2020, according to AVC Fine Decoration Report, the market share of Robam appliances in the fine decoration channel was 34.8%, ranking No.1 in the industry.

In the first half of 2020, as for the marketing, the Company deepened its high-end brand positioning by centering on customers and products, and adopting the market-oriented strategy, with all channels empowering each other for synergetic development. For the retail channel, the Company continued to mainly promote the brand among key accounts, and improve the product system; enhanced direct sales in franchise stores and the building of the flat operating system to increase the operation efficiency; and strengthened new marketing capabilities to build the management system of community-based operation and stock operation, further tapping market potentials. For the e-commerce channel, the Company continued to improve operation efficiency based on the concept of “deepening the operation by category, restructuring user values, and enhancing brand building”. The structure of Category 1 has been optimized and supporting products of Category 2 and 3 have been increased. In addition, the Company focused on the experience of old and new customers to discover customer values, and improved the brand’s natural search results to strengthen brand positioning. For the engineering channel, the Company cooperated with leading real estate companies, and constantly optimized product and customer structures, to gradually increase the penetration rates of all categories and further promote the Center Clean System (CCS). As regards the innovation channel, the Company fully cooperated with leading whole house customization companies and home decoration companies, seized traffic-based platforms, and cooperated with designer teams to seek channel dividends and the market share of the existing stock by relying on products, contents and activities. For the overseas channel, the Company, in response to the enormous challenges posed by the epidemic, enhanced its positioning of “a global leader of high-end kitchen appliances”, and steadily promoted the internationalization of the brand, gradually expanding its global presence.

In the first half of 2020, in terms of the technology, the Company applied the spirit of workmanship in innovation, and made remarkable achievements in fields such as new product development, talent training, technology patents, and standard development. The Company independently developed several new products, including the 3-direction high-suction range hood 5915S and the dual chamber range hood 60X2, the steaming-baking oven CQ975 with a capacity of 40 liters and 50 automatic recipes, and dishwashers 775A and 776X more suitable for washing dishes for

Chinese cuisines. These products enriched the Company's product categories, and their appearance design, performance indicators and user experience have been optimized. The integrated range hood 5908S+90B8Z, the dual chamber oven RQ035 and the dishwasher W735 won AWE 2020 Excellent Product Awards. In addition, the Company continuously introduced high level technical experts, speeded up internal team building, and improved the building of different levels of technical talents. It also placed high importance on R&D quality and efficiency, consistently optimized the product development cycle and increased successful product launch, and accumulated intelligent and integrated technologies. In the first half of 2020, it applied for 397 patents, including 122 invention patents, and obtained 157 patent licenses, including 8 invention patents. Meanwhile, the Company led the development of the *Technical specification for green-design product assessment - household dishwashers*. It also participated in the development of 2 national standards, i.e. *Range hood* and *General safety technique conditions of gas burning appliances*; 6 group standards, e.g. *Smart Kitchen* and *Assessment requirements for forerunner standard - Domestic gas instantaneous water heater*; and the standard of *Range hood* for products made in Zhejiang. The Company was awarded "Model Enterprise for Intellectual Property Rights" and the 2nd Prize of Science and Technology Progress assessed by China National Light Industry Council.

In the first half of 2020, with regard to the production, the Company focused on improving the manufacturing capacity of multiple categories of kitchen appliances, particularly the 3 core business concepts of "Quality Manufacturing, Precise Delivery, and Data-driven Development". Firstly, it continued to promote technology-driven intelligent manufacturing based on automated production and information, and balance production capacity structure to steadily expand the capacity of all categories, thereby flexibly meeting the diversified demands of the market. Secondly, it established the cost control mechanism with comprehensive competitive advantages, and continuously refined the production modules, in an effort to achieve zero defects in quality, increase the process quality, and reduce the manufacturing cost. It integrated supply chain resources to build the supply chain ecology, which decreased the purchase costs and expanded the purchase scale. Besides, the Company built an agile supply chain management system and a data-driven lean operation system, and continuously enhanced the integration of automated production and information, thus realizing the online information interaction of projects, purchasers, and suppliers, and optimizing the mechanism of resource allocation. The Maoshan Intelligent Manufacturing Park Project and the Unmanned Dark Workshop Transformation Project are under smooth construction. After completion, they will promote the iteration and upgrading of products and the upgrading of intelligent manufacturing, laying a solid foundation for the long-term development of the Company.

In the first half of 2020, in terms of the brand, Robam comprehensively upgraded the concept of “creating new Chinese kitchen” to develop into the No. 1 brand in the market of Chinese high-end kitchen appliances. The Company built the brand system in a multi-dimensional manner, covering products, channels, culture, and events, to define Chinese new kitchen with the 4-piece package of “range hood, stove, steam oven and dishwasher”, and promote the changes in Chinese cuisines via multiple online and offline channels. It upgraded the brand image system of channels, increased the coverage of new visual image of terminal stores, and upgraded the version 2.0 of the visual and electronic scenarios handbook of e-commerce shops. The Company inaugurated the Chinese Culinary College and invited Song Weilong as the spokesperson, and designed the Family Banquet, Longing for Kitchen Festival, Kitchen Carnival, Comprehensive Culinary Day and other theme activities, to create Robam’s Chinese culinary curves. It incorporated the classic recipes in the recipes of its products through collaboration with culinary masters of the 8 major Chinese cuisines, restaurants in cities, and other parties. The Company also continued the interaction with consumers, established the 4 satisfaction systems with full user contact points, and prepared the specific user research report. Robam served as the delicious food creativity officer of the TV shows of “Back to the Goode Life Season 4” and “Chinese Restaurant Season 4” to interpret Chinese cuisines and create Chinese tastes. It became the exclusive household kitchen appliance supplier for 2022 Asian Games held in Hangzhou to support the promotion and brand building of the Games.

In the first half of 2020, MingQi enhanced its transformation and upgrading, implemented the classified management of offline channels, optimized the driving efficiency, and expanded online channels to enrich the approaches to channel marketing and the promotion of product categories. Kinde maintained its high-end brand image, focused on channel building, shop operation and ability improvement, and smoothly pushed forward with the industrialization of the intelligent integrated kitchen ecology, which will further improve the R&D and production capabilities for integrated products.

In the first half of 2020, the Company continued to be recognized by the capital market in terms of corporate governance, internal management, and shareholder returns, among others, and won the awards of “Best Board of Directors of SME Board”, “Best New Media Operator of SME Board”, “Best Company for Investor Relations” and “Best Board Secretary of SME Board” at the event of the 11th Chinese Listed Company Investor Relations Tianma Award held by Securities Times. It also won awards such as “Top 50 Most Valuable Listed Companies of SME Board”, “Top 10 Management Teams of SME Board”, and “Outstanding Board Secretary for Information Disclosure of Listed Companies” at the event of the 14th Value Appraisal of Chinese Listed Companies. The Company will continue to make efforts in the kitchen field and facilitate long-term value investment.

II. Analysis of Main Business

Please refer to the above section of “Overview” in this chapter for the overview of main business.

Year-on-year changes in key financial data

In RMB

	The reporting period	The same period last year	YOY change	Reason for change
Operating income	3,211,172,335.79	3,527,413,882.96	-8.97%	
Operating costs	1,450,728,576.58	1,599,401,962.81	-9.30%	
Sale expenses	892,679,297.76	990,044,906.61	-9.83%	
Overhead cost	116,085,321.98	116,171,528.77	-0.07%	
Financial expense	-47,782,493.84	-29,604,970.87	N/A	
Income tax expense	111,490,061.67	123,074,038.15	-9.41%	
R&D input	117,824,032.62	107,629,786.13	9.47%	
Net cash flow from operating activities	407,687,133.56	658,691,084.58	-38.11%	Due to the decrease in payment collection in the first quarter as a result of the epidemic
Net cash flow from investment activities	352,943,572.24	482,830,282.28	-26.90%	
Net cash flow from financing activities	-474,512,025.00	-759,219,240.00	N/A	
Net increase in cash and cash equivalents	286,659,233.75	382,418,542.61	-25.04%	

Composition of operating income

In RMB

	The reporting period		The same period last year		YOY change
	Value	% of operating income	Value	% of operating income	
Total operating income	3,211,172,335.79	100%	3,527,413,882.96	100%	-8.97%
By industry					
Kitchen and bathroom appliances	3,146,865,561.70	98.00%	3,452,212,044.04	97.87%	-8.84%
Other operating income	64,306,774.09	2.00%	75,201,838.92	2.13%	-14.49%

By product category					
Category 1	2,637,225,698.75	82.13%	2,980,329,193.52	84.49%	-11.51%
Incl: Range hood	1,650,449,733.67	51.40%	1,883,974,091.22	53.41%	-12.40%
Gas stove	758,465,499.75	23.62%	850,003,518.67	24.10%	-10.77%
Disinfection cabinet	228,310,465.33	7.11%	246,351,583.63	6.98%	-7.32%
Category 2	265,214,436.40	8.26%	217,644,531.41	6.17%	21.86%
Incl: All-purpose oven	133,537,304.02	4.16%	27,487,524.98	0.78%	385.81%
Steam oven	85,061,189.53	2.65%	116,909,353.95	3.31%	-27.24%
Baking oven	46,615,942.85	1.45%	73,247,652.48	2.08%	-36.36%
Category 3	112,260,606.07	3.49%	112,059,992.91	3.18%	0.18%
Including: Dishwasher	68,865,113.63	2.14%	61,326,597.24	1.74%	12.29%
Water purifier	24,211,752.65	0.75%	40,407,985.49	1.15%	-40.08%
Water heater	19,183,739.79	0.60%	10,325,410.18	0.29%	85.79%
Integrated stove	98,976,247.02	3.08%	80,702,117.50	2.29%	22.64%
Other small appliances	33,188,573.46	1.04%	61,476,208.70	1.74%	-46.01%
Other operating income	64,306,774.09	2.00%	75,201,838.92	2.13%	-14.49%
By region					
East China	1,543,503,690.71	48.07%	1,546,877,053.21	43.85%	-0.22%
South China	451,116,850.34	14.05%	435,621,166.26	12.35%	3.56%
North China	292,319,457.85	9.10%	428,733,427.16	12.15%	-31.82%
Central China	301,333,669.68	9.38%	348,689,600.83	9.89%	-13.58%
Southwest China	242,691,912.60	7.56%	286,581,351.82	8.12%	-15.31%
Northeast China	169,670,983.55	5.28%	207,137,172.65	5.87%	-18.09%
Northwest China	135,468,027.41	4.22%	178,363,060.47	5.06%	-24.05%
East China-Others	64,306,774.09	2.00%	75,201,838.92	2.13%	-14.49%
Overseas	10,760,969.56	0.34%	20,209,211.64	0.57%	-46.75%

Industries, products and regions accounting for more than 10% of the Company's operating income or profit

In RMB

	Operating income	Operating costs	Gross margin	YoY change in operating income	YoY change in operating costs	YoY change in the gross margin

By industry						
Kitchen and bathroom appliances	3,146,865,561.70	1,429,892,268.93	54.56%	-8.84%	-8.99%	0.07%
By product						
Range hood	1,650,449,733.66	686,351,807.72	58.41%	-12.40%	-12.13%	-0.12%
Gas stove	758,465,499.75	323,033,918.27	57.41%	-10.77%	-13.87%	1.53%
By region						
East China	1,543,503,690.71	687,677,137.40	55.45%	-0.22%	-2.09%	0.85%
South China	451,116,850.34	213,545,524.30	52.66%	3.56%	4.74%	-0.53%

Main business data of the Company in the recent reporting period according to adjusted statistical caliber at the end of the reporting period is applied in case that the statistical caliber of such data is adjusted during the reporting period

Applicable Not Applicable

Description of reasons for relevant data increasing/decreasing by more than 30% year-on-year

Applicable Not Applicable

III. Analysis of Non-core Business

Applicable Not Applicable

IV. Analysis of Assets and Liabilities

1. Significant changes in assets composition

In RMB

	End of the reporting period		End of the same period last year		Change in percentage	Note on significant changes
	Value	% of total assets	Value	% of total assets		
Monetary capital	4,351,296,343.79	40.46%	2,578,726,413.49	27.28%	13.18%	-
Accounts receivable	772,891,855.63	7.19%	490,952,083.71	5.19%	2.00%	-
Inventory	1,269,882,745.35	11.81%	1,216,207,972.47	12.87%	-1.06%	-
Investment real estate	108,094.94	0.00%	117,081.74	0.00%	0.00%	-
Long-term equity investment	1,929,118.33	0.02%	2,687,049.11	0.03%	-0.01%	-
Fixed assets	799,578,416.63	7.44%	839,262,550.21	8.88%	-1.44%	-
Projects under construction	333,519,454.24	3.10%	236,345,778.78	2.50%	0.60%	-

2. Assets and liabilities measured at fair value

Applicable Not Applicable

3. Restricted asset rights by the end of the reporting period

N/A

V. Analysis of Investment

1. Overview

Applicable Not Applicable

2. Major equity investments obtained during the reporting period

Applicable Not Applicable

3. Major ongoing non-equity investments during the reporting period

Applicable Not Applicable

4. Financial assets measured at fair value

Applicable Not Applicable

5. Financial asset investment

(1) Securities investment

Applicable Not Applicable

The Company had no securities investment during the reporting period.

(2) Derivative investment

Applicable Not Applicable

The Company had no derivatives investment during the reporting period.

6. Use of the raised funds

Applicable Not Applicable

The Company did not use the raised funds during the reporting period.

7. Investment in important projects with non-raised funds

Applicable Not Applicable

During the reporting period, the Company did not invest in any important projects with non-raised funds.

VI. Sale of Major Assets and Equities

1. Sale of major assets

Applicable Not Applicable

The Company did not sell major assets during the reporting period.

2. Sale of major equities

Applicable Not Applicable

VII. Analysis of Main Holding and Joint-stock Companies

Applicable Not Applicable

Main subsidiaries and joint-stock companies affecting more than 10% of the Company's net profit

In RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
MingQi	Subsidiary	Production and sales of kitchen appliances	50,000,000.00	154,722,926.83	82,946,462.33	79,810,938.58	-1,905,697.52	-1,784,367.54
Shanghai Robam	Subsidiary	Sales of kitchen appliances	5,000,000.00	74,048,737.32	5,783,316.27	127,822,862.68	-3,617,043.40	-4,382,622.73
Beijing Robam	Subsidiary	Sales of kitchen appliances	5,000,000.00	62,654,721.76	40,704,303.78	58,348,724.71	-834,028.26	-740,150.84
Kinde	Subsidiary	Production and sales of integrated stoves	32,653,061.00	369,925,785.39	253,242,216.70	92,100,731.82	25,710,966.98	22,165,638.90

Applicable Not Applicable

Description of main holding and joint-stock companies

VIII. Structured Entities Controlled by the Company

Applicable Not Applicable

IX. Prediction of Operating Results in January to September 2020

Applicable Not Applicable

X. Risks and Responses

N/A

Chapter 5 Significant Matters

I. Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders during the Reporting Period

1. Shareholders' meeting during the reporting period

Session of meeting	Type of meeting	Proportion of attending investors	Date of meeting	Date of disclosure	Disclosure index
2019 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	65.33%	May 19, 2020	May 20, 2020	<i>Announcement of Resolutions of the 2019 Annual General Meeting of Shareholders (Announcement No.2020-015) (www.cninfo.com.cn)</i>

2. Preferred shareholders with voting rights recovered requested to convene an extraordinary general meeting of shareholders

Applicable Not Applicable

II. Profit Distribution and Conversion of Capital Reserve into Capital Stock During the Reporting Period

Applicable Not Applicable

The Company has no plans of distributing cash dividends or bonus shares, or converting capital reserve into capital stock for the first half of 2020.

III. Commitments made by the Company's actual controllers, shareholders, affiliates, purchasers and the Company itself and other relevant parties already fulfilled during the reporting period and not yet fulfilled at the end of the reporting period

Applicable Not Applicable

Commitment	Committing party	Commitment type	Contents of commitment	Date of commitment	Commitment duration	Performance
Commitment made during initial	Directors, supervisors and senior management	Commitment on restriction for sales of	Upon the expiration of the above 36-month restricted sales period, the shares transferred by any of them each year shall not exceed 25% of	November 23, 2010	Long-term commitment	Strict performance

public offering or re-financing	directly and indirectly holding shares of the Company	shares	the total shares of the Company held directly or indirectly by him/her; and shall not transfer the shares of the Company held directly or indirectly by him/her within half year after leaving the Company			
	Hangzhou Robam Industrial Group Co., Ltd.; Ren Jianhua	Commitment on avoiding horizontal competition	1. The Company/I and other companies under the Company's /my control do not and will not, directly or indirectly engage in any activities which are in horizontal competition with existing and future businesses of ROBAM and its holding subsidiaries; 2. If any business opportunities obtained from any third party by the Company/I and other companies under the Company's /my control constitute or may constitute substantial competition with the businesses of ROBAM, the Company/I will immediately notify ROBAM and transfer such opportunities to ROBAM; 3. The Company/I and other companies under the Company's /my control promise not to provide any technology information, technological process, sales channel and other commercial secrets for any other companies, enterprises, organizations or individuals whose businesses is in competition with those of ROBAM.	November 23, 2010	Long-term commitments	Strict performance
Other commitments made to small and medium shareholders of the Company	Company	Dividend	The total distributed profits for three (3) consecutive years shall be no less than 40% of the yearly average attributable profits achieved by the Company in such three (3) years.	April 10, 2018	Three years	Strict performance

Whether the commitments are performed on time	Yes
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IV. Appointment and Dismissal of Accounting Firm

Whether the semi-annual financial report has been audited

Yes No

The semi-annual financial report of the Company has not been audited.

V. Statements of the Board of Directors and the Board of Supervisors on the “Non-standard Audit Report” Issued by the Accounting Firm for the Reporting Period

Applicable Not Applicable

VI. Statements of the Board of Directors on the “Non-standard Audit Report” for the Last Year

Applicable Not Applicable

VII. Matters Related to Bankruptcy Reorganization

Applicable Not Applicable

The Company did not have any matters related to bankruptcy reorganization during the reporting period.

VIII. Litigation Matters

Material litigation and arbitration

Applicable Not Applicable

The Company had no major litigation and arbitration during the reporting period.

Other litigation matters

Applicable Not Applicable

IX. Questions Raised by the Media

Applicable Not Applicable

No general question was raised by the media against the Company during the reporting period.

X. Punishment and Rectification

Applicable Not Applicable

There was no punishment or rectification during the reporting period.

XI. Integrity Conditions of the Company and its Controlling Shareholders

Applicable Not Applicable

XII. Implementation of the Equity Incentive Plan, Employee Stock Ownership Plan or other Employee Incentives

Applicable Not Applicable

1. Implementation of the Initial Restrictive Equity Incentive Plan

(1) On January 13, 2015, the Company reviewed and approved the *Proposal on the Initial Restrictive Equity Incentive Plan (Draft) and its Summary of Hangzhou Robam Appliances Co., Ltd.* and the *Proposal on Requesting the General Meeting of Shareholders of Hangzhou Robam Appliances Co., Ltd. to Authorize the Board of Directors to Handle Matters Related to the Restrictive Equity Incentive Plan* at the first Extraordinary General Meeting of Shareholders for 2015 of the Company.

(2) On January 21, 2015, the Company reviewed and approved the *Proposal on Awarding Restrictive Stocks to Incentive Objects* at the fifth meeting of the third Board of Directors and the fourth meeting of the third Board of Supervisors.

(3) On February 13, 2015, the Company completed the registration for the first grant of restrictive stocks involved in the *Initial Restrictive Equity Incentive Plan (Draft) of Hangzhou Robam Appliances Co., Ltd.*

(4) On January 4, 2016, the Company reviewed and approved the *Proposal on Adjustment to Number of Reserved Restrictive Stocks* and the *Proposal on Matters Concerning the Grant of Reserved Restrictive Stocks to Incentive Objects* at the twelfth meeting of the third Board of Directors and the tenth meeting of the third Board of Supervisors.

(5) On January 22, 2016, the Company reviewed and approved the *Proposal on Releasing the First Unlock Period for the Initial Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* at the thirteenth meeting of the third Board of Directors and the eleventh meeting of the third Board of Supervisors.

(6) On February 5, 2016, the Company completed the registration for the grant of reserved restrictive stocks involved in the *Initial Restrictive Equity Incentive Plan (Draft) of Hangzhou Robam Appliances Co., Ltd.*

(7) On April 7, 2016, the Company reviewed and approved the *Proposal on the Repurchase and Cancellation of Some Incentive Shares under the Initial Restrictive Equity Incentive Plan* at the fourteenth meeting of the third Board of Directors and the twelfth meeting of the third Board of Supervisors.

(8) On January 23, 2017, the Company reviewed and approved the *Proposal on the Repurchase and Cancellation of Some Incentive Stocks under the Initial Restrictive Equity Incentive Plan*, the *Proposal on Releasing the Second Unlock Period for the Initial Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* and the *Proposal on Releasing the First Unlock Period for the Reserved Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* at the nineteenth meeting of the third Board of Directors and the sixteenth meeting of the third Board of Supervisors.

(9) On February 6, 2018, the Company reviewed and approved the *Proposal on Releasing the Third Unlock Period for the Initial Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* and the *Proposal on Releasing the Second Unlock Period for the Reserved Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* at the fourth meeting of the fourth

Board of Directors and the fourth meeting of the fourth Board of Supervisors.

(10) On January 21, 2019, the Company reviewed and approved the *Proposal on Releasing the Third Unlock Period for the Reserved Grant of Restrictive Stocks under the Restrictive Equity Incentive Plan* at the ninth meeting of the fourth Board of Directors and the ninth meeting of the fourth Board of Supervisors

2. Implementation of 2018 Employee Stock Ownership Plan

(1) On January 11, 2018, the Company reviewed and approved the *Proposal on 2018 Employee Stock Ownership Plan of the Company (Draft) and its Summary* and the *Proposal on Authorizing the Board of Directors to Handle Matters Concerning the Employee Stock Ownership Plan* at the third meeting of the fourth Board of Directors. On the same day, the Company reviewed and approved the *Proposal on 2018 Employee Stock Ownership Plan of the Company (Draft) and its Summary* at the third meeting of the fourth Board of Supervisors.

(2) On February 2, 2018, the Company reviewed and approved the *Proposal on 2018 Employee Stock Ownership Plan of the Company (Draft) and its Summary* and the *Proposal on Authorizing the Board of Directors to Handle Matters Concerning the Employee Stock Ownership Plan* at the first Extraordinary General Meeting of Shareholders of 2018.

(3) On May 4, 2018, the Company completed the 2018 employee stock ownership plan (ESOP) at the purchase price of RMB 35.94/share, with 5,443,300 shares, accounting for 0.57% of the Company's total shares.

(4) On July 22, 2020, the Company completed the ESOP. See details in the *Announcement on the Completion of the Employee Stock Ownership Plan* (Announcement No. 2020-018).

XIII. Major Connected Transactions

1. Connected transactions concerning daily operations

Applicable Not Applicable

The Company had no connected transactions concerning daily operations during the reporting period.

2. Connected transactions related to the acquisition or sales of assets or equity

Applicable Not Applicable

The Company had no connected transactions related to the acquisition or sales of assets or equity during the reporting period.

3. Connected transactions related to joint outward investment

Applicable Not Applicable

The Company had no connected transactions related to joint outward investment during the reporting period.

4. Connected transactions on credit and debt

Applicable Not Applicable

The Company had no connected transactions on credit and debt during the reporting period.

5. Other major connected transactions

Applicable Not Applicable

There were no other major connected transactions during the reporting period.

XIV. Non-operating Occupation of Funds of the Listed Company by the Controlling Shareholder and its Affiliated Parties

Applicable Not Applicable

There was no non-operating occupation of funds of the listed company by the controlling shareholder and its affiliated parties during the reporting period.

XV. Major Contracts and Their Performance

1. Entrustment, contracting and leasing

(1) Entrustment

Applicable Not Applicable

The Company had no entrustment during the reporting period.

(2) Contracting

Applicable Not Applicable

There was no contracting during the reporting period.

(3) Lease

Applicable Not Applicable

There was no leasing during the reporting period.

2. Material guarantee

Applicable Not Applicable

The Company had no material guarantee during the reporting period.

3. Financial management entrusting

Applicable Not Applicable

There was no financial management entrusting during the reporting period.

4. Other material contracts

Applicable Not Applicable

The Company had no other material contracts during the reporting period.

XVI. Social Responsibility

Whether the listed company and its subsidiaries are the key pollution-discharging units announced by the environmental protection authorities.

Not Applicable.

XVII. Explanation of Other Significant Matters

Applicable Not Applicable

The Company had no other significant matters that need to be explained during the reporting period.

XVIII. Significant Matters of Subsidiaries of the Company

Applicable Not Applicable

Chapter 6 Changes in Shares and Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before change		Change (+, -)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares converted from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to sales restrictions	14,123,269	1.48%						14,123,269	1.48%
Shares held by other domestic investors	14,123,269	1.48%						14,123,269	1.48%
Of which: shares held by domestic natural persons	14,123,269	1.48%						14,123,269	1.48%
II. Shares without sales restrictions	934,900,781	98.52%						934,900,781	98.52%
RMB ordinary shares	934,900,781	98.52%						934,900,781	98.52%
III. Total shares	949,024,050	100.00%						949,024,050	100.00%

2. Changes in shares subject to sales restrictions

Applicable Not Applicable

II. Securities Issuance and Listing

Applicable Not Applicable

III. Number of Shareholders of the Company and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the reporting period	53,846			Total number of preference shareholders with voting rights recovered at the end of the reporting period (if any) (see Note 8)	0			
Shareholdings of common shareholders holding more than 5% of the Company's shares or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of common shares held at the end of the reporting period	Change during the reporting period	Number of shares subject to sales restrictions	Number of shares without sales restrictions	Pledged or frozen shares	
							Status	Number
Hangzhou Robam Industrial Group Co., Ltd.	Domestic non-state-owned corporation	49.68%	471,510,000			471,510,000		
Hong Kong Securities Clearing Company Limited	Overseas corporation	14.35%	136,218,189	1,142,792		136,218,189		
Shen Guoying	Domestic natural person	1.29%	12,240,000			12,240,000		
Hangzhou Jinchuang Investment Co., Ltd.	Domestic non-state-owned corporation	1.00%	9,451,985			9,451,985		
Shenzhen Nuts Asset Management Company - Nuts Asset - Structured Private Equity Fund (Phase II) Held by Agents of ROBAM	Other	0.88%	8,311,165			8,311,165		
China Construction Bank Corporation – Essence Fund Selected Equity Securities Investment Fund	Other	0.82%	7,754,042	-3,293,277		7,754,042		
Hangzhou Yinchuang Investment Co., Ltd.	Domestic non-state-owned corporation	0.67%	6,318,000			6,318,000		
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A-share Equity Fund	Other	0.65%	6,152,817	-2,416,633		6,152,817		
Ren Jianhua	Domestic	0.62%	5,923,150		4,442,362	1,480,788		

	natural person							
Central Huijin Investment Limited	State-owned corporation	0.60%	5,685,810			5,685,810		
Strategic investor or general legal person who becomes one of the top 10 common shareholders due to rights issue (if any) (see Note 3)								
Description of the associated relationship or consistent actions of the above shareholders		Mr. Ren Jianhua is the controlling shareholder of the Company, shareholder of Hangzhou Robam Industrial Group Co., Ltd., and the actual controller of Hangzhou Jinchuang Investment Co., Ltd.; and the natural person shareholder, Shen Guoying, is his wife. Therefore, there is a possibility that these shareholders will act in concert.						
Shareholdings of top 10 common shareholders not subject to sales restrictions								
Name of shareholder	Number of shares without sales restrictions held at the end of the reporting period	Type of share						
		Type of share	Number of shares					
Hangzhou Robam Industrial Group Co., Ltd.	471,510,000	RMB ordinary shares	471,510,000					
Hong Kong Securities Clearing Company Limited	136,218,189	RMB ordinary shares	136,218,189					
Shen Guoying	12,240,000	RMB ordinary shares	12,240,000					
Hangzhou Jinchuang Investment Co., Ltd.	9,451,985	RMB ordinary shares	9,451,985					
Shenzhen Nuts Asset Management Company - Nuts Asset - Structured Private Equity Fund (Phase II) Held by Agents of ROBAM	8,311,165	RMB ordinary shares	8,311,165					
China Construction Bank Corporation – Essence Fund Selected Equity Securities Investment Fund	7,754,042	RMB ordinary shares	7,754,042					
Hangzhou Yinchuang Investment Co., Ltd.	6,318,000	RMB ordinary shares	6,318,000					
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A-share Equity Fund	6,152,817	RMB ordinary shares	6,152,817					
Central Huijin Investment Limited	5,685,810	RMB ordinary shares	5,685,810					
Shenzhen Nuts Asset Management Company - Nuts Asset - ROBAM Win-win No. 1 Private Investment Fund	5,443,324	RMB ordinary shares	5,443,324					

<p>Description on associated relationship or consistent actions among the top 10 common shareholders not subject to sales restrictions and between the top 10 common shareholders not subject to sales restrictions and the top 10 common shareholders</p>	<p>Mr. Ren Jianhua is the controlling shareholder of the Company, shareholder of Hangzhou Robam Industrial Group Co., Ltd., and the actual controller of Hangzhou Jinchuang Investment Co., Ltd.; and the natural person shareholder, Shen Guoying, is his wife. Therefore, there is a possibility that these shareholders will act in concert.</p>
<p>Description on the top 10 common shareholders engaging in securities margin trading (if any) (see Note 4)</p>	

Did any of the top 10 common shareholders and the top 10 common shareholders not subject to sales restrictions of the Company have any agreed repurchase trading during the reporting period?

Yes No

There was no agreed repurchase trading between the top 10 common shareholders and the top 10 common shareholders not subject to sales restrictions of the Company during the reporting period.

IV. Changes in the Controlling Shareholder and the Actual Controller

Changes in the controlling shareholder during the reporting period

Applicable Not Applicable

There was no change in the controlling shareholder of the Company during the reporting period.

Changes in the actual controller during the reporting period

Applicable Not Applicable

There was no change in the actual controller of the Company during the reporting period.

Chapter 7 Preferred Shares

Applicable Not Applicable

The Company had no preferred shares during the reporting period.

Chapter 8 Convertible Bonds

Applicable Not Applicable

The Company had no convertible bond during the reporting period.

Chapter 9 Directors, Supervisors and Senior Management

I. Changes in the Shareholdings of Directors, Supervisors, and Senior Management

Applicable Not Applicable

There was no change in the shareholdings of directors, supervisors, and senior management of the Company during the reporting period. For details, please refer to the Annual Report 2019.

II. Changes in Directors, Supervisors, and Senior Management

Applicable Not Applicable

There was no change in directors, supervisors, and senior management of the Company during the reporting period. For details, please refer to the Annual Report 2019.

Note: On August 18, 2020, the Company held the first 2020 Extraordinary General Meeting of Shareholders, the first meeting of the fifth Board of Directors and the first meeting of the fifth Board of Supervisors, during which matters concerning the change in the term of office of the Board of Directors, Board of Supervisors and senior management were reviewed and approved. For details, please refer to the *Announcement on Resolutions of the First Meeting of the Fifth Board of Directors* (Announcement No. 2020-024), the *Announcement on Resolutions of the First Meeting of the Fifth Board of Supervisors* (Announcement No. 2020-025), and the *Announcement on Resolutions of the First Extraordinary General Meeting of Shareholders for 2020* (Announcement No. 2020-026).

Chapter 10 Corporate Bonds

Whether the Company has publicly issued corporate bonds that are listed on the stock exchange and have not matured or expired on the date of approval of the semi-annual report but unpaid in full

No

Chapter 11 Financial Report

I. Audit Report

Whether the semi-annual report has been audited

Yes No

The semi-annual financial report of the Company has not been audited.

II. Financial Statements

The financial statement notes are represented in RMB.

1. Consolidated Balance Sheet

Prepared by: Hangzhou Robam Appliances Co., Ltd.

June 30, 2020

In RMB

Item	June 30, 2020	December 31, 2019
Current assets:		
Monetary capital	4,351,296,343.79	4,054,121,726.23
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Financial assets held for trading	925,000,000.00	1,360,000,000.00
Derivative financial assets		
Notes receivable	1,571,911,271.01	986,693,149.40
Accounts receivable	772,891,855.63	725,630,901.28
Accounts receivable financing		408,972,104.07
Prepayments	81,421,913.85	50,113,549.84
Receivable premium		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	62,642,970.58	110,899,448.65
Including: Interests receivable		
Dividends receivable		14,295,039.38

Redemptory monetary capital for sale		
Inventory	1,269,882,745.35	1,339,176,925.20
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	2,339,831.76	16,189,237.81
Total current assets	9,037,386,931.97	9,051,797,042.48
Non-current assets:		
Loans and advances		
Debt investment	0.00	0.00
Other debt investments		
Long-term accounts receivable		
Long-term equity investment	1,929,118.33	4,168,338.79
Investment in other equity instruments	102,116,023.22	102,116,023.22
Other non-current financial assets		
Investment real estate	108,094.94	112,588.34
Fixed assets	799,578,416.63	826,234,929.97
Projects under construction	333,519,454.24	272,211,720.62
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	237,055,359.56	219,733,270.51
Development expenses		
Goodwill	80,589,565.84	80,589,565.84
Long-term deferred expenses	392,702.34	523,195.74
Deferred income tax assets	131,970,751.28	70,877,116.09
Other non-current assets	28,809,208.26	23,558,781.27
Total non-current assets	1,716,068,694.64	1,600,125,530.39
Total assets	10,753,455,626.61	10,651,922,572.87
Current liabilities:		

Short-term loans		
Borrowings from the central bank		
Borrowings from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	554,767,283.02	603,308,648.96
Accounts payable	1,453,658,478.04	1,395,061,285.28
Advance receipts		1,092,261,332.25
Contract liabilities	989,070,578.98	
Financial assets sold for repurchase		
Deposits from customers and interbank		
Receivings from vicariously traded securities		
Receivings from vicariously sold securities		
Payroll payable	33,283,722.07	122,070,325.03
Taxes payable	224,129,654.69	102,726,655.21
Other payables	246,029,775.35	241,641,864.89
Including: Interests payable		
Dividends payable		
Fees and commissions payable		
Dividends payable for reinsurance		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	3,500,939,492.15	3,557,070,111.62
Non-current liabilities:		
Reserves for insurance contracts		
Long-term loans		

Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term accounts payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	124,111,240.24	114,851,263.30
Deferred income tax liabilities	5,455,130.17	5,717,848.25
Other non-current liabilities		
Total non-current liabilities	129,566,370.41	120,569,111.55
Total liabilities	3,630,505,862.56	3,677,639,223.17
Owner's equity		
Capital stock	949,024,050.00	949,024,050.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	401,799,332.67	401,799,332.67
Less: treasury share		
Other comprehensive income	-15,157,634.16	-15,157,634.16
Special reserves		
Surplus reserves	474,516,412.50	474,516,412.50
General risk reserves		
Undistributed profits	5,192,011,944.74	5,054,206,720.45
Total owners' equity attributable to the parent company	7,002,194,105.75	6,864,388,881.46
Minority interests	120,755,658.30	109,894,468.24
Total owner's equity	7,122,949,764.05	6,974,283,349.70
Total liabilities and owner's equity	10,753,455,626.61	10,651,922,572.87

Legal representative: Ren Jianhua

Person in charge of accounting: Zhang Guofu

Head of the accounting department: Zhang Guofu

2. Balance Sheet of the Parent Company

In RMB

Item	June 30, 2020	December 31, 2019
Current assets:		
Monetary capital	4,271,222,549.03	3,974,490,043.89
Financial assets held for trading	700,000,000.00	1,100,000,000.00
Derivative financial assets		
Notes receivable	1,571,911,271.01	974,185,844.67
Accounts receivable	741,102,670.94	704,246,884.81
Accounts receivable financing		408,605,906.50
Prepayments	56,568,629.78	41,005,526.82
Other receivables	51,740,494.70	105,766,154.95
Including: Interests receivable		
Dividends receivable		14,295,039.38
Inventory	1,205,514,806.83	1,268,289,683.46
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets		12,064,254.50
Total current assets	8,598,060,422.29	8,588,654,299.60
Non-current assets:		
Debt investment		
Other debt investments		
Long-term accounts receivable		
Long-term equity investment	228,435,052.06	230,674,272.52
Investment in other equity instruments	102,116,023.22	102,116,023.22
Other non-current financial assets		
Investment real estate	420,198.40	436,960.72
Fixed assets	773,355,978.92	798,954,901.11
Projects under construction	324,159,531.39	271,619,361.89
Productive biological assets		

Oil and gas assets		
Right-of-use assets		
Intangible assets	152,997,182.46	157,002,023.43
Development expenses		
Goodwill		
Long-term deferred expenses	306,077.98	383,195.74
Deferred income tax assets	130,349,913.48	70,173,783.09
Other non-current assets	28,809,208.26	23,558,781.27
Total non-current assets	1,740,949,166.17	1,654,919,302.99
Total assets	10,339,009,588.46	10,243,573,602.59
Current liabilities:		
Short-term loans		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	534,559,168.76	601,960,648.96
Accounts payable	1,391,003,055.69	1,358,297,550.30
Advance receipts		983,128,543.51
Contract liabilities	935,858,021.08	
Payroll payable	23,212,760.47	97,599,336.20
Taxes payable	218,793,099.39	96,425,637.42
Other payables	228,644,387.16	226,064,422.04
Including: Interests payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	3,332,070,492.55	3,363,476,138.43
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		

Lease liabilities		
Long-term accounts payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	106,869,820.24	114,851,263.30
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	106,869,820.24	114,851,263.30
Total liabilities	3,438,940,312.79	3,478,327,401.73
Owner's equity		
Capital stock	949,024,050.00	949,024,050.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	401,754,349.66	401,754,349.66
Less: treasury share		
Other comprehensive income	-15,157,634.16	-15,157,634.16
Special reserves		
Surplus reserves	474,516,412.50	474,516,412.50
Undistributed profits	5,089,932,097.67	4,955,109,022.86
Total owner's equity	6,900,069,275.67	6,765,246,200.86
Total liabilities and owner's equity	10,339,009,588.46	10,243,573,602.59

3. Consolidated Income Statement

In RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Total operating income	3,211,172,335.79	3,527,413,882.96
Including: Operating income	3,211,172,335.79	3,527,413,882.96
Interest income		
Earned premium		
Fee and commission income		
II. Total operating costs	2,554,722,969.33	2,813,102,211.83
Including: Operating costs	1,450,728,576.58	1,599,401,962.81

Interest expenses		
Fee and commission expenses		
Surrender value		
Net payments for insurance claims		
Net allotment of reserves for insurance liabilities		
Policy dividend expenditures		
Reinsurance expenses		
Taxes and surcharges	25,188,234.23	29,458,998.38
Selling expenses	892,679,297.76	990,044,906.61
Overhead costs	116,085,321.98	116,171,528.77
R&D expenses	117,824,032.62	107,629,786.13
Financial expenses	-47,782,493.84	-29,604,970.87
Including: Interest expenses	139,284.26	201,831.98
Interest income	47,604,818.42	30,307,927.32
Add: other income	73,726,234.28	56,839,181.84
Investment income ("-" for losses)	24,102,232.36	39,858,974.49
Including: Income from investment in joint ventures and affiliated enterprises	-2,239,220.46	69,197.95
Gains on derecognition of financial assets measured at amortized cost		
Exchange gains ("-" for losses)		
Net exposure hedging gains ("-" for losses)		
Gains from changes in fair value ("-" for losses)		
Losses from credit impairment ("-" for losses)	-18,511,769.59	-8,952,029.23
Losses from asset impairment ("-" for losses)		
Gains on disposal of assets ("-" for losses)	11,388.98	-296,672.23
III. Operating profits ("-" for losses)	735,777,452.49	801,761,126.00
Add: non-operating income	586,353.17	1,611,946.09
Less: non-operating expenditure	1,695,304.64	2,882,444.05
IV. Total profits ("-" for total losses)	734,668,501.02	800,490,628.04
Less: income tax expenses	111,490,061.67	123,074,038.15
V. Net profits ("-" for losses)	623,178,439.35	677,416,589.89
(I) By operational sustainability		

1. Net profits from continuing operations (“-” for net losses)	623,178,439.35	677,416,589.89
2. Net profits from discontinued operations (“-” for net losses)		
(II) By ownership		
1. Net profits attributable to owners of the parent company	612,317,249.29	670,403,994.20
2. Minority shareholders' gains and losses	10,861,190.06	7,012,595.69
VI. After-tax net amount of other comprehensive income		
After-tax net amount of other comprehensive income attributable to owners of the parent company		
(I) Other comprehensive income that cannot be reclassified into gains and losses		
1. Changes in re-measured and defined benefit plans		
2. Other comprehensive income which cannot be transferred to gains or losses under the equity method		
3. Changes in fair value of the investment in other equity instruments		
4. Changes in fair value of the credit risk of the Company		
5. Others		
(II) Other comprehensive income which will be reclassified into gains and losses		
1. Other comprehensive income which can be transferred into gains and losses under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedge reserve		
6. Converted difference in foreign currency statements		
7. Others		
After-tax net amount of other comprehensive income		

attributable to minority shareholders		
VII. Total comprehensive income	623,178,439.35	677,416,589.89
Total comprehensive income attributable to owners of the parent company	612,317,249.29	670,403,994.20
Total comprehensive income attributable to minority shareholders	10,861,190.06	7,012,595.69
VIII. Earnings per share (EPS):		
(I) Basic EPS	0.65	0.71
(II) Diluted EPS	0.65	0.71

Legal representative: Ren Jianhua

Person in charge of accounting: Zhang Guofu

Head of the accounting department: Zhang Guofu

4. Income Statement of the Parent Company

In RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Operating income	2,980,914,680.77	3,259,793,326.67
Less: operating costs	1,349,585,204.35	1,507,498,151.92
Taxes and surcharges	22,974,970.25	26,332,164.95
Selling expenses	812,123,731.90	867,885,223.87
Administrative expenses	82,217,605.50	81,117,115.96
R&D expenses	112,943,235.17	103,711,169.47
Financial expenses	-47,002,146.56	-27,805,458.39
Including: Interest expenses	139,284.26	201,831.98
Interest income	46,641,570.65	28,247,326.34
Add: other income	68,634,379.72	51,909,682.29
Investment income ("-" for losses)	18,620,433.19	36,964,336.66
Including: Income from investment in joint ventures and affiliated enterprises	-2,239,220.46	69,197.95
Gains on derecognition of financial assets measured at amortized cost ("-" for losses)		
Net exposure hedging gains ("-" for losses)		
Gains from changes in fair value ("-" for losses)		

Losses from credit impairment (“-” for losses)	-16,715,314.38	-9,148,426.64
Losses from asset impairment (“-” for losses)		
Gains on disposal of assets (“-” for losses)	-3,117.74	-296,672.23
II. Operating profits (“-” for losses)	718,608,460.95	780,483,878.97
Add: non-operating income	547,098.05	1,525,524.06
Less: non-operating expenses	1,556,999.22	1,093,261.57
III. Total profits (“-” for total losses)	717,598,559.78	780,916,141.46
Less: income tax expenses	108,263,459.97	117,441,547.87
IV. Net profits (“-” for net losses)	609,335,099.81	663,474,593.59
(I) Net profits from going concern (“-” for net losses)	609,335,099.81	663,474,593.59
(II) Net profits from discontinued operations (“-” for net losses)		
V. After-tax net amount of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified into gains and losses		
1. Changes in re-measured and defined benefit plans		
2. Other comprehensive income which cannot be transferred into gains or losses under the equity method		
3. Changes in fair value of the investment in other equity instruments		
4. Changes in fair value of the credit risk of the Company		
5. Others		
(II) Other comprehensive income which will be reclassified into gains and losses		
1. Other comprehensive income which can be transferred into gains and losses under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedge reserve		
6. Converted difference in foreign currency		

statements		
7. Others		
VI. Total comprehensive income	609,335,099.81	663,474,593.59
VII. EPS:		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated Cash Flow Statement

In RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Cash flow from operating activities:		
Cash received for the sale of goods and rendering of services	3,214,555,668.77	3,607,783,677.83
Net increase in clients' deposits and deposits from banks and other financial institutions		
Net increase in borrowings from the central bank		
Net increase in borrowings from other financial institutions		
Cash received from receiving insurance premium of the original insurance contract		
Net cash from receiving reinsurance premium		
Net increase in deposits and investment of insured persons		
Cash received from interests, fees and commissions		
Net increase in borrowed funds		
Net increase in repurchase business funds		
Net cash received from vicariously traded securities		
Refunds of taxes		533,442.61
Cash received relating to other operating activities	143,788,116.65	95,145,745.57
Subtotal of cash inflow from operating activities	3,358,343,785.42	3,703,462,866.01
Cash paid for purchased products and received services	1,594,931,903.80	1,516,314,982.52
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claims of original insurance contract		
Net increase in lending funds		
Cash paid for interests, fees and commissions		

Cash paid for policy dividends		
Cash paid to and on behalf of employees	363,952,500.04	354,764,621.08
Cash paid for taxes	277,030,839.79	402,678,055.37
Cash paid related to other operating activities	714,741,408.23	771,014,122.46
Subtotal of cash outflow from operating activities	2,950,656,651.86	3,044,771,781.43
Net cash flow from operating activities	407,687,133.56	658,691,084.58
II. Cash flow from investing activities:		
Cash received from sales of investments	1,140,000,000.00	1,718,000,000.00
Cash received from return on investments	42,018,525.66	47,573,034.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets=	35,000.00	171,800.00
Net cash received from disposal of subsidiaries and other business entities		
Cash received related to other investment activities		
Subtotal of cash inflow from investment activities	1,182,053,525.66	1,765,744,834.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	124,109,953.42	151,414,551.72
Cash paid to investments	705,000,000.00	1,126,500,000.00
Net increase in pledged loans		
Net cash from subsidiaries and other operating entities		
Cash paid related to other investment activities		5,000,000.00
Subtotal of cash outflow from investment activities	829,109,953.42	1,282,914,551.72
Net cash flow from investment activities	352,943,572.24	482,830,282.28
III. Cash flow from financing activities:		
Cash from acquiring investments		
Including: Cash received by subsidiaries from investments of minority shareholders		
Cash from acquiring debts		
Other cashes received in relation to financing activities		
Subtotal of cash inflow from financing activities		
Cash repayments of debts		
Cash paid for distribution of dividends, profits or interest expenses	474,512,025.00	759,219,240.00
Including: Dividends and profits paid by the subsidiaries to minority shareholders		

Other cashes paid in relation to financing activities		
Subtotal of cash outflow from financing activities	474,512,025.00	759,219,240.00
Net cash flow from financing activities	-474,512,025.00	-759,219,240.00
IV. Effect of change in exchange rate on cash and cash equivalents	540,552.95	116,415.75
V. Net increase in cash and cash equivalents	286,659,233.75	382,418,542.61
Plus: Opening balance of cash and cash equivalents	4,029,296,265.50	2,177,219,858.85
VI. Closing balance of cash and cash equivalents	4,315,955,499.25	2,559,638,401.46

6. Cash Flow Statement of the Parent Company

In RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Cash flow from operating activities:		
Cash received for the sale of goods and rendering of services	3,026,131,726.09	3,369,769,326.89
Refunds of taxes		
Cash received relating to other operating activities	109,796,058.70	80,284,290.10
Subtotal for cash inflow from operating activities	3,135,927,784.79	3,450,053,616.99
Cash paid for purchased products and received services	1,530,403,008.52	1,472,285,266.95
Cash paid to and on behalf of employees	293,387,839.45	278,362,198.01
Cash paid for taxes	253,274,191.18	361,186,090.14
Cash paid related to other operating activities	634,242,077.40	670,991,974.83
Subtotal of cash outflow from operating activities	2,711,307,116.55	2,782,825,529.93
Net cash flow from operating activities	424,620,668.24	667,228,087.06
II. Cash flow from investment activities:		
Cash received from sales of investments	900,000,000.00	1,500,000,000.00
Cash received from return on investments	36,406,272.24	44,678,396.17
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,000.00	171,800.00
Net cash received from disposal of subsidiaries and other business entities		
Cash received related to other investment activities		
Subtotal of cash inflow from investment activities	936,416,272.24	1,544,850,196.17
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	97,961,767.61	136,533,684.66
Cash paid to investments	500,000,000.00	909,500,000.00

Net cash from subsidiaries and other operating entities		
Cash paid related to other investment activities		
Subtotal of cash outflow from investment activities	597,961,767.61	1,046,033,684.66
Net cash flow from investment activities	338,454,504.63	498,816,511.51
III. Cash flow from financing activities:		
Cash from acquiring investments		
Cash from acquiring debts		
Other cashes received in relation to financing activities		
Subtotal of cash inflow from financing activities		
Cash repayments of debts		
Cash paid for distribution of dividends, profits or interest expenses	474,512,025.00	759,219,240.00
Other cashes paid in relation to financing activities		
Subtotal of cash outflow from financing activities	474,512,025.00	759,219,240.00
Net cash flow from financing activities	-474,512,025.00	-759,219,240.00
IV. Effect of change in exchange rate on cash and cash equivalents	540,502.02	116,426.36
V. Net increase in cash and cash equivalents	289,103,649.89	406,941,784.93
Plus: Opening balance of cashes and cash equivalents	3,951,074,513.16	2,000,183,395.66
VI. Closing balance of cash and cash equivalents	4,240,178,163.05	2,407,125,180.59

7. Consolidated Statement of Changes in Owners' Equity

Current amount

In RMB

Item	Semi-annual 2020													Minority interests	Total owners' equity
	Owners' equity attributable to the parent company														
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Undistributed profits	Others	Sub-total		
I. Closing	949,024,050.00				401,799,332.67		-15,157,634.16		474,516,412.50		5,054,206,720.45		6,864,388,881.46	109,894,468.24	6,974,283,349.70

balance of last year															
Plus: Changes in accounting policies															
Correction of errors of the previous period															
Businesses combination under common control															
Others															
II. Opening balance of this year	949,024,050.00			401,799,332.67		-15,157,634.16		474,516,412.50		5,054,206,720.45		6,864,388,881.46		109,894,468.24	6,974,283,349.70
III. Change										137,805,224.2		137,805,224.2		10,861,190.0	148,666,414.3

e in curren t period (“-” for decrea se)											9		9	6	5
(I) Total compr ehensi ve incom e											612,31 7,249.2 9		612,31 7,249.2 9	10,861 ,190.0 6	623,17 8,439.3 5
(II) Capita l invest ed and decrea sed by the owner s															
1. Com mon shares invest ed by the owner s															
2. Capita l invest ed by holder s of other															

equity instruments														
3. Amount of share-based payments recognized in owners' equity														
4. Others														
(III) Profit distribution										-474,512,025.00		-474,512,025.00		-474,512,025.00
1. Withdrawal of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to										-474,512,025.00		-474,512,025.00		-474,512,025.00

owner s (or shareh olders)																			
4. Others																			
(IV) Intern al carry- forwar d of owner s' equity																			
1. Capita l reserv e conve rted into capital (or capital stock)																			
2. Surplu s reserv e conve rted into capital (or capital stock)																			
3. Surplu																			

s reserv es makin g up for losses																		
4. Chang es of define d benefi t plans carrie d forwar d to retain ed earnin gs																		
5. Other compr ehensi ve incom e carrie d forwar d to retain ed earnin gs																		
6. Others																		
(V) Specia l																		

reserve															
1. Withdrawn in current period															
2. Used in current period															
(VI) Others															
IV. Closing balance of current period	949,024,050.00				401,799,332.67	-15,157,634.16		474,516,412.50		5,192,011,944.74		7,002,194,105.75	120,755,658.30	7,122,949,764.05	

Amount of the previous period

In RMB

Item	Semi-annual 2019														Minority interests	Total owners' equity
	Owners' equity attributable to the parent company															
	Capital stock	Other equity instruments			Capital reserve	Less : treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Sub-total			
		Preferred shares	Perpetual bonds	Others												
I. Closing balance of	949,024,050.00				401,799,332.67	3,457,698.16		474,516,412.50		5,192,011,944.74		7,002,194,105.75	120,755,658.30	7,122,949,764.05		

last year	4,050.00				801.42	9.00				412.50		1,112.65		4,387.57	.41	348.98
Plus: Changes in accounting policies																
Correction of errors of the previous period																
Businesses combination under common control																
Others																
II. Opening balance of this year	949,024.050.00				401,689.801.42	3,456.989.00				474,516.412.50		4,223.611.112.65		6,045.384.387.57	85,463,961.41	6,130,848.348.98
III. Change in current period (“-” for decrease)					109,531.25	-3,456.989.00						-88,815.245.80		-85,248.725.55	7,012,595.69	-78,236.129.86
(I) Total comprehensive income												670,403.994.20		670,403.994.20	7,012,595.69	677,416,589.89
(II) Capital invested and decreased by the owners					109,531.25	-3,456.989.00								3,566.520.25		3,566,520.25
1. Common shares invested by the owners																

2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments recognized in owners' equity					109,531.25	-3,456,989.00						3,566,520.25		3,566,520.25
4. Others														
(III) Profit distribution										-759,219,240.00		-759,219,240.00		-759,219,240.00
1. Withdrawal of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)										-759,219,240.00		-759,219,240.00		-759,219,240.00
4. Others														
(IV) Internal carry-forward of owners' equity														
1. Capital reserve converted into capital (or capital stock)														
2. Surplus														

reserve converted into capital (or capital stock)														
3. Surplus reserves making up for losses														
4. Changes of defined benefit plans carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(V) Special reserve														
1. Withdrawn in current period														
2. Used in current period														
(VI) Others														
IV. Closing balance of current period	949,024.50.00			401,799.332.67				474,516.412.50		4,134,795,866.85		5,960,135,662.02	92,476,557.10	6,052,612,219.12

8. Statement of Changes in Owners' Equity of the Parent Company

Current amount

In RMB

Item	Semi-annual 2020											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surpluses reserve	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of last year	949,024,050.00				401,754,349.66		-15,157,634.16		474,516,412.50	4,955,109,022.86		6,765,246,200.86
Plus: Changes in accounting policies												
Correction of errors of the previous period												
Others												
II. Opening balance of this year	949,024,050.00				401,754,349.66		-15,157,634.16		474,516,412.50	4,955,109,022.86		6,765,246,200.86
III. Change in current period ("-" for decrease)										134,823,074.81		134,823,074.81
(I) Total comprehensive income										609,335,099.81		609,335,099.81
(II) Capital invested and												

decreased by the owners												
1. Common shares invested by the owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in owners' equity												
4. Others												
(III) Profit distribution										-474,512.00		-474,512,025.00
1. Withdrawal of surplus reserve												
2. Distribution to owners (or shareholders)										-474,512.00		-474,512,025.00
3. Others												
(IV) Internal carry-forward of owners' equity												
1. Capital reserve converted into capital (or capital stock)												
2. Surplus reserve												

converted into capital (or capital stock)												
3. Surplus reserves making up for losses												
4. Changes of defined benefit plans carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserve												
1. Withdrawn in current period												
2. Used in current period												
(VI) Others												
IV. Closing balance of current period	949,024,050.00				401,754,349.66		-15,157,634.16		474,516,412.50	5,089,932,097.67		6,900,069,275.67

Amount of the previous period

In RMB

Item	Semi-annual 2019											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	Total owners' equity
		Preferred	Perpetual	Others								

		d shar es	bon ds				e					
I. Closing balance of last year	949,024,050.00				401,644,818.41	3,456,989.00			474,516,412.50	4,160,587,339.53		5,982,315,631.44
Plus: Changes in accounting policies												
Correction of errors of the previous period												
Others												
II. Opening balance of this year	949,024,050.00				401,644,818.41	3,456,989.00			474,516,412.50	4,160,587,339.53		5,982,315,631.44
III. Change in current period (“-” for decrease)					109,531.25	-3,456,989.00				-95,744,646.41		-92,178,126.16
(I) Total comprehensive income										663,474,593.59		663,474,593.59
(II) Capital invested and decreased by the owners					109,531.25	-3,456,989.00						3,566,520.25
1. Common shares invested by the owners												
2. Capital invested by holders of												

other equity instruments												
3. Amount of share-based payments recognized in owners' equity					109,531.25	-3,456,989.00						3,566,520.25
4. Others												
(III) Profit distribution										-759,219,240.00		-759,219,240.00
1. Withdrawal of surplus reserve												
2. Distribution to owners (or shareholders)										-759,219,240.00		-759,219,240.00
3. Others												
(IV) Internal carry-forward of owners' equity												
1. Capital reserve converted into capital (or capital stock)												
2. Surplus reserve converted into capital (or capital stock)												
3. Surplus reserves making up												

for losses												
4. Changes of defined benefit plans carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserve												
1. Withdrawn in current period												
2. Used in current period												
(VI) Others												
IV. Closing balance of current period	949,024,050.00				401,754,349.66				474,516,412.50	4,064,842,693.12		5,890,137,505.28

III. Basic Information of the Company

Hangzhou Robam Appliances Co., Ltd. (hereinafter referred to as ROBAM or the Company) is an incorporated company established by overall changing Hangzhou Robam Home Appliances Co., Ltd. on November 7, 2000. Approved by China Securities Regulatory Commission (ZJXX [2010] No.1512) in 2010, the Company for the first time offered 40 million ordinary shares in RMB to the public on November 23, 2010 (stock code: 002508), with the par value per share of RMB 1 and the issue price per share of RMB 24.00.

As of June 30, 2020, the total capital stocks of the Company reached RMB 949,024,050 after several equity changes. The unified social credit code of the Company is 91330000725252053F; the legal representative is Ren Jianhua; and the address is No.592, Linping Avenue, Yuhang Economic Development Zone, Yuhang District, Hangzhou.

The Company is a manufacturing company, with major businesses covering research & development, production, sales and comprehensive services of kitchen appliances. Its main products include range hoods, gas stoves, disinfection cabinets, steam ovens,

baking ovens, dishwashers, water purifiers, microwave ovens, integrated stoves, and purification tanks.

Its business mainly covers the manufacturing, processing and sales of range hoods, gas stoves, disinfection cabinets, baking ovens, steam ovens, microwave ovens, dishwashers, water purifiers, multi-purpose tanks, kitchen supplies and other kitchen appliances, as well as import and export business and technical service for household appliances. (For business subject to approval according to law, relevant operating activities may not be carried out until they are approved by relevant authorities).

The consolidated financial statements of the Company cover 6 companies, including Beijing ROBAM Appliances Sales Co., Ltd., Shanghai ROBAM Appliances Sales Co., Ltd., Hangzhou MingQi Electric Co., Ltd., De Dietrich Household Appliances Trading (Shanghai) Co., Ltd., Shengzhou Kinde Intelligent Kitchen Appliances Co., Ltd., and Hangzhou ROBAM Fuchuang Investment Management Co., Ltd.

For details, see relevant contents in the section of “Interests in Other Entities” herein.

IV. Basis for Preparation of Financial Statements

1. Preparation basis

The financial statements of the Company are prepared on a going concern basis, and in light of the Company's actual transactions and events, in accordance with the *Accounting Standards for Business Enterprises* promulgated by the Ministry of Finance of China and relevant provisions, as well as the accounting policies and estimates stated in the section of “Significant Accounting Policies and Estimates” herein.

2. Going concern

After taking into account of factors such as macro policy risks, market management risks, and the current and long-term profitability, solvency, and financial flexibility of the Company, as well as the intention of the management to change the operation policies, the management of the Company believes that there are no matters affecting the Company's going concern within 12 months from the end of the reporting period onwards.

V. Significant Accounting Policies and Estimates

The specific accounting policies and estimates prepared by the Company according to its actual production and operation include the operating cycle, the recognition and measurement of receivables and bad debts, measurement of inventory delivered, fixed assets classification as well as depreciation methods, invisible asset amortization, conditions for the capitalization of R&D expenses, and revenue recognition and measurement.

1. Statement of compliance with the *Accounting Standards for Business Enterprises*

The financial statements prepared by the Company comply with the requirements of the *Accounting Standards for Business Enterprises*, and truthfully and completely reflect the financial status, business results, cash flow and other relevant information of the Company.

2. Accounting period

The Company's accounting period is divided into annual and interim periods. An interim period refers to a reporting period shorter than a full accounting year. The accounting year of the Company starts on January 1 and ends on December 31 on the Gregorian calendar.

3. Operating cycle

The Company's accounting period starts on January 1 and ends on December 31 on the Gregorian calendar.

4. Bookkeeping base currency

The Company adopts RMB as the bookkeeping base currency.

5. Accounting approaches to business combinations under or not under common control

The assets and liabilities acquired by the Company as the combining party in a business combination under common control shall be measured at the book value of the combined party in the final controller's consolidated statements on the combination date. The capital reserve shall be adjusted against the difference between the book value of the net assets acquired by the combining party and the book value of the combination consideration paid by it. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted.

The identifiable assets, liabilities and contingent liabilities acquired from the acquiree in a business combination not under common control shall be measured at fair value on the acquisition date. The combination cost is the sum of the fair values of cash or non-cash assets paid, liabilities issued or undertaken, equity securities issued, among others, by the Company for the purpose of taking control over the acquiree on the acquisition date and all directly related expenses incurred during the business combination (in case of business combination accomplished through multiple transactions step by step, the combination cost is the sum of the cost of every single transaction). If the combination cost is greater than the fair value share of the acquiree's identifiable net assets acquired from the acquiree in the combination, the case is recognized as goodwill. Where the combination cost is less than the fair value share of the identifiable net assets acquired from the acquiree, the fair values of the identifiable assets, debts and contingent liabilities acquired in the combination and those of non-cash assets subject to combination consideration or issued equity securities shall be rechecked first, and then in case the combination cost is less than the fair value shares of the identifiable net assets acquired from the acquiree, the difference shall be included in the non-operating income in the period of the combination.

6. Methods of preparing consolidated financial statements

All subsidiaries under the control of the Company are included into the consolidated financial statements.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company when preparing the consolidated financial statements, where the accounting policies and accounting periods are inconsistent between the Company and its subsidiaries.

All major internal transactions, inter-company balances, and unrealized profits with the scope of consolidation shall be offset when preparing consolidated financial statements. The portion of owner's equity of subsidiaries not held

by the parent company and net current profit & loss, other comprehensive incomes and the portion of total comprehensive incomes belonging to minority equity are presented under “minority equity, minority interest income, other comprehensive incomes belonging to minority shareholders and total comprehensive incomes belonging to minority shareholders, respectively”.

For a subsidiary acquired from business combinations under the same control, its operating results and cash flows are included into the consolidated financial statements since the beginning of the consolidation year. When the comparable consolidated financial statements are being prepared, relevant items in the financial statements of the last year are adjusted with the stated party formed after merging deemed to exist from the time of the ultimate controlling party starting to control.

For a subsidiary acquired through business combinations not under the same control, its operating results and cash flows shall be included into the consolidated financial statement since the date when the Company obtains control. When preparing the consolidated financial statements, the subsidiary's financial statements shall be adjusted on basis of the fair value of all identifiable assets, liabilities and contingent liabilities ascertained on the purchasing date.

For equity interests in an investee not under common control realized by two or more transactions, which finally bring about the business combination, equity interests in the investee before the acquisition date shall be re-measured at fair value on the acquisition date and the balance between the fair value and the book value shall be included in the investment gains for the current period when preparing the consolidated statements. If the related acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions, it shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

Without losing any control right, the Company has partially disposed the long-term equity investment in the subsidiary. In the consolidated financial statement, according to the difference between the disposal prices of part of the equity investment in the subsidiary and net assets of the subsidiary attributed to the Company as a result of disposal of long-term equity investment continuously calculated from the purchase date or consolidation date in the subsidiary, capital premium or stock premium is adjusted, where the capital surplus is not sufficient to be offset, they are adjusted to the retained earnings.

Where the Company loses the controlling right of the invested party for such reason as disposing partial equity investment, the remaining equity is re-measured as per the fair value of such equity on the day of losing controlling right when preparing the consolidated financial statements. The balance from the sum of the consideration obtained upon the disposal of equity and the fair value of the remaining equity less the appropriable share of the net asset of the former subsidiaries calculated as per the former shareholding proportion from the purchase day or merging day is included in the investment income for the period when the right of control is lost and the goodwill is deducted. Other comprehensive incomes related to former equity investment in subsidiaries shall be recognized as current investment profits & losses upon losing controls.

7. Classification of joint arrangement and accounting methods for joint operation

The joint arrangement of the Company includes the joint venture.

The Company, serving as one part of the joint venture, shall, in accordance with the provisions of the *Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments*, conduct accounting treatment of the

investment of the joint venture.

8. Recognition standard of cash and cash equivalents

Cash presented in the Company's cash flow statement refers to cash on hand and deposits that are available for payment at any time. Cash equivalents presented in the cash flow statement refer to short-term investments (no more than three months) with high liquidity and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign currency business and conversion of foreign currency statement

1 Foreign currency transactions

The Company translates the foreign-currency amount of the foreign-currency transactions into RMB amount based on spot exchange rate applicable on the transaction date. On the balance sheet date, the monetary items in foreign currencies shall be converted at the spot rate on the said balance sheet date. The conversion differences arising therefrom, except the exchange balance arising from the foreign currency borrowings special for acquisition or production of qualifying assets which shall be processed according to the capitalization principle, shall be directly included in the current profit or loss. The foreign currency non-monetary items measured at fair value shall be converted according to the spot rate of the date when the fair value is confirmed. If the difference between the converted amount of booking base currency and the original amount of booking base currency belongs to the salable financial asset, such difference shall be included in the capital reserve. If such difference belongs to the foreign currency non-monetary item which is measured at fair value and whose change is included in the profits and losses of the current period, it shall be included into current profits and losses. The foreign currency non-monetary items measured by historical cost shall be still translated according to the spot rate on the transaction date, while RMB amount remains unchanged.

2 Translation of foreign currency financial statements

Assets and liabilities items in the balance sheets of the foreign operations are translated into RMB using the spot exchange rate at the balance sheet date, while the shareholders' equity items, except for the "undistributed profit items", are translated into RMB using the spot exchange rate at the date of transaction. The income and expense items in the income statements of overseas operations are translated at the exchange rate approximate to the spot rate at the date of transaction. The difference arisen from the above translation's are presented separately under other comprehensive income. For monetary items denominated in foreign currencies that materially constitute overseas net investment in overseas operations, exchange differences arising from changes in exchange rates, when preparing the consolidated financial statements, are also separately presented under the Shareholders' equity as foreign currency translation differences. In case of disposal of an overseas operation, foreign currency translation differences relating to the overseas operation are proportionately transferred to profits or losses of the period when the disposal was transacted. During the disposal of overseas operation, other comprehensive incomes related to the overseas operation are transferred in proportion into the disposal of current profits and losses.

The foreign currency cash flow and the cash flow of overseas subsidiaries shall be converted using the exchange rate approximate to the spot rate of the transaction date of the cash flow. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

10. Financial instruments

The Company shall recognize a financial asset or a financial liability when it becomes a party to a financial instrument contract.

Financial asset

The Company translates the foreign-currency amount of the foreign-currency transactions into RMB amount using spot exchange rate applicable at the transaction date.

Based on the business model for management of financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into three types: 1) the financial asset measured at amortized cost; 2) the financial asset measured at the fair value with its changes included into other comprehensive incomes; and 3) and the financial asset measured at the fair value with its changes included into current profits or losses.

The financial assets meeting all of the following conditions can be classified as those measured at amortized cost by the Company: ① the Company adopts the business management mode of financial assets for the purpose of collecting contractual cash flow. ② In accordance with the contract terms of the financial assets, the cash flow generated at the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount. Such financial assets are initially measured at their fair values, with related transaction costs included into the amount of initial recognition, and subsequent measurement conducted with the amortized cost. Apart from those designated as hedged items, the difference between the initial amount amortized with the effective interest method and the amount due, profits or losses incurred upon amortization, impairment, exchange profits and losses and derecognition shall be included into current profits and losses.

Where the following conditions are reached at the same time, the financial assets can be classified by the Company as those measured at fair value with the changes included into other comprehensive income: ① the Company adopts the business management mode of the financial assets for the purpose of collecting contractual cash flow and selling the financial assets. ② In accordance with the contract terms of the financial assets, the cash flow generated at the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount. Such financial assets are initially measured at their fair values, with related transaction costs included into the amount of initial recognition. Apart from those designated as the hedged items, profits or losses incurred by such financial assets shall be included into the comprehensive incomes, except for credit impairment losses or gains, exchange profits and losses and the interests calculated as per the actual interest rate for such financial assets. Upon derecognition of the financial assets, the accumulated gains or losses previously recorded in other comprehensive incomes shall be transferred out of such other comprehensive incomes and included into the current profits and losses.

The interest income is recognized by the Company using the effective interest method. The interest income is determined by multiplying the book balance of financial assets by the effective interest rate, except for conditions below: ① For the financial assets purchased by or originating from the Company with credit impairment, since initial confirmation, the interest income shall be determined as per the amortized cost of the financial asset and the effect interest rate subject to credit adjustment. ② The financial assets purchased by or originating from the Company with no credit impairment but having credit impairment during the follow-up period shall be subject to interest income calculation based on the amortized cost and actual interest rate of the financial assets during the follow-up period by the Company.

The non-trading equity instrument is designated by the Company as the financial asset which is measured at its fair value with changes included into current profits and losses. The designation shall not be canceled once it is made. The non-trading equity instrument investment, designed by the Company to be measured at the fair value with their changes included into other comprehensive incomes, is initially measured at fair value, with related transaction cost included into the amount of initial confirmation. Except that the obtained dividends (except those of the recovered investment cost) are included into current profits and losses, other related profits and losses (including exchange profits and losses) are completely included into the other comprehensive incomes and will not be converted into current profits and losses subsequently. Upon derecognition, the accumulated gains or losses previously included into other comprehensive incomes are transferred from other comprehensive incomes and included into retained earnings.

Except for the financial assets classified to be measured by the amortized cost and those measured at fair value through other comprehensive income, other financial assets are classified by the Company as those measured at fair value through current profits and losses. Such financial assets are initially measured at their fair values, with related transaction costs directly included into the current profits and losses. Profits or losses of such financial assets shall be included in the current profits and losses.

The financial asset formed by the contingent consideration confirmed during business combination not under the same control are classified as those measured by its fair value by the Company, with changes included into current profits and losses.

Recognition basis and measurement method for transfer of financial assets

Financial assets meeting one of the following conditions shall be derecognized by the Company: ① the contractual right to collect the cash flow of the financial asset is terminated; ② The financial assets have been transferred by the Company, and almost all risks and returns associated with the ownership of the financial asset are transferred. ③ The financial assets have been transferred, and the Company had neither transferred nor retained almost all risks and rewards in the ownership of the financial assets, but given up the control over the financial assets.

For financial asset that is entirely transferred and meets the conditions of de-recognition, the difference between the book value of financial asset transferred and the sum of consideration received from such transfer and the accumulated changes in fair value, directly included into other comprehensive income and corresponding to the derecognized amount (in accordance with the contract terms of the financial assets involved in such transfer, the cash flow generated at the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount), is included into the current profits and losses.

For financial asset that is partially transferred and meets the conditions of derecognition, the overall book value of transferred financial asset is split according to their relative fair value between the part derecognized and the part not derecognized, and the difference between the following two amounts is recognized in current profits and losses: the sum of consideration received due to transfer and the amount amortized to the derecognized part and corresponding to the accumulative change of fair value which is firstly included into the other comprehensive income (in accordance with the contract terms of the financial assets, the cash flow generated at the specific date is only the payment of the principal and the interest on the basis of the outstanding principal amount), and the overall book value of aforesaid financial assets.

Financial liabilities

Classification, recognition and measurement of financial liability

The Company's financial liabilities are grouped, upon initial recognition, into financial liabilities measured at fair value, with the changes included in the current profit or loss and other financial liabilities.

Financial liabilities measured at fair value with changes included in the current profits and losses include trading financial liabilities and financial liabilities designated to be measured as at fair value with changes included in the current profits and losses upon initial recognition. The net gain or loss arising from changes in fair value, dividends and interest paid related to such financial liabilities are recorded in profits and losses for the period in which they are incurred.

Other financial liabilities are measured subsequently at the amortized cost by adopting the effective interest method. Apart from the following items, the Company will classify the financial liabilities as those measured at amortized cost: ① the financial liabilities measured at fair value with changes included into current profits and losses include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated to be measured at fair value with changes included into current profits and losses. ② The financial liabilities formed by transferring of the financial assets failed to meet the conditions for derecognition or formed by continuous involvement of transferred financial assets. ③ The financial guarantee contracts that do not fall under above ① and ② as well as loan commitments at a rate below the market rate of interest that do not fall under above ①.

Where a contingent consideration is recognized by the Company as a financial liability in business combination not under common control, such financial liability shall be measured at fair value with changes included into the current profits and losses during accounting treatment.

Derecognition of financial liabilities

When the current obligation of the financial liabilities has been relieved in whole or part, the part of the financial liabilities or obligations that have been relieved upon confirmation is terminated. If the Company reaches an agreement with the creditor to replace the existing financial liabilities by undertaking new financial liabilities and the contract terms of the existing and new liabilities are different in substance, the existing financial liabilities shall be derecognized while the new liabilities shall be recognized. Where all or part of the contract terms of the existing financial liabilities are subject to material modification, the Company shall derecognize all or part of the existing financial liabilities while recognizing the financial liabilities with modified terms as new financial liabilities. The difference between the book value of the terminated part upon confirmation and the considerations paid is included in the current profit and loss.

Method for determining the fair value of financial assets and financial liabilities

The Company measures the fair value of financial assets and financial liabilities in the main market. If there is no major market, the Company measures the fair value of financial assets and financial liabilities with most beneficial price for the market and adopts evaluation techniques with much available data and other information support that is applicable at that time. Input data for determining fair values has three levels. The first level is the unadjusted price available for the same asset or liability on the date of evaluation in an active market. The second level inputs are directly or indirectly observable inputs of relevant assets or liabilities apart from inputs of the first level. The inputs of the third level are unobservable inputs of relevant assets or liabilities. The Company gives priority of using the first-level inputs and takes the third-level inputs as the last. The lowest layer that has significant impact on the overall fair value evaluation determines which level this fair value evaluation result shall belong to.

Investments in equity instruments of the Company are measured at fair value. However, under certain

circumstances, if recent information needed to determine the fair value is insufficient, or if the estimated amount of the fair value features an extensive distribution scope and the cost represents the best estimate of the fair value in that distribution scope, the cost may represent the appropriate estimate on the fair value within that distribution scope.

Offsetting financial assets and financial liabilities

Financial assets and liabilities of the Company are presented separately in the balance sheet without offsetting. However, the net amount resulting from the offsetting between financial assets and financial liabilities shall be presented in the balance sheet only if all of the following criteria are met: (1) The Company has the statutory right to set off recognized amounts which is currently enforceable; (2) The Company intends either to settle on a net basis, or to realize the financial assets and pay off the financial liabilities simultaneously.

Distinction and relevant treatment methods of financial liabilities and equity instruments

The Company distinguishes between financial liabilities and equity instruments according to the following principles: (1) Where the Company cannot unconditionally avoid fulfilling certain contractual obligation by delivering cash or other financial assets, then such contractual obligation is in line with the definition of the financial liability. Although certain financial instruments do not expressly contain terms and conditions for the contractual obligation to deliver cash or other financial instruments, the contractual obligation may be indirectly formed according to other terms and conditions. (2) Where a financial instrument must or is able to be settled by the Company's own equity instrument, the Company shall consider whether the Company's own equity instrument as the settlement instrument is a substitute of cash or other financial assets, or the residual interest in the assets of an entity after deducting all of its liabilities. If it is the former case, the instrument is the issuer's financial liability. If it is the latter case, the instrument shall be the equity instrument of the issuer. Under some circumstances, the contract of a financial instrument may require that the financial instrument must or is able to be settled by the Company's own equity instrument. The amount of contractual right or contractual obligation equals to the amount of its own equity instrument receivable or payable multiplied by its fair value at the time of settlement. Whether the amount of such contractual right or obligation is fixed, or varies, wholly or partially, based on variables other than the market value of the Company's own equity instrument (such as interest rates, the price of a commodity or the price of a financial instrument), such contract is classified as financial liability.

In classifying financial instruments (or components) in the consolidated statements, the Company shall take into account all the terms and conditions agreed between members of the Company and holders of the financial instruments. If the Company, as a whole, undertakes the obligation to deliver cash, other financial assets or settle in other ways that cause the financial instrument to become a financial liability, the instrument shall be classified as a financial liability.

If a financial instrument or any of its components is a financial liability, the relevant interests, dividends, gains or losses, and gains or losses from redemption or re-financing and so on are included in the current profits & losses of the Company.

If a financial instrument or its component belongs to an equity instrument, for its issue (including re-financing), repurchase, sale or cancellation, the Company will treat it as a change in equity and will not recognize the change in fair value of equity instruments.

Impairment of financial instruments

The Company, based on expected credit losses, performed impairment accounting and recognized credit impairment losses on financial assets measured at amortized cost, financial assets classified to be measured at the fair

value with the changes included into other comprehensive incomes as well as financial guarantee contracts.

The expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss refers to the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Among them, financial assets purchased or underlying with credit impairment of the Company shall be discounted at the financial assets' effective interest rate after credit adjustment.

For account receivables arising from transactions scoped in ASBE on Revenue not containing significant financing components, the Company takes the simplified measurement method to measure its loss provisions based on the amount of expected credit losses during the entire duration.

For financial assets purchased or underlying with credit impairment, the cumulative change in expected credit loss during the entire duration since the date of balance sheet date after initial recognition will be recognized as provision for loss. On each date of balance sheet, the amount of change in expected credit loss during the entire duration is included into current profits and losses as impairment losses or gains. Even if the expected credit loss within the entire duration determined on the date of balance sheet is less than the amount of expected credit loss reflected by estimated cash flow upon initial recognition, any favorable change in expected credit loss will be recognized as impairment gains.

In addition to other financial assets adopting the aforesaid simplified measurement method or financial assets purchased or underlying with credit impairment, the Company shall assess whether the credit risk of relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and shall respectively accrue their provision for loss and recognize the expected credit loss and its change:

In the event that the credit risk has not increased significantly since the initial recognition and it is in Stage I, the Company shall measure its loss provisions based on the amount of expected credit losses for the coming 12 months of such financial instrument and calculate the interest on the basis of book balance and effective interest rate.

In the event that the credit risk of the financial instrument has increased significantly since the initial recognition but with no credit impairment and it is in Stage II, the Company shall measure its loss provisions based on the amount of the expected credit loss of the financial instrument during the entire duration and calculate the interest on the basis of book balance and effective interest rate.

In case that credit impairment of the financial instrument has incurred since the initial recognition and it is in Stage III, the Company shall measure the loss provisions of the financial instrument based on the amount of expected credit losses during the entire duration, and calculate the interest at amortized cost and effective interest rate.

Increases or reversals of the provisions for credit losses of the financial instrument are recorded in the current profits and losses as impairment losses or gains. Except for financial assets classified to be measured at fair value through other comprehensive income, the book balance of financial assets is deducted with provision for credit losses. For financial assets classified to be measured at fair value, with the change included in other comprehensive incomes, the Company shall recognize the provision for credit loss in other comprehensive incomes, and shall not decrease the book value of such financial assets listed in the balance sheet.

Where the Company has measured the provisions for losses based on the amount of the expected credit loss over the entire duration of such financial instruments in the prior accounting period, but on the current balance sheet date, such financial instruments no longer fall into the scope of significantly increased credit risk since initial recognition, the Company measures the provisions for the losses of such financial instruments based on the amount equivalent to the expected credit losses over the coming 12 months on the current balance sheet date, with resulting carrybacks of provisions for losses recorded in the current profits and losses as impairment gains.

① Significant increase in credit risk

The Company determines if there is a significant increase in credit risk of financial instruments since initial recognition by comparing the risks of default of financial instruments on the balance sheet date and the date of initial recognition based on reasonable and well-grounded forward-looking information available. For the financial guarantee contract, when the Company applies the regulations on impairment of financial instruments, the date when the Company becomes the party which makes the irrevocable undertaking is regarded as the date of initial recognition. The Company will take into account the following factors when it assesses whether the credit risk is significantly increased: the operating results of the debtor have actually changed or are expected to significantly change or not; whether the regulatory, economic or technical environment where the debtor is located has significantly and adversely changed or not; whether the value of the collateral as the debt pledge or the guarantee provided by the third party or credit enhancement quality has significantly changed or not, as these changes are expected to reduce the economic motives of the debtor to make repayments within the time limits prescribed in the Contract or to impact the default probability; whether the expected performance or repayment behavior of the debtor has significantly changed or not; whether the Company has changed its management method for financial instrument credit or not, etc.

On the balance sheet date, if the Company determines that the financial instrument only carries low credit risks, then the Company will assume that the credit risks of the financial instrument have not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly capable of performing its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, then the financial instrument is considered as having a lower credit risk.

② Credit-impaired financial assets

In case of one or more events adversely affecting the estimated future cash flows of a financial asset, the financial asset becomes a financial asset to which a credit impairment has happened. Evidence of a credit impairment on a financial asset includes the following information: serious financial difficulties of the debtor; a breach of contract by the debtor, such as a default or overdue payment of interest or principle; the creditor, for economic or contractual considerations relating to financial difficulties of the debtor, offers the debtor concessions that are impossible in any other circumstances; it is probable that the debtor will enter bankruptcy or other financial restructuring; the disappearance of an active market for that financial asset due to financial difficulties of the issuer or the debtor; the purchase or origination of a financial asset at a large discount that reflects the incurred credit losses.

The credit impairment of financial assets may be caused by the joint effect of the above multiple events, and may not be caused by individually identifiable events.

③ Determination of expected credit losses

In assessing the expected credit loss, the Company takes reasonable and well-founded information about past event, current condition and future economic status predictions into consideration based on the expected credit loss of single and combined financial evaluation instruments.

The Company divides the financial instruments into different portfolios based on the common credit risk characteristics. See accounting policies of relevant financial instruments for single evaluation standards and combined credit risk characteristics.

The Company determines the expected credit losses of financial instruments under the following methods:

For financial assets, the credit loss is calculated as the present value of the difference between the contractual cash flows to be collected by the Company and cash flows expected to be collected.

For the financial guarantee contract, the credit loss is the expected payment made to the contract holder by the Company for reimbursing the contract holder against the credit losses incurred by the contract holder, deducted by the present value of the differences between the amounts expected to be received by the Company from the contract holder, debtor or any other party.

For financial assets which have been credit-impaired on the balance sheet date but are not purchased or underlying with credit impairment, the credit loss is calculated as the difference between the book balance of such financial assets and present value of anticipated future cash flows discounted at the original effective interest rate.

11. Notes receivable

The Company, based on the acceptor credit risk of the notes receivable as common risk characteristics, divides the notes receivable into different combinations and determines the accounting estimation policy of expected credit loss.

Combination classification	Basis for determining combination	Provision method
Combination of bank acceptance	The acceptor is a banking financial institution.	The Company believed that there was no significant credit risk in the bank acceptance held by the Company and there will be no significant loss due to the default of the bank.
Combination of trade acceptance	The acceptor is a non-bank financial institution or enterprise like a finance company.	The company shall measure the bad-debt provision of receivable trade acceptance based on the expected credit loss during the entire duration.

12. Accounts receivable

For the receivables arising from transactions regulated by the *Accounting Standards for Business Enterprises No. 14 - Revenue Standards* (whether or not containing significant financing components) and the lease receivables regulated by the *Accounting Standards for Business Enterprises No. 21 - Leasing*, the Company takes the simplified measurement method to measure its loss provisions based on the amount of expected credit losses during the entire duration.

For accounts receivable, the Company assesses whether the credit risk increases significantly on the basis of a single financial instrument or a combination of financial instruments. The Company singly evaluates the credit risk of receivables with significantly different credit risks and the following characteristics: receivables in dispute with the other party or involved in litigation and arbitration; accounts receivable that there are obvious indications showing that the debtor is likely to be unable to fulfill the repayment obligation. The Company cannot obtain sufficient evidence of significant increase in credit risk at the level of single financial instrument at reasonable cost, but it is feasible to assess whether the credit risk increases significantly on the basis of the combination of financial instruments. When the assessment is performed on the combination of financial instruments, the Company can classify the financial instruments based on the common credit risk characteristics.

The Company classifies the accounts receivable into the following combinations based on their credit risk characteristics:

Combination classification	Basis for determining combination	Provision method
Credit loss that accrues accounts receivable by aging analysis method	Accounts receivable with the same aging have similar credit risk characteristics	Expected rates of credit loss
Related parties within the consolidation scope	Funds of subsidiaries within the consolidation scope of controlling shareholders	No expected credit loss under normal circumstances

If there is objective evidence showing that the credit impairment of certain account receivable has incurred, the Company shall singly withdraw the bad debt reserve of accounts receivable and confirm the expected credit loss.

For accounts receivable with credit loss accrued from receivables by aging analysis method, based on the actual credit loss of previous years and considering the forward-looking information of the current period, the accounting estimate policies of the Company for measuring the expected credit loss are as follows:

Age	Expected rates of credit loss
Within 1 year	5.00%
1-2 years	10.00%
2-3 years	20.00%
3-4 years	50.00%
4-5 years	80.00%
Over 5 years	100.00%

The Company calculates the expected credit loss of receivables on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current receivables impairment provision, the Company will recognize the difference as impairment loss of receivables, debit "credit impairment loss" and credit "bad debt provision". Otherwise, the Company will recognize the difference as impairment gains and make opposite accounting records.

For the actual credit losses of the Company, if the relevant receivables are determined to be unrecoverable and are approved to be written off, the Company shall debit "bad debt provision" and credit "accounts receivable" according to the approved write-off amount. If the write-off amount is greater than the accrued loss provisions, the "credit impairment loss" will be debited according to the difference.

13. Receivables financing

Where the following conditions are reached at the same time, the financial assets can be classified as those measured at fair value with the changes included into other comprehensive income: the Company adopts the business management mode of the financial assets for the purpose of collecting contractual cash flow and selling the financial assets. As stipulated in contract terms of the financial assets, the cash flows generated on special dates are solely the payments to principals and interests on the principal amount outstanding.

The Company transfers the accounts receivable held in the form of discount or endorsement, and such business is more frequent and involves a large amount of money. Its business management model, in essence, is to collect and sell contract cash flow. According to the relevant provisions of financial instrument standards, the accounts receivable is classified into financial assets with changes measured at fair value and included in other comprehensive income.

14. Other receivables

The Company divides the process of credit impairment of other receivables into three stages and adopts different accounting treatment methods for the impairment of other receivables in different stages:

Credit risk has not increased significantly since initial recognition (Stage I)

For the financial instruments in this stage, the Company shall measure the loss provisions based on the expected credit loss in the next 12 months. The Company classifies other receivables based on aging as a credit risk characteristic and measure them on the basis of combination, which is equivalent to the expected credit loss in the next 12 months.

Credit risk has increased significantly since initial recognition but has not been impaired (Stage II)

For the financial instruments in this stage, the Company shall measure the loss provisions based on the expected credit loss during the entire duration.

Credit impairment after initial recognition (Stage III)

For the financial instruments in this stage, the Company shall measure the loss provisions based on the expected credit loss during the entire duration.

15. Inventories

Inventories of the Company mainly include low-value consumables, raw materials, goods in-process, merchandise inventory and goods shipped in transit.

The inventories are managed based on perpetual inventory system, and valued at actual cost on acquisition. Actual cost is calculated using weighted average method when the inventories are issued or consumed. Low-value consumables and packaging materials are amortized using one-off amortization method.

At the end of accounting period, inventory is valued at cost or net realizable value, whichever is lower; provision for inventory depreciation reserves is made for the part of the cost uncollectible of inventory due to damage, fully or partially out of date or selling price lower than the cost, etc. Inventory revaluation reserves of merchandise inventories and raw materials are generally accrued as the excess of the higher cost of individual inventory over its net realizable value. For raw and auxiliary materials of larger amount and lower unit price, inventory revaluation reserves shall be accrued based on the category.

Net realizable values of stock goods, work in progress, or held-for-sale materials are determined by their estimated selling price deducted by estimated selling expenses and related taxes. Net realizable values for material held for production are determined by the estimated selling price of finished goods deducted by the estimated cost to completion, selling expenses and the related taxes.

16. Long-term equity investments

Long-term equity investment of the Company mainly includes the investment to the subsidiaries, associated enterprises and joint ventures.

The Company follows the basis to judge the joint control: all the participants or group of participants collectively control the arrangements, and the policies for activities related to such arrangement must be agreed by all such participants.

Generally, it constitutes significant influence on an investee if the Company controls 20% (inclusive) or more (less

than 50%) voting shares of the investee directly or indirectly through a subsidiary. Where the Company controls less than 20% voting shares of the investee directly or indirectly through a subsidiary, significant effects on the investee shall be judged based on the facts and circumstances in the case that appoint representative to the board of directors or similar organ of power under the investee, participate the development of financial and operating policies of the investee, conduct important trading with the investee, dispatch management personnel to the investee, or provide key technical data to the investee.

The one forming control over the investee is the subsidiary of the Company. For the long-term equity investment acquired through business combination under the same control, the share of the combined party in the book value of net assets presented in consolidated financial statements of ultimate controlling party acquired at the date of combination is recognized as initial investment cost of long-term equity investment. The book value of net assets for the combined party is negative on the combining date, and the long-term equity investment cost is determined as zero.

In case that equity of the investee under the same control is obtained through multiple deals step by step to finally form business combination, for package deals, the Company shall account each deal as a deal to obtain the control. If it is not a package deal, the share of the book value of combined party's net assets presented in consolidated financial statements of ultimate controlling party acquired at the date of combination is recognized as initial investment cost of long-term equity investment. The difference between initial investment cost and the sum of the book value of long-term equity investment before the combination is realized and the book value of consideration additionally paid to further acquire shares on the date of combination is adjusted against the capital surplus; if the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings.

For long-term equity investments acquired through business combinations not under common control, the combined cost is used as the initial investment cost.

In case that equity of the investee not under the same control is obtained through multiple deals step by step to finally form business combination, for package deals, the Company shall account each deal as a deal to obtain the control. If it is not a package deal, initial investment cost accounted using cost method will be the sum of the book value of original equity investment and new investment cost. For equity held before the date of acquisition and accounted with equity method, other related comprehensive income using equity method for accounting shall not be adjusted, and accounting treatment should be applied to these investments on the same basis as those adopted by the investee for direct disposal of related assets or liabilities. For equity held before the date of acquisition and accounted at fair value in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be transferred to the investment profit or loss for the current period on the combining date.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment are used as the cost of investment based on the purchase price actually paid. For long-term equity investments obtained by issuing equity securities, the fair value of the equity securities issued is recorded as the initial investment cost; for long-term equity investments obtained by exchange of non-monetary assets, the initial investment cost shall be determined in accordance with relevant provisions in the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-Monetary Assets*; the initial investment cost shall be determined in accordance with the relevant provisions of the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* by the long-term equity investment of debt restructuring.

Investment in subsidiaries by the Company shall be calculated by cost method, while investment in joint ventures and associates by the Company shall be calculated by equity method.

For long-term equity investment calculated by cost method, the cost of long-term equity investment shall be adjusted when the investment is added or recovered. The cash dividends or profits declared to be distributed by the

investee shall be recognized as the current investment income.

For long-term equity investment calculated by equity method in subsequent measurement, the book value of the long-term equity investment shall be increased or decreased accordingly with the changes in owner's equity of the investee. The shares of the net profits & losses of the investee attributable to the Company shall be recognized based on the fair value of all identifiable net assets of the investee upon acquisition of the investment in accordance with the accounting policies and accounting period of the Company, after deducting the parts of the profits & losses arising from internal transactions between the associates and joint ventures attributable to the Company calculated on the basis of shareholding ratio and adjusting the net profits of the investee.

When disposing the long-term equity investment, the balance between the book value and the acquired price actually shall be included in the current profit and loss. As for long-term equity investments calculated by the equity method, when other changes in owners' equity other than net gain or loss of the investee are recorded in owners' equity, the amount initially recorded in owners' equity is proportionally transferred into current investment income.

If all transactions from step-by-step disposal of equity to loss of controlling interest do not belong to package transaction, the Company will conduct accounting treatment for each transaction. In case of package transaction, all transactions shall be calculated as one transaction of disposing subsidiaries and losing control power for accounting treatment. However, the difference between disposal cost of each transaction and book value of long-term equity investment corresponding to equity disposed before losing control power shall be recognized as other comprehensive income and then shall be transferred into current profits and losses of losing control power upon such loss.

17. Investment real estates

Measurement model of investment real estate - measurement by cost method

Depreciation or amortization methods

Leased houses and buildings are included into the investment real estates of the Company. Measurement is carried out by cost model.

The investment real estates of the Company are depreciated or amortized by the composite life method. The estimated service life, net residual value ratio and annual depreciation (amortization) rate of the investment real estate are as follows:

Type	Depreciation period (year)	Estimated residual value ratio (%)	Annual depreciation rate (%)
Houses and buildings	20 years	5.00%	4.75%

18. Fixed assets

(1) Recognition conditions

Fixed assets of the Company refer to tangible assets with service life over one year, which are held for producing goods, rendering labor services, lease (exclusive of leased houses and buildings) or operation and management. Fixed assets are recognized when the economic benefits related thereto are likely to flow into the Company and their costs can be measured in a reliable manner. Fixed assets include houses and buildings, machine and equipment,

transportation equipment and other equipment, and the actual cost at the time of acquisition is taken as the entry value. Among them, the cost of purchased fixed assets includes the purchase price, import duties and other related taxes, as well as other expenditures that can be directly attributed to the fixed assets before the fixed assets reach the predetermined serviceable state; the cost of the self-constructed fixed assets consists of necessary expenses incurred before the constructed assets are ready for the intended use; the fixed assets invested by investors shall be accounted for at the value agreed in the investment contract or agreement, or at the fair value if the value agreed in the investment contract or agreement is unfair; the fixed assets rented in by way of financial lease shall be accounted for at the fair value. For fixed assets obtained by financing lease, the lower of the fair value of rented assets and the present value of the minimum lease payment on the lease start date shall be recorded as the entry value.

Except for the fixed assets for which depreciation has been calculated in full amount and which are still being used, the Company will calculate and withdraw the depreciation for all fixed assets. The fixed assets are depreciated by the composite life method.

Processing of subsequent expenditure of fixed assets: The subsequent expenditure of fixed assets mainly includes renovation/modification expenditure, repair expenditure, etc. When the relevant economic benefits are likely to flow in and the costs can be measured in a reliable manner, they shall be included into the cost of fixed assets. For the replaced part, the book value shall be derecognized. All the other subsequent expenditures are recognized in profit or loss for the current period in which they are incurred.

The Company will recheck the estimated service life, the estimated net residual value and the depreciation method of the fixed assets on each balance sheet date. Changes, if any, are regarded as the accounting estimate changes. A fixed asset is derecognized when it is disposed of or no economic benefit is expected from the use or disposal of the asset. The amount of proceeds on sale and transfer of a fixed asset as well as disposal of a scrapped or damaged fixed asset less its carrying amount and related taxes, is recognized in profit and loss for the current period.

(2) Depreciation method

Type	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Composite life method	20 years	5.00%	4.75%
Machine and equipment	Composite life method	10 years	5.00%	9.50%
Transportation equipment	Composite life method	5 years	5.00%	19.00%
Other equipment	Composite life method	5 years	5.00%	19.00%

19. Construction in progress

Construction in progress is measured at its actual cost. The self-operating works is measured according to the direct material, direct wage, direct construction cost, etc.; the outsourced works is measured according to the project price payable; the project cost of the equipment installation works is determined according to the value of installed equipment, installation cost, commissioning cost and other expenditures incurred. The cost of construction in process shall also include borrowing costs that should be capitalized.

The fixed assets constructed by the Company shall be transferred into fixed assets at the estimated value based on project budget, construction cost and actual project cost from the date when fixed assets get ready for intended use and depreciation of such assets will be accrued in next month. Upon completion of the final accounts formalities, the original value difference of the fixed assets will be adjusted.

20. Borrowing costs

Recognition principle of borrowing cost capitalization: The borrowing costs incurred by the Company that can be directly attributable to the acquisition, construction or production of qualifying assets, will be capitalized and incurred in the relevant asset cost; other borrowing costs are recognized as expenses based on the amount incurred, and included in the current profit and loss. Qualifying assets are defined as assets that require a substantial amount of time (usually more than one year) for construction or production activities before the asset is ready for its intended use or sale. These include fixed assets, intangible assets and inventory.

Period of capitalizing the borrowing costs: The Company will start to capitalize the borrowing costs related to the qualifying assets when the asset expenditure has been incurred, the borrowing costs have been incurred, and the acquisition, construction or production activities necessary to prepare assets for their intended use or sale are in progress. Where the acquisition, construction or production of a qualifying asset are interrupted abnormally for a period lasting more than 3 months, the capitalization of borrowing costs shall be suspended. Capitalization of borrowing costs shall cease once the acquisition, construction or production necessary to prepare the qualifying asset for its intended use or sale are complete.

Method for calculating the amount of borrowing costs to capitalize: If borrowing funds specifically for acquiring, constructing or producing qualifying assets, the amount of interest eligible for capitalization by the Company will be the actual interest costs incurred during the specific borrowing period minus the interest income obtained by depositing or temporarily investing unspent borrowed funds. Where a general borrowing is used for the acquisition, construction or production of a qualifying asset, the Company shall calculate and determine its amount of interest to be capitalized by taking the weighted average of the accumulative asset expenditure minus the asset expenditure of the specific borrowing, multiplied by the weighted average interest rate of the general borrowing used.

21. Intangible assets

(1) Valuation method, service life and impairment test

The intangible assets of the Company mainly include land use rights, software, trademarks and patents. As for intangible assets that are purchased, the actual cost is composed of the actual price paid and other relevant expenditures. For the intangible assets that are invested by investors, the actual cost is determined by the agreed value in the investment contract or agreement, but if the agreed value is not fair, the fair value will be taken as the actual cost. Intangible assets are amortized using the composite life method, and the classifications and amortization periods of the Company's intangible assets are as follows:

Type	Amortization period
Land use right	50 years

Patent	10 years
Software	3-5 years
Trademark or domain name	10 years

The Company's land use rights are amortized evenly according to the lease term, starting from the date of transfer. The Company's patent rights, non-patented technologies, special software use rights and other intangible assets are amortized evenly by stages according to whichever period is the shortest: the asset's estimated useful life, the beneficial period stipulated in the contract, or the period of legal validity. The amount of amortization is included into the current profits and losses or included into the relevant asset cost according to the beneficiaries.

At the end of each year, the Company shall review, and adjust in case of changes, the estimated useful lives and amortization methods used for intangible assets with limited useful lives; in each accounting period, the Company carries out reviews of the estimated useful life of intangible assets whose useful life is uncertain. Where there is evidence showing that the useful life of these intangible assets is limited, the Company will estimate the useful life thereof and amortize these intangible assets during the estimated useful life remaining.

(2) Accounting policies for internal R&D expenditures

The internal R&D expenditures of the Company can be divided into expenditures made at the research stage and those made at the development stage, depending on the nature of the expenditure and the extent of uncertainty on whether the R&D activities will finally form intangible assets.

For internally-generated intangible assets, expenditures at the research stage are included in the current profits and losses when incurred; expenditures at the development stage are recognized as an asset, when the following conditions are met:

It is technically feasible to complete the intangible assets so that they can be used or sold;

There is an intention to complete and use or sell the intangible assets;

There is a potential market for the products manufactured via the application of the intangible assets, or there is a potential market for the intangible assets themselves;

There is sufficient support in terms of technological, financial and other resources in order to complete the development of the intangible assets, and there is the capability to use or sell the intangible asset;

The expenditures made on the intangible assets during the development stage can be measured reliably.

Expenditures made in the development stage that fail to meet the above conditions shall be included in the current profits and losses when incurred. The development expenditures previously included in the profit and loss statement will not be recognized as assets in subsequent periods. The expenditures incurred and capitalized at the development stage are recorded as development expenditures on the balance sheet and will be carried over as the intangible asset on the date when the project is ready for its intended use.

If the expenditures made at the research and development stages cannot be distinguished, all the R&D expenditures incurred will be fully included in the current profits and losses. The costs of the intangible assets generated by internal development activities only include the total expenditures incurred from the time when the capitalization conditions are met to the point when the intangible assets are used for their intended purposes; for expenditures that are already recorded as such in the profit and loss statement before the capitalization conditions are met during development of the same intangible asset, no adjustments will be made.

22. Impairment of long-term assets

On each balance sheet date, the Company shall audit the projects of subsidiaries, joint ventures and associates, including long-term equity investments, fixed assets, projects under construction, and intangible assets with finite useful lives. If any of the signs listed below are identified, this is an indication that the asset may be impaired and the Company will conduct an impairment test. Impairment tests are carried out on goodwill and intangible assets with uncertain useful lives at the end of each period, irrespective of whether there is any indication that the assets may be impaired. If there is difficulty testing the recoverable amount of a single asset, a test shall be conducted on the asset group which the asset belongs to, or on a combination of asset groups.

After the impairment test, if the book value of the asset exceeds its recoverable amount, the difference shall be recognized as an impairment loss. Once such an impairment loss has been confirmed, it shall not be reversed in the subsequent accounting period. The recoverable amount of an asset is the greater of its fair value less the net value of asset disposal and present value of expected future cash flow.

The following signs may indicate asset impairment:

Current market price of the asset drops substantially, with the drop in price being notably higher than the expected drop over time or due to the asset's normal use;

Significant changes occur in the current period, or are predicted to occur in the near future, with regard to the economic, technological or legal environment in which the enterprise conducts its business operations, or in the asset market, and these changes have or will have negative impacts on the enterprise;

The market interest rate or other market investment return rates have risen in the current period, affecting the enterprise's discount rate for calculating the asset's present value of expected future cash flow, and leading to a substantial decrease in recoverable amounts of the assets;

There is any amount of evidence to prove the asset has been out of date or the physical asset has been damaged;

The asset has been or will be left unused, terminated for use or disposed of ahead of schedule;

There is evidence from the enterprise's internal reports proving that the economic performance of the asset has been lower or will be lower than expected. For example, the net cash flow generated by the assets or operating profits (or losses) realized is much lower (or higher) than the expected amounts;

Other signs indicating that the asset may have been impaired.

23. Long-term deferred expenses

The long-term deferred expenses of the Company refer to the expenses that have been paid, but shall be borne in the current and future periods with an amortization period of more than one year. Moreover, such expenses shall be subject to average amortization within the benefit period. If long-term deferred expense items cannot benefit the future accounting periods, the amortized value of such items yet to be amortized shall be fully transferred into the current profits and losses.

24. Contract liabilities

Contract liabilities reflect the obligations of the Company to transfer goods to the client for which consideration is received or receivable from the client. Before the Company transfers goods to the client, and the client has paid the

consideration in the contract or the Company has obtained the right of unconditionally collecting the consideration, the contract liabilities are recognized according to the received or receivable amount either at the time of actual payment by the client or when the payment is due—whichever is earlier.

25. Employee remuneration

(1) Accounting treatment method of short-term remuneration

Employee remuneration of the Company includes short-term remuneration, post-employment benefits, termination benefits and other long-term benefits.

Short-term remunerations mainly include wages, bonuses, allowances and subsidies, employee welfare, housing funds, labor union funds, employee education funds, medical insurance premiums, industrial injury insurance premiums, and maternity insurance premiums. In the accounting period during which the employee has rendered service, the actual short-term remuneration incurred is recognized as a liability and recorded in the current profits and losses or related asset costs based on the beneficiary.

(2) Accounting treatment method of post-employment benefits

The post-employment benefits mainly include basic endowment insurance, unemployment insurance, enterprise and annuity payments, which are classified into defined contribution plans according to the risks and obligations undertaken by the Company. Moreover, the contributions paid into a separate entity in exchange for the employee's services during the accounting periods at the balance sheet date are recognized as a liability, and recorded in current profits and losses or relevant asset costs based on the beneficiary.

(3) Accounting treatment method of dismissal benefits

Dismissal benefits are required in instances when the Company terminates labor relationships with a certain employee prior to the maturity of their labor contract. The Company shall recognize the employee remuneration liabilities incurred from termination benefits and include them into the current profits and losses. This occurs either when the Company cannot unilaterally withdraw the termination benefits provided by the plan on the termination of the labor relationship or dismissal proposal, or when the Company recognizes the costs or expenses related to restructuring the payment of termination benefits—whichever occurs earlier. The compensations paid exceeding one year will be discounted then included in the current profits or losses.

(4) Accounting treatment method of other long-term employee benefits

Other long-term benefits mainly include long-term incentive plans and long-term benefits. The Company conducts accounting treatment according to relevant provisions of the defined contribution plans.

25. Provisions

When obligations relating to contingencies such as external guarantee, pending litigation or arbitration, product quality assurance, layoff plans, loss contracts, restructuring obligations, environmental pollution control, commitments, and disposal obligation of fixed assets also meet the following conditions, the company recognizes it as a liability: the

obligation is currently being undertaken by the company; there is a high possibility that the fulfillment of the obligation will result in the outflow of economic benefits from the enterprise; the amount of the obligation can be reliably measured.

Provisions are initially measured according to the best estimate of the expenditure required to settle the present obligation, taking into account factors relating to contingencies such as risks, uncertainties and the time value of money. Where the time value of money has a significant impact, the best estimate shall be ascertained after discounting the future relevant cash outflow. The book value of provisions is reviewed at the balance sheet date and adjusted to reflect the current best estimate if there is any change.

For possible obligations arising from past transactions or events whose existence depends on whether one or more uncertain future events occur; or for present obligations formed by past transactions or events, where the fulfillment of the obligation is not likely to cause an outflow of economic benefits from the Company, or the amount of the obligation cannot be reliably measured, the Company will disclose these possible or present obligations as contingent liabilities.

26. Share-based payment

Share-based payment refers to transactions in which equity instruments are granted or liabilities are incurred based on equity instruments in order to obtain services provided by the employees or other parties. Share-based payments are divided into equity-settled and cash-settled share-based payments.

Equity-settled share-based payments made in exchange for the service of employees are measured at the fair value on the date at which the equity instrument is granted to employees. Where the right may only be exercised if the service is completed within the waiting period, or if specified performance conditions are met, the fair value shall be included in relevant costs or expenses using the straight-line method and capital surplus shall be increased accordingly, based on the best estimate of the number of vested equity instruments within the waiting period.

Cash-settled share-based payments shall be measured at the fair value of liabilities, and recognized on the basis of share options or other equity instruments undertaken by the Company. If excisable immediately after the grant, the fair value of the liabilities assumed shall be included in the relevant costs or expenses on the grant date, and the liabilities shall be increased accordingly. If it is necessary to complete the services within the waiting period or meet the specified performance conditions before the right is excisable, on each balance sheet date of the waiting period, the services acquired in the current period shall be included in the costs or expenses based on the best estimation of the excisable right, and the liabilities shall be adjusted accordingly based on the fair values of the liabilities assumed by the Company.

On each balance sheet date and settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities will be re-measured, with any changes recorded in the profits and losses at the current period.

27. Income

Accounting policies used for the recognition and measurement of income

The operating income of the Company is mainly the income generated from the sale of goods.

The Company recognizes the income upon fulfillment of its performance obligations within the contract, that is, when the client obtains control of the relevant goods or services.

If there are two or more performance obligations in the contract, at the beginning of the contract the Company will allocate the transaction price to each separate performance obligation according to the relative proportion of the stand-alone selling price of the goods or services promised by each performance obligation. The income shall be

measured according to the transaction price allocated to each separate performance obligation.

The transaction price refers to the amount of consideration that the Company expects to collect for transfer of goods or services to the client, excluding the amount collected by third parties. The transaction price recognized by the Company shall not exceed the amount of recognized accumulated income, which is not likely to be significantly reversed once the relevant uncertainty is eliminated. The expected amount to be returned to the client will not be included into the transaction price as a liability. If there is significant financing in the contract, the Company shall determine the transaction price according to the amount payable in cash when the client obtains control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the contract start date, if the Company estimates that the time between the client's acquisition of control over goods or services and the payment of the price by the client will not exceed one year, the significant financing in the contract shall not be considered.

The performance obligations are to be fulfilled within a specified period once the Company meets one of the following conditions; otherwise, the Company is to fulfill the performance obligations at a specified time point:

The client obtains and consumes the economic benefits while the Company is fulfilling the performance obligations;

The client can control goods or services still under construction while the Company is still in the process of fulfilling the performance obligations.

The goods generated while the Company is in the process of performing the contract are indispensable, and the Company has the right to collect partial payments for the cumulative performance obligations that have been fulfilled so far within the contract period.

If the performance obligations are performed within the specified period, the Company will recognize the income within this period in accordance with the progress of the contract's performance. If the performance progress cannot be reasonably determined and the costs incurred by the Company are expected to be compensated, the revenue will be ascertained according to the costs incurred, until the performance progress can be reasonably determined.

If the performance obligations are performed at the specified time point, the Company will recognize the income at the time when the client obtains control over the relevant goods or services. In judging whether the client has obtained control over goods or services, the Company shall consider the following signs:

The Company has the current right to collect payment for the goods or services.

The Company has transferred legal ownership of the goods to the client.

The Company has transferred physical possession of the goods to the client.

The Company has transferred the main risks and rewards of ownership of the goods to the client.

The client has accepted the goods or services.

The Company's income recognition methods:

The agency company method: According to the Sales Commission Contract signed between the Company and the regional agency company, the Company recognizes the income after receiving the commission sales list or summary of sales lists from the commission sales company;

E-commerce: After the client places an order, the Company will deliver the goods and collect the payment for goods. The Company will recognize the income according to the time when the client confirms the receipt and the order is completed (when the client confirms the receipt on the online platform or automatically confirms the receipt after 7 days); b. The platform is responsible for the delivery and collection of payment, and the Company settles and

recognizes the income according to the sales list provided by the platform;

TV shopping: The company is informed to deliver goods according to the client's order, and the Company recognizes the income according to the sales list provided by the TV shopping platform;

Project type: Delivery is executed in accordance with the client's order, and the Company recognizes the income according to the receipt after the client receives the goods;

Export income from customs declaration: The income is recognized according to the export date of the customs declaration

28. Government grants

Government grants of the Company include fiscal appropriation. Government grants relating to assets refer to government grants obtained by the Company for the purpose of purchase, construction of long-term assets or the purpose of forming the assets in other ways; income-related government grants refer to those other than asset-related grants. In case the purpose of a grant is not expressly stipulated in the government document, the Company will categorize the grant according to these above principles. If it is difficult to categorize the grant, it will be categorized as the income-related government grant.

If a government grant is a monetary asset, it will be measured at the amount received; for the grant appropriated according to the fixed quota or for the grant where there is concrete evidence showing that the Company is qualified to receive governmental financial support and will be able to receive the support by the end of the accounting period, the grant will be measured at the receivable; if the government grant is a non-monetary asset, it will be measured at the fair value, or measured at its nominal amount (RMB 1) if the fair value cannot be obtained reliably.

If a government grant relating to assets is recognized as deferred income, such grant is recognized in the current profit or loss based on equal division within the service life of the relevant asset.

If the relevant asset has been sold, transferred, retired or damaged before the end of the service life, the balance of the relevant deferred income that has not been allocated will be transferred into the current profit and loss of asset disposal.

Government grants relating to income that compensate future costs, expenses or losses are recognized as deferred income, and recognized in profit or loss in reporting the related costs, expenses or losses. The government grants relating to the ordinary activities are included in other income or deducted against relevant costs and expenses according to the nature of the accounting event, otherwise, they are included in non-operating income.

If the Company obtains the subsidized loan as a result of preferential financial policy, there will be two situations: the Ministry of Finance appropriates the interest subsidy to the lending bank, or the Ministry of Finance directly appropriates the subsidy to the Company, and the accounting treatment for each of these situations is as follows:

(1) Where the Ministry of Finance appropriates the subsidy to the lending bank, and the bank provides the Company with the loan at a discounted interest rate, the Company will use the actual amount of loan received as the book value of the loan, and calculate the relevant borrowing costs based on the principal of the loan and the interest rate.

(2) Where the Ministry of Finance directly appropriate the interest subsidy to the Company, the Company will deduct the corresponding interest subsidy against the borrowing costs.

Where the governmental grants recognized by the Company need to be returned, the accounting treatment will be done as follows in the period they are returned:

1) Where the book value of relevant assets is deducted at the time of the initial recognition, the book value of assets will be adjusted.

2) Where there is any deferred income concerned, the book balance of the deferred income will be deducted, but the excessive part will be included in the current profit or loss.

3) For other circumstances, the government grants will be directly included in the current profit or loss.

29. Deferred income tax asset/deferred income tax liability

Deferred income tax asset and deferred tax liability of the Company are calculated and recognized based on the differences (temporary differences) between the tax base and the carrying amount of an asset or liability. For the deductible loss and tax credits that can be deducted annually in the subsequent years according to tax laws, the corresponding deferred income tax assets are recognized. Where the temporary differences arise from the initial recognition of goodwill, the corresponding deferred income tax liabilities are not recognized. No deferred tax asset or deferred tax liability is recognized where the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination affect neither accounting profit nor taxable profit (or deductible loss). On the balance sheet date, the deferred income tax asset and liability are measured at the applicable tax rates during the period when the asset is realized or the liability is settled as expected.

The Company recognizes the deferred income tax asset to the extent that it is probable that the taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be deducted.

30. Lease

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease by the Company. A lease other than financial lease is an operating lease. The leases of the Company are mainly operating leases.

Lease payments and income under an operating lease are recognized on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the period.

31. Significant accounting policy and accounting estimate changes

(1) Significant accounting policy changes

Applicable Not Applicable

Contents and reasons for accounting policies changes	Approval procedure	Remarks
The Ministry of Finance issued the revised <i>Chinese Accounting Standards No. 14-Revenue</i> (CK[2017] No. 22) (hereinafter referred to as CAS 14) on July 5, 2017, requiring enterprises listed at home and abroad at the same time and enterprises listed abroad that prepare financial statements according to the international financial reporting standards or CAS to implement CAS 14 as of January 1, 2018, and other enterprises listed at home to implement CAS 14 as of January 1, 2020.	Approved at the 2 nd meeting of the 5 th Board of Directors	See Notes for details

Note:

According to the requirement relating to the transition from the old to the new CAS 14, the Company has implemented the new standards from January 1, 2020. The new standards stipulate that the unearned revenue related to the performance obligation will be reclassified as the contract liability after the first application of the new CAS 14, and the comparatives will not be adjusted. See Notes to the Financial Statements or the comparatives presented pursuant to the CAS 14 at the beginning of the period;

(2) Significant accounting estimate changes

Applicable Not Applicable

(3) Relevant financial statement items at the beginning of 2020 when the new CAS 14 and the adjustments stipulated in the new CAS 21-Lease apply for the first time

Applicable

Should the balance sheet items be adjusted at the beginning of the year?

Yes No

Consolidated Balance Sheet

In RMB

Item	December 31, 2019	January 1, 2020	Adjusted figure
Current assets:			
Unearned revenue	1,092,261,332.25	0.00	-1,092,261,332.25
Contract liabilities		1,092,261,332.25	1,092,261,332.25

Notes to adjustment

Balance Sheet of the Parent Company

In RMB

Item	December 31, 2019	January 1, 2020	Adjusted figure
Unearned revenue	983,128,543.51		-983,128,543.51
Contract liabilities		983,128,543.51	983,128,543.51

VI. Taxation

1. Main tax categories and tax rates

Category	Tax base	Tax rate
Added-value tax	Income from sales of goods	13%
	Income from provision of technical services	6%
	Rental income	5%

City maintenance and construction tax	Turnover tax paid actually	7%
Education surcharge	Turnover tax paid actually	3%
Local education surcharge	Turnover tax paid actually	2%
House tax	70% of the original value of the house	1.2%
	Rental income	12%
Land use tax	Total land area	RMB 5~10/m ²
Corporate income tax	Taxable income	15%、25%

2. Preferential tax policy

The Company obtained the Certificate of High-Tech Enterprise (Certificate No.: GR201733000884) jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, Zhejiang Provincial Tax Service, State Taxation Administration, and Local Taxation Bureau of Zhejiang Province on November 13, 2017. The certificate is valid for 3 years. According to the relevant provisions, after being identified as a high-tech enterprise, the Company will enjoy the relevant preferential policies of the state on high-tech enterprises for three consecutive years (i.e., the Company is entitled to the preferential income tax policy from January 1, 2017 to December 31, 2019), and the income tax shall be levied at the rate of 15%.

According to the *Notice on Managing the Application for the Hi-tech Enterprise Certification in 2020* issued by the Leading Group on Hi-Tech Enterprise Accreditation in Zhejiang Province, the Company will take the application seriously in 2020; according to the *Announcement of the State Taxation Administration on the Implementation of Preferential Income Tax Policy for Hi-tech Enterprises* (Announcement 2017 No. 24 of the State Taxation Administration), before the recognition, the Company shall pay the income tax at the rate of 15% in 2020, when the Certificate will expire.

The subsidiary of the Company, Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd., obtained the Certificate of High-tech Enterprise (Certificate No.: GR201933002261) jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service, State Taxation Administration on December 4, 2019. After the recognition, it will enjoy the preferential tax policy of the state on high-tech enterprises for three consecutive years (i.e., it is entitled to the preferential income tax policy from January 1, 2019 to December 31, 2021), and its income tax shall be levied at the tax rate of 15%.

VII. Notes to items in the consolidated financial statements

1. Cash and cash equivalents

In RMB

Item	Ending balance	Beginning balance
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Cash in hand	353,643.65	218,775.77
Deposit in bank	4,315,601,855.60	4,029,077,489.73
Other cash and cash equivalents	35,340,844.54	24,825,460.73
Total	4,351,296,343.79	4,054,121,726.23

Note: The other cash and cash equivalents at the end of the accounting period are RMB 35,340,844.54, including the L/C margin of RMB 33,090,374.38, and the banker's acceptance margin of RMB 2,250,470.16, the use of which are both limited.

2. Financial assets held for trading

In RMB

Item	Ending balance	Beginning balance
Financial assets measured at fair value through profit or loss	925,000,000.00	1,360,000,000.00
Including: financial products	925,000,000.00	1,360,000,000.00
Total	925,000,000.00	1,360,000,000.00

3. Notes receivable

(1) Classified presentation of notes receivable

In RMB

Item	Ending balance	Beginning balance
Banker's acceptance	725,726,566.09	359,876,143.64
Trade acceptance	846,184,704.92	626,817,005.76
Total	1,571,911,271.01	986,693,149.40

In RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage of provision (%)	Amount	Percentage of provision (%)		Amount	Percentage of provision (%)	Amount	Percentage of provision (%)	
Including:										
Notes receivable with a collective bad debt	1,616,447,308.11	100.00%	44,536,037.10	2.76%	1,571,911,271.01	1,019,683,518.12	100.00%	32,990,368.72	3.24%	986,693,149.40

provision										
Including:										
Banker's acceptance	725,726,566.09	44.90%	0.00	0.00%	725,726,566.09	359,876,143.64	35.29%	0.00	0.00%	359,876,143.64
Trade acceptance	890,720,742.02	55.10%	44,536,037.10	5.00%	846,184,704.92	659,807,374.48	64.71%	32,990,368.72	5.00%	626,817,005.76
Total	1,616,447,308.11	100.00%	44,536,037.10	2.76%	1,571,911,271.01	1,019,683,518.12	100.00%	32,990,368.72	3.24%	986,693,149.40

Collective bad debt provision:

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Percentage of provision
A group of trade acceptances	890,720,742.02	44,536,037.10	5.00%
Total	890,720,742.02	44,536,037.10	--

(2) Bad debt provision, and its recovery or reversal in the current period

Provision for bad debts in the current period:

In RMB

Type	Beginning balance	Amount of change in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Trade acceptance	32,990,368.72	11,545,668.38	0.00	0.00		44,536,037.10
Total	32,990,368.72	11,545,668.38	0.00	0.00		44,536,037.10

In RMB

4. Accounts receivable

(1) Classified disclosure of accounts receivable

In RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage of provision	Amount	Percentage of provision		Amount	Percentage of provision	Amount	Percentage of provision	

		on (%)		on			on (%)		on	
Accounts receivable with individual bad debt provisions	4,216,329.97	0.51%	4,216,329.97	100.00%	0.00	4,216,329.97	0.55%	4,216,329.97	100.00%	0.00
Including:										
Accounts receivable with a collective bad debt provision	819,173,671.61	99.49%	46,281,815.98	5.65%	772,891,855.63	768,561,756.12	99.45%	42,930,854.84	5.59%	725,630,901.28
Including:										
Total	823,390,001.58	100.00%	50,498,145.95		772,891,855.63	772,778,086.09	100.00%	47,147,184.81		725,630,901.28

Individual bad debt provision: for each of the accounts receivable with significant credit risks, their bad debts are provided for individually.

In RMB

Name	Ending balance			
	Book balance	Bad debt provision	Percentage of provision	Reason for provision
Accounts receivable that are small respectively whose bad debts are provided for individually	4,216,329.97	4,216,329.97	100.00%	Expected to be irrecoverable
Total	4,216,329.97	4,216,329.97	--	--

Collective bad debt provision: for multiple accounts receivable grouped by expected credit loss based on their age characteristics, their bad debts are provided for collectively.

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Percentage of provision
Within 1 year	778,613,188.30	38,930,659.41	5.00%
1-2 years	30,833,566.51	3,083,356.65	10.00%
2-3 years	5,761,492.27	1,152,298.46	20.00%
3-4 years	1,316,179.41	658,089.71	50.00%
4-5 years	959,166.80	767,333.43	80.00%
Over 5 years	1,690,078.32	1,690,078.32	100.00%

Total	819,173,671.61	46,281,815.98	--
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Disclosed based on the age of accounts receivable

In RMB

Age	Ending balance
Within 1 year (including 1 year)	778,613,188.30
1-2 years	30,833,566.51
2-3 years	5,761,492.27
More than 3 years	8,181,754.50
3-4 years	1,316,179.41
4-5 years	959,166.80
More than 5 years	5,906,408.29
Total	823,390,001.58

(2) Bad debt provision, and its recovery or reversal in the current period

Bad debt provision in the current period:

In RMB

Type	Beginning balance	Amount of change in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision for accounts receivable	47,147,184.81	3,367,587.99	0.00	16,626.85		50,498,145.95
Total	47,147,184.81	3,367,587.99	0.00	16,626.85		50,498,145.95

(3) Accounts receivable actually written off in the current period

In RMB

Item	Written-off amount
Accounts receivable	16,626.85

(4) Top five debtors with the biggest ending balances of accounts receivable:

In RMB

Unit	Ending balance of accounts receivable	Proportion in the total ending balance of accounts receivable	Ending balance of bad debt provision
------	---------------------------------------	---	--------------------------------------

Unit 1	119,348,868.75	14.49%	5,967,443.44
Unit 2	99,552,093.92	12.09%	4,977,604.70
Unit 3	25,018,729.83	3.04%	1,250,936.49
Unit 4	19,014,384.28	2.31%	950,719.21
Unit 5	16,460,299.51	2.00%	823,014.98
Total	279,394,376.29	33.93%	

5. Accounts receivable financing

In RMB

Item	Ending balance	Beginning balance
Banker's acceptance	0.00	408,972,104.07
Total		408,972,104.07

Note: The Company discounts and endorses the banker's acceptance according to its daily operation and management needs. Based on the purpose of the acceptance of bill (including for obtaining of contract cash flow and sale), its management presents the balance of the above acceptance as an item of accounts receivable financing.

6. Advance payments

(1) Advance payments presented by age

In RMB

Age	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	81,003,754.36	99.49%	50,109,021.83	99.99%
1-2 years	418,159.49	0.51%	4,528.01	0.01%
2-3 years	0.00	0.00%	0.00	0.00%
Total	81,421,913.85	--	50,113,549.84	--

(2) Top five payers with the biggest ending balances of advance payments

The advance payments balances of the top five payers by the end of the current period totaled RMB 48,272,364.08, accounting for 59.29% of the total.

7. Other receivables

In RMB

Item	Ending balance	Beginning balance
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Dividend receivable		14,295,039.38
Other receivables	62,642,970.58	96,604,409.27
Total	62,642,970.58	110,899,448.65

(1) Classification of dividends receivable

In RMB

Project (or investee)	Ending balance	Beginning balance
Suzhou Industrial Park Ruican Investment Enterprise (Limited Partnership)	0.00	14,295,039.38
Total		14,295,039.38

(2) Other receivables

1) Classification of other receivables by nature

In RMB

Nature of receivable	Book balance at the end of the period	Initial book balance at the beginning of the period
Collections by a third party	19,688,144.55	63,604,415.88
Security/guarantee deposits	39,360,440.06	37,167,812.49
Petty cash	10,158,865.54	3,137,976.93
Withholdings	4,507,395.40	2,502,348.12
Others	2,847,681.34	512,898.94
Total	76,562,526.89	106,925,452.36

2) Bad debt provision

In RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance on January 1, 2020	10,321,043.09			10,321,043.09
Balance on January 1, 2020 in the current	---	---	---	---

period				
Provision in the current period	3,598,513.22			3,598,513.22
Balance on June 30, 2020	13,919,556.31			13,919,556.31

Disclosed based on the age of accounts receivable

In RMB

Age	Ending balance
Within 1 year (including 1 year)	45,591,840.60
1-2 years	9,333,044.59
2-3 years	3,591,580.66
More than 3 years	18,046,061.04
3-4 years	15,832,946.70
4-5 years	691,219.96
More than 5 years	1,521,894.38
Total	76,562,526.89

3) Bad debt provision, and its recovery or reversal in the current period

Bad debt provision in the current period:

In RMB

Type	Beginning balance	Amount of change in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision for other receivables	10,321,043.09	3,598,513.22				13,919,556.31
Total	10,321,043.09	3,598,513.22				13,919,556.31

4) Top five debtors with the biggest ending balances of other receivables

In RMB

Unit	Nature of receivable	Ending balance	Age	Proportion in the total ending balance of other accounts receivable	Ending balance of bad debt provision
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Unit 1	Security/guarantee deposits	14,778,000.00	3-4 years	19.30%	7,389,000.00
Unit 2	Collections by a third party	10,028,874.85	Within 1 year	13.10%	501,443.74
Unit 3	Collections by a third party	3,674,304.44	Within 1 year	4.80%	183,715.22
Unit 4	Security/guarantee deposits	3,000,000.00	1-2 years	3.92%	300,000.00
Unit 5	Withholdings	2,079,271.91	Within 1 year	2.72%	103,963.60
Total	--	33,560,451.20	--	43.84%	8,478,122.56

8. Inventory

(1) Classification of inventories

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for obsolete inventory or for impairment of the cost of contract performance	Book value	Book balance	Provision for obsolete inventory or for impairment of the cost of contract performance	Book value
Raw materials	74,858,348.71	0.00	74,858,348.71	65,865,050.18	0.00	65,865,050.18
Products in process	49,896,392.26	0.00	49,896,392.26	48,635,094.61	0.00	48,635,094.61
Merchandise inventory	346,108,628.31	9,321,963.35	336,786,664.96	333,027,454.91	9,321,963.35	323,705,491.56
Goods shipped in transit	791,777,487.97	0.00	791,777,487.97	882,209,547.51	0.00	882,209,547.51
Low cost consumables and packing materials	16,563,851.45	0.00	16,563,851.45	18,761,741.34	0.00	18,761,741.34
Total	1,279,204,708.70	9,321,963.35	1,269,882,745.35	1,348,498,888.55	9,321,963.35	1,339,176,925.20

(2) Provision for obsolete inventory or for impairment of the cost of contract performance

In RMB

Item	Beginning balance	Increased amount in the current period		Decreased amount in the current period		Ending balance
		Provision	Others	Reversals or write-off	Others	
Merchandise inventory	9,321,963.35					9,321,963.35
Total	9,321,963.35					9,321,963.35

9. Other current assets

In RMB

Item	Ending balance	Beginning balance
Prepaid tax	1,854,399.98	13,802,530.76
Input tax to be deducted	485,431.78	2,386,707.05
Total	2,339,831.76	16,189,237.81

10. Long-term equity investment

In RMB

Investee	Beginning balance (book value)	Increase/decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Investment profit or loss recognized using the equity method	Adjustment of other comprehensive income	Other changes in equity	Cash dividends or profits declared and distributed	Provision for impairment	Others		
I. Joint venture											
De Dietrich Trade (Shanghai) Co.,	4,168,38.79	0.00	0.00	-2,239,220.46	0.00	0.00	0.00	0.00	0.00	1,929,18.33	1,929,18.33

Ltd.											
Sub-total	4,168,338.79	0.00	0.00	-2,239,220.46	0.00	0.00	0.00	0.00		1,929,183.33	1,929,183.33
II. Associated companies											
Total	4,168,338.79	0.00	0.00	-2,239,220.46	0.00	0.00	0.00	0.00		1,929,183.33	1,929,183.33

11. Other equity instrument investments

In RMB

Item	Ending balance	Beginning balance
Suzhou Industrial Park Ruican Investment Enterprise (Limited Partnership)	100,000,000.00	100,000,000.00
Shanghai MXCHIP Information Technology Co., Ltd.	2,116,023.22	2,116,023.22
Total	102,116,023.22	102,116,023.22

12. Investment real estate

(1) Investment real estate under the cost measurement mode

Applicable Not Applicable

In RMB

Item	Buildings	Total
I. Original book value		
1. Beginning balance	189,197.82	189,197.82
2. Increased amount in the current period	0.00	
3. Decreased amount in the current period	0.00	
4. Ending balance	189,197.82	189,197.82
II Accumulated depreciation and amortization		
1. Beginning balance	76,609.48	76,609.48
2. Increased amount in the current period	4,493.40	4,493.40
(1) Accrual or amortization	4,493.40	4,493.40
3. Decreased amount in the current period		
4. Ending balance	81,102.88	81,102.88
III. Impairment provision		
IV. Book value		

1. Ending book value	108,094.94	108,094.94
2. Beginning book value	112,588.34	112,588.34

13. Fixed assets

In RMB

Item	Ending balance	Beginning balance
Fixed assets	799,578,416.63	826,234,929.97
Total	799,578,416.63	826,234,929.97

(1) Fixed assets

In RMB

Item	Houses and buildings	Machine and equipment	Transportation equipment	Other equipment	Total
I. Original book value					
1. Beginning balance	680,992,814.23	558,412,953.51	19,702,302.79	72,532,134.33	1,331,640,204.86
2. Increased amount in the current period	585,076.69	19,053,959.69	215,716.81	1,798,349.28	21,653,102.47
(1) Purchase	585,076.69	13,812,471.96	0.00	1,372,546.62	15,770,095.27
(2) Transfer from construction in progress	0.00	5,241,487.73	215,716.81	425,802.66	5,883,007.20
3. Decreased amount in the current period	0.00	765,795.60	239,346.00	20,239.05	1,025,380.65
(1) Disposal or retirement	0.00	0.00	239,346.00	20,239.05	259,585.05
4. Ending balance	681,577,890.92	576,701,117.60	19,678,673.60	74,310,244.56	1,352,267,926.68
II. Accumulated depreciation					
1. Beginning balance	209,315,097.57	239,808,508.76	11,262,138.92	45,019,529.64	505,405,274.89
2. Increased amount in the current period	15,703,959.67	26,369,625.24	1,426,868.64	4,037,412.32	47,537,865.87
(1) Provision	15,703,959.67	26,369,625.24	1,426,868.64	4,037,412.32	47,537,865.87
3. Decreased amount in the current period	0.00	0.00	237,430.16	16,200.55	253,630.71
(1) Disposal or retirement	0.00	0.00	237,430.16	16,200.55	253,630.71
4. Ending balance	225,019,057.24	266,178,134.00	12,451,577.40	49,040,741.41	552,689,510.05

III. Impairment provision					
1. Beginning balance	0.00	0.00	0.00	0.00	0.00
2. Increased amount in the current period	0.00	0.00	0.00	0.00	0.00
3. Decreased amount in the current period	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Ending book value	456,558,833.68	310,522,983.60	7,227,096.20	25,269,503.15	799,578,416.63
2. Beginning book value	471,677,716.66	318,604,444.75	8,440,163.87	27,512,604.69	826,234,929.97

14. Construction in process

In RMB

Item	Ending balance	Beginning balance
Construction in progress	333,519,454.24	272,211,720.62
Total	333,519,454.24	272,211,720.62

(1) Construction in progress

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction of Maoshan Intelligent Manufacturing Base infrastructure	317,050,589.91		317,050,589.91	259,945,664.42	0.00	259,945,664.42
Construction of the intelligent integrated kitchen industrialization base	9,359,922.85		9,359,922.85	592,358.73	0.00	592,358.73
Management software	3,574,118.78		3,574,118.78	3,574,118.78	0.00	3,574,118.78

Project of the Third Production Department	0.00		0.00	2,015,449.74	0.00	2,015,449.74
Cutting machine	1,435,896.56		1,435,896.56	1,435,896.56	0.00	1,435,896.56
Project of the Second Production Department	0.00		0.00	1,206,896.55	0.00	1,206,896.55
Glue dispenser	713,675.21		713,675.21	713,675.21	0.00	713,675.21
Other smaller projects	1,385,250.93		1,385,250.93	2,727,660.63	0.00	2,727,660.63
Total	333,519,454.24		333,519,454.24	272,211,720.62		272,211,720.62

(2) Current changes in major projects under construction

In RMB

Project	Budget	Beginning balance	Increased amount in the current period	Amount transferred into fixed assets in the current period	Other decreases in the current period	Ending balance	Proportion of accumulated construction investment in the budget	Project progress	Accumulated amount of capitalized interest	Including: amount of capitalized interest in the current period	Interest capitalization rate in the current period	Sources of funding
Construction of Maoshan Intelligent Manufacturing Base infrastructure	549,550,000.00	259,945,664.42	57,104,925.49	0.00	0.00	317,050,589.91	57.69%	57.69	0.00	0.00	0.00%	Other
Constr	180,00	592,35	8,767,	0.00	0.00	9,359,	5.20%	5.20	0.00	0.00	0.00%	Other

uction of an intellig ent integra ted kitche n industr ializati on base	0,000. 00	8.73	564.12			922.85						
Manag ement softwa re		3,574, 118.78	0.00	0.00	0.00	3,574, 118.78						
Project of the Third Prod uctio n Depa rtmen t		2,015, 449.74	0.00	2,015, 449.74	0.00	0.00						
Cuttin g machi ne		1,435, 896.56	0.00	0.00	0.00	1,435, 896.56						
Project of the Secon d Produc tion Depart ment		1,206, 896.55	0.00	1,206, 896.55	0.00	0.00						
Glue dispen ser		713,67 5.21	0.00	0.00	0.00	713,67 5.21						
Other smalle		2,727,	1,532,	2,660,	214,15	1,385,						

r project s		660.63	410.49	660.91	9.28	250.93						
Total	729,550,000.00	272,211,720.62	67,404,900.10	5,883,007.20	214,159.28	333,519,454.24	--	--				--

15. Intangible assets

(1) Intangible assets

In RMB

Item	Land use right	Software	Trademark	Patent	Total
I. Original book value					
1. Beginning balance	202,418,904.95	46,474,694.36	24,624,622.64	7,300,000.00	280,818,221.95
2. Increased amount in the current period	23,237,775.00	867,928.69	0.00	0.00	24,105,703.69
(1) Purchase	23,237,775.00	867,928.69	0.00	0.00	24,105,703.69
3. Decreased amount in the current period					
4. Ending balance	225,656,679.95	47,342,623.05	24,624,622.64	7,300,000.00	304,923,925.64
II. Accumulated amortization					
1. Beginning balance	21,274,593.91	34,447,626.59	3,678,115.56	1,684,615.38	61,084,951.44
2. Increased amount in the current period	2,099,004.82	2,891,840.23	1,231,231.12	561,538.47	6,783,614.64
(1) Provision	2,099,004.82	2,891,840.23	1,231,231.12	561,538.47	6,783,614.64
3. Decreased amount in the current period	0.00				
4. Ending balance	23,373,598.73	37,339,466.82	4,909,346.68	2,246,153.85	67,868,566.08
III. Impairment provision					
IV. Book value					
1. Ending book value	202,283,081.22	10,003,156.23	19,715,275.96	5,053,846.15	237,055,359.56
2. Beginning book value	181,144,311.04	12,027,067.77	20,946,507.08	5,615,384.62	219,733,270.51

16. Goodwill

(1) Original book value of goodwill

In RMB

Name of investee or item that generates goodwill	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Generated by business combination		Disposal		
Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd.	80,589,565.84	0.00	0.00			80,589,565.84
Total	80,589,565.84					80,589,565.84

Shares of RMB 50 million of the original shareholders of Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd. (hereinafter referred to as "Shengzhou Kinde") were transferred to the Company in 2018, which completed a business combination (where the acquired company is not controlled by the same party after the combination) through a capital increase of RMB 112.32 million, so as to obtain 51.00% of Shengzhou Kinde's equity. China Alliance Appraisal Co., Ltd. appraised the fair value of Shengzhou Kinde's various identifiable assets and liabilities on June 30, 2018, and issued the ZTHPBZ (2018) No. 020645 Valuation Report. The consideration of this business combination was RMB 162,320,000.00. The fair value of Shengzhou Kinde's net identifiable assets was RMB 160,255,753.26, 51 % of which is owned by the Company. The goodwill value recognized was RMB 80,589,565.84.

Procedures and parameters of goodwill impairment test and methods to recognize goodwill impairment loss

The recoverable amount of the group of assets was determined based on the estimated 5-year future cash flow approved by the management. The cash flow beyond the five-year period was estimated according to a specific long-term average growth rate and calculated based on the present value of the future cash flow.

Shengzhou Kinde operates independently as the subsidiary owned by the Company after the acquisition and was considered as a combination of groups of assets. The Company engaged Zhonghe Assets Appraisal Co., Ltd. to value the recoverable amounts of Shengzhou Kinde's groups of assets as of December 31, 2019. In accordance with the Report of the Valuation of Items of Recoverable Amounts of Groups of Assets of Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd. Involved in the Goodwill Impairment Test to be Conducted by Hangzhou Robam Appliances Co., Ltd. (Report No.: ZHZBZ (2019) No. BJU3021) issued by Zhonghe Assets Appraisal Co., Ltd., the recoverable amount of Shengzhou Kinde's groups of assets was valued at RMB 224.43 million and the combination of groups of assets (including the goodwill) was valued at RMB 216.4267 million by taking December 31, 2019 as the base date of the assets valuation according to the present value of the estimated future cash flow.

The pre-tax discount rate was used for the 2019 impairment test, and was calculated using the post-tax discount rate. The weighted average cost of capital (WACC) model was applied for the selection of the post-tax discount rate. The estimated discount rate of the goodwill impairment test was determined to be 16.49% according to the market condition.

The gross margin relating to the 2019 impairment test was determined by the average gross margin achieved in the year immediately before the budget year, and the average gross margin was properly improved based on the expected efficiency improvement.

Effects of the goodwill impairment test

Shengzhou Kinde, as a combination of groups of assets, has a recoverable amount larger than its book value containing the goodwill, therefore, no goodwill impairment exists and there is no need for the goodwill impairment provision.

17. Long-term deferred expenses

In RMB

Item	Beginning balance	Increased amount in the current period	Amount of amortization in the current period	Other decreases	Ending balance
Service fee	234,663.25	67,726.11	90,117.79	0.00	212,271.57
Consulting fee	187,169.81	24,109.59	100,545.45	0.00	110,733.95
Member training fee	101,362.68	0.00	44,710.02	0.00	56,652.66
Advertising expenses	0.00	13,044.16	0.00	0.00	13,044.16
Total	523,195.74	104,879.86	235,373.26		392,702.34

18. Deferred income tax assets / deferred income tax liabilities

(1) Deferred income tax assets before offset

In RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deferred income tax assets before offset recognized based on the provisional estimated expenses	612,644,677.05	91,896,701.55	215,006,417.88	32,250,962.68
Deferred income tax assets before offset recognized based on the deferred income	106,869,820.24	16,030,473.04	114,851,263.30	17,227,689.50
Asset impairment provision	118,466,718.02	18,877,884.45	99,780,559.97	15,877,475.81
Change of the fair value of other equity instrument investments	17,832,510.78	2,674,876.62	17,832,510.78	2,674,876.62
Unrealized profits of internal transactions	9,963,262.47	2,490,815.62	8,075,375.65	2,018,843.91
Accrued and unpaid salaries	0.00	0.00	5,388,241.47	827,267.57

Total	865,776,988.56	131,970,751.28	460,934,369.05	70,877,116.09
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(2) Deferred income tax liabilities before offset

In RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset appraisal appreciation arising from business combination where the acquired company is not controlled by the same party after the combination	31,955,478.40	4,793,321.76	33,942,653.74	5,091,398.06
Temporary taxable difference incurred from pre-tax deduction of fixed assets	4,412,056.07	661,808.41	4,176,334.57	626,450.19
Total	36,367,534.47	5,455,130.17	38,118,988.31	5,717,848.25

(3) Deferred income tax assets or liabilities presented in net amount after offset

In RMB

Item	Amount of deferred income tax assets offset against deferred income tax liabilities at the end of the period	Ending balance of deferred income tax assets or liabilities after offset	Initial amount of deferred income tax assets offset against deferred income tax liabilities	Beginning balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		131,970,751.28		70,877,116.09
Deferred income tax liabilities		5,455,130.17		5,717,848.25

(4) Presentation of unrecognized deferred income tax assets

In RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	0.00	0.00
Deductible losses	91,709.58	6,459,439.41
Total	91,709.58	6,459,439.41

(5) The deductible losses of unrecognized deferred income tax assets will be due in the following years

In RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Remarks
2020	0.00	6,367,784.94	
2021	39,785.54	39,785.54	
2022	39,552.31	39,552.31	
2023	6,714.34	6,714.34	
2024	5,602.28	5,602.28	
2025	55.11	0.00	
Total	91,709.58	6,459,439.41	--

Other remarks:

Note: The relevant deferred income tax assets are unrecognized due to the fact that the pre-tax recovery of the loss De Dietrich Household Appliances Trading (Shanghai) Co., Ltd. (a subsidiary of the Company) in the following years is extremely uncertain.

19 Other non-current assets

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayments for equipment purchase and other items	28,809,208.26		28,809,208.26	23,558,781.27		23,558,781.27
Total	28,809,208.26		28,809,208.26	23,558,781.27		23,558,781.27

20. Notes payable

In RMB

Type	Ending balance	Beginning balance
Banker's acceptance	554,767,283.02	603,308,648.96
Total	554,767,283.02	603,308,648.96

21. Accounts payable

(1) Presentation of accounts payable

In RMB

Item	Ending balance	Beginning balance
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Payment for materials	730,641,561.95	880,995,549.70
Payment for expenses	684,882,250.27	465,097,084.50
Payment for construction	25,079,714.24	33,887,108.65
Payment for equipment	13,054,951.58	15,081,542.43
Total	1,453,658,478.04	1,395,061,285.28

Note: As of June 30, 2020, the important accounts payable with an age of more than one year totaled RMB 88,985,765.46, mainly involving the outstanding payment for expenses.

22. Contract liabilities

In RMB

Item	Ending balance	Beginning balance
Advances on sales	989,070,578.98	1,092,261,332.25
Total	989,070,578.98	1,092,261,332.25

23. Employee benefits payable

(1) Presentation of employee benefits

In RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term benefits	116,643,991.68	268,390,483.49	352,109,533.57	32,924,941.60
II. Post employment benefits - defined contribution plan	5,426,333.35	10,130,180.01	15,197,732.89	358,780.47
III. Termination benefits	0.00	480,580.86	480,580.86	0.00
Total	122,070,325.03	279,001,244.36	367,787,847.32	33,283,722.07

(2) Presentation of short-term benefits

In RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Salaries, bonuses, subsidies and allowances	112,088,149.01	227,361,141.17	308,231,142.81	31,218,147.37
2. Employee welfare	0.00	11,308,734.93	11,308,734.93	0.00

3. Social insurance	3,930,546.68	11,576,114.16	14,412,187.07	1,094,473.77
Including: medical insurance	3,388,855.20	11,106,325.45	13,507,370.33	987,810.32
work-related injury insurance	172,761.56	304,395.47	467,065.74	10,091.29
maternity insurance fee	368,929.92	165,393.24	437,751.00	96,572.16
4. Housing funds	272,101.00	12,686,112.28	12,771,033.28	187,180.00
5. Labor union and staff education expenses	353,194.99	5,458,380.95	5,386,435.48	425,140.46
Total	116,643,991.68	268,390,483.49	352,109,533.57	32,924,941.60

(3) Presentation of defined contribution plans

In RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic pensions	5,228,962.74	9,768,102.39	14,663,706.24	333,358.89
2. Unemployment insurance	197,370.61	362,077.62	534,026.65	25,421.58
Total	5,426,333.35	10,130,180.01	15,197,732.89	358,780.47

24. Taxes payable

In RMB

Item	Ending balance	Beginning balance
Business income tax	144,032,493.04	89,992,149.62
VAT	69,627,258.47	9,811,740.89
Individual income tax	1,653,849.00	1,190,263.26
City maintenance and construction tax	5,028,571.03	769,259.08
Education surcharges	3,591,836.53	549,470.80
Stamp tax	193,715.30	238,931.49
Employment security fund for the disabled	1,931.32	174,840.07
Total	224,129,654.69	102,726,655.21

25. Other payables

In RMB

Item	Ending balance	Beginning balance
Other payables	246,029,775.35	241,641,864.89
Total	246,029,775.35	241,641,864.89

(1) Other payables

1) Other payables presented by nature

In RMB

Item	Ending balance	Beginning balance
Security deposits payable	236,990,060.35	233,004,717.16
Guarantee deposits payable	5,138,257.48	4,995,172.30
Collections by a third party	3,395,178.94	1,486,383.22
Others	506,278.58	2,155,592.21
Total	246,029,775.35	241,641,864.89

Note: As of June 30, 2020, the important accounts payable with an age of more than one year totaled RMB 208,530,921.03, mainly involving the sales deposits.

26. Deferred income

In RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance	Cause of formation
Government grants	114,851,263.30	17,241,420.00	7,981,443.06	124,111,240.24	
Total	114,851,263.30	17,241,420.00	7,981,443.06	124,111,240.24	--

Projects with government grants:

In RMB

Liability	Beginning balance	Amount included in other income in the current period	Ending balance	Related to assets / income
Construction of the kitchen appliances R&D, design and testing center	11,774,935.49	1,182,583.62	10,592,351.87	Related to assets
A kitchen appliances R&D, design and testing center	50,196.40	3,812.40	46,384.00	Related to assets
Construction of production line with an annual output of 1 million sets of kitchen appliances	3,426,625.04	571,891.98	2,854,733.06	Related to assets

Subsidy for an investment in a production line with an annual output of 150,000 kitchen ventilators	147,871.71	29,441.40	118,430.31	Related to assets
Construction of production line with an annual output of 2.25 million sets of kitchen appliances	27,478,633.08	1,286,890.62	26,191,742.46	Related to assets
Construction of the digital workshop with an annual output of 2.25 million sets of kitchen appliances	232,092.73	51,853.02	180,239.71	Related to assets
Development of new generation of environmentally-friendly energy-saving kitchen appliances and their production line	912,326.99	95,325.42	817,001.57	Related to assets
Recycling-centered renewal project	543,686.97	45,805.08	497,881.89	Related to assets
Academician (expert) workstation	303,134.00	23,127.84	280,006.16	Related to assets
Construction of digital intelligent workshop for smart home appliances	741,075.72	79,713.36	661,362.36	Related to assets
Application of intelligent manufacturing, comprehensive standardization and new modes	55,323,859.42	4,269,752.82	51,054,106.60	Related to assets
Construction of production line with an annual output of 1.08 million sets of built-in kitchen appliances	5,616,825.75	341,245.50	5,275,580.25	Related to assets
Technological upgrading for manufacturing enterprises	8,300,000.00	0.00	8,300,000.00	Related to assets
Construction of an intelligent integrated kitchen industrialization base	0.00	0.00	17,241,420.00	Related to assets

27. Capital stock

In RMB

	Beginning balance	Increase and decrease of this change (+, -)					Ending balance
		New shares issued	Bonus shares	Shares converted from capital reserve	Others	Sub-total	
Total number of shares	949,024,050.00						949,024,050.00

In RMB

28. Capital reserve

In RMB

Item	Beginning balance	Increase in the current	Decrease in the current	Ending balance
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		period	period	
Capital (stock) premium	401,799,332.67	0.00	0.00	401,799,332.67
Total	401,799,332.67			401,799,332.67

29. Other comprehensive incomes

In RMB

Item	Beginning balance	Amount incurred in the current period						Ending balance
		Amount incurred before income tax in the current period	Minus: amount included in other comprehensive incomes previously and then transferred into the current profit or loss	Minus: amount included in other comprehensive incomes previously and then transferred into current retained earnings	Minus: income tax expenses	Net income after tax attributable to the parent company	Net income after tax attributable to minority shareholders	
I. Other comprehensive incomes that cannot be reclassified into profit or loss	-15,157,634.16							-15,157,634.16
Changes in the fair value of other equity instrument investments	-15,157,634.16							-15,157,634.16
Total of other comprehensive incomes	-15,157,634.16	0.00	0.00	0.00	0.00	0.00		-15,157,634.16

30. Surplus reserve

In RMB

Item	Beginning balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	474,516,412.50	0.00	0.00	474,516,412.50
Total	474,516,412.50	0.00	0.00	474,516,412.50

31. Undistributed profit

In RMB

Item	Current period	Previous period
Undistributed profit at the end of previous period before adjustment	5,054,206,720.45	4,223,611,112.65
Undistributed profit at the beginning of the period after adjustment	5,054,206,720.45	4,223,611,112.65
Add: net profit attributable to the owner of the parent company in the current period	612,317,249.29	1,589,814,847.80
Dividends payable for ordinary shares	474,512,025.00	759,219,240.00
Undistributed profit at the end of the period	5,192,011,944.74	5,054,206,720.45

32. Operating income and operating cost

In RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	3,146,865,561.70	1,429,892,268.93	3,452,212,044.04	1,571,078,316.27
Other businesses	64,306,774.09	20,836,307.65	75,201,838.92	28,323,646.54
Total	3,211,172,335.79	1,450,728,576.58	3,527,413,882.96	1,599,401,962.81

33. Taxes and surcharges

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
City maintenance and construction tax	14,140,538.08	16,545,646.34
Education surcharges	10,100,384.36	11,747,151.84
House tax	0.00	6,285.71

Vehicle and vessel usage tax	5,530.80	9,593.34
Stamp tax	918,951.81	1,150,321.15
Environmental protection tax	22,829.18	0.00
Total	25,188,234.23	29,458,998.38

34. Sales expense

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Marketing service expenses	466,038,121.92	489,722,443.97
Advertisement expenses	143,181,868.92	165,539,234.97
Employees' benefits	85,640,734.54	94,393,030.18
Freight charges	73,404,730.65	79,208,767.96
Promotional activity expenses	32,884,532.32	29,940,447.26
Booth decoration expenses	40,103,399.65	61,152,015.64
Material consumption	28,609,979.15	33,420,048.82
Intermediary service charges	6,366,462.19	5,316,968.69
Entertainment expenses	5,123,361.43	7,209,763.53
Rental fees	4,526,440.07	9,631,385.03
Travel expenses	3,277,056.81	7,082,298.54
Office expenses	2,139,466.85	6,152,737.46
Others	1,383,143.26	1,275,764.56
Total	892,679,297.76	990,044,906.61

35. Administrative expenses

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	63,047,359.21	54,695,776.71
Depreciation and amortization	19,591,719.73	19,729,326.75
Others	7,142,962.53	9,191,649.58
Consulting service fees	5,259,193.86	4,649,488.06
Office expenses	4,832,241.98	3,368,742.06
Rental fees	3,620,561.19	3,845,066.25
Maintenance expenses	2,753,334.17	6,479,908.47

Intermediary service charges	2,179,344.35	2,025,361.28
Material consumption	2,017,310.49	4,574,832.36
Entertainment expenses	1,799,214.29	2,309,515.17
Travel expenses	1,589,147.21	2,981,161.71
Freight charges	1,266,512.10	969,812.74
Transportation expenses	986,420.87	1,241,356.38
Stock ownership incentive expenses	0.00	109,531.25
Total	116,085,321.98	116,171,528.77

36. R&D expenses

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	51,250,613.00	43,596,381.82
Direct input	52,263,866.12	49,233,260.11
Depreciation and amortization	7,361,111.08	7,682,242.02
Design fees	1,288,405.08	3,116,230.90
Other expenses	5,660,037.34	4,001,671.28
Total	117,824,032.62	107,629,786.13

37. Financial expenses

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	139,284.26	201,831.98
Minus: interest income	47,604,818.42	30,307,927.32
Add: exchange gain/loss	-758,363.69	35,598.30
Add: other expenses	441,404.01	465,526.17
Total	-47,782,493.84	-29,604,970.87

38. Other incomes

In RMB

Sources generating other incomes	Amount incurred in the current period	Amount incurred in the previous period

Financial support fund to boost the corporate development	53,859,120.00	45,262,300.00
Application of intelligent manufacturing, comprehensive standardization and new modes	4,269,752.82	1,982,257.55
Performance reward offered by the Finance Bureau of Hongkou District	3,400,000.00	4,090,000.00
Post-specific allowance and social insurance allowance	3,226,432.26	229,477.50
Reward for obtaining large scale revenue of "Kunpeng Plan" of the manufacturing industry	2,000,000.00	0.00
Construction of the production line with an annual output of 2.25 million sets of kitchen appliances	1,286,890.62	1,286,890.62
Construction of the kitchen appliances R&D, design and testing center	1,182,583.62	1,182,583.62
Refund of individual income tax handling fee	1,092,154.23	76,579.44
Financial incentive for patent licensing	572,000.00	0.00
Construction of the production line with an annual output of 1 million sets of kitchen appliances	571,891.98	571,891.98
Reward for the development of high technologies	500,000.00	0.00
Reward for standardization, quality and branding-related projects	458,000.00	0.00
Construction of the production line with an annual output of 1.08 million sets of built-in kitchen appliances	341,245.50	0.00
Return of social insurance premium	236,660.73	533,442.61
Subsidy for the accounting center expenses	200,000.00	0.00
Subsidy for creating industry standards	121,244.00	0.00
Development of new generation of environmentally-friendly energy-saving kitchen appliances and their production line	95,325.42	95,325.42
Construction of digital intelligent workshop for smart home appliances	79,713.36	79,713.36
Reward for key enterprises in Hongkou District, Shanghai	60,000.00	0.00
Construction of the digital workshop with an annual output of 2.25 million sets of kitchen appliances	51,853.02	51,853.02
Recycling-centered renewal project	45,805.08	45,805.08
Subsidy for an investment in a production line with an annual output of 150,000 kitchen ventilators	29,441.40	29,441.40
Academician (expert) workstation	23,127.84	23,127.84
VAT exemption or reduction	9,000.00	0.00
Recruitment subsidy	6,000.00	0.00
Patent-related allowance	4,180.00	4,180.00
Construction of the kitchen appliances R&D, design and testing center	3,812.40	3,812.40

Subsidy for industrial chain upgrading included in the special funds offered by the Industry and Information Technology Department	0.00	958,500.00
Subsidy for model enterprises migrated to the Cloud	0.00	300,000.00
Subsidy for intelligent power utilization	0.00	32,000.00

39. Investment income

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from wealth management products	26,341,452.82	39,789,776.54
Dividend income obtained during other equity instrument investments	0.00	0.00
Income from long-term equity investment measured by the equity method	-2,239,220.46	69,197.95
Total	24,102,232.36	39,858,974.49

40. Loss from credit impairment

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Notes receivable	-11,545,668.38	-5,510,787.60
Accounts receivable	-3,367,587.99	-2,026,738.41
Other receivables	-3,598,513.22	-1,414,503.22
Total	-18,511,769.59	-8,952,029.23

41. Asset disposal income

In RMB

Sources of asset disposal income	Amount incurred in the current period	Amount incurred in the previous period
Gains from disposal of non-current assets	11,388.98	-296,672.23
Including: gains from disposal of fixed assets	11,388.98	-296,672.23
Total	11,388.98	-296,672.23

42. Non-operating revenue

In RMB

Item	Amount incurred in the	Amount incurred in the	Amount included in the
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	current period	previous period	current non-recurring profit or loss
Government grants	30,000.00	1,230,000.00	30,000.00
Others	556,353.17	381,946.09	556,353.17
Total	586,353.17	1,611,946.09	586,353.17

Government grants included in the current profit or loss:

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Source of the grants and basis of the grant issuance	Related to assets / income
Outstanding corporate culture club	30,000.00	0.00	The YWMB (2019) No. 18 document	Related to income
Subsidy for the construction of the platform for Innovation and Entrepreneurship in 2018	0.00	1,000,000.00	The YJX (2019) No. 16 document	Related to income
Subsidy for municipal-level technological standardization efforts in 2018	0.00	100,000.00	The YSJ (2019) No. 18 document	Related to income
Subsidy for cultivation of skilled personnel	0.00	70,000.00	List of the fifth group of Highly-skilled Personnel Studios in Yuhang District; The YKG (2018) No. 31 document	Related to income
Reward for key enterprises	0.00	60,000.00	Commendation and rewards for key enterprises offered by the Investment Promotion Office of Hongkou District, Shanghai	Related to income
Total	30,000.00	1,230,000.00	—	—

43. Non-operating expenditures

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in the current non-recurring profit or loss
Losses from non-current asset damage or retirement	0.00	1,171,725.00	0.00
External donations	1,000,000.00	1,000,000.00	1,000,000.00

Others	695,304.64	710,719.05	695,304.64
Total	1,695,304.64	2,882,444.05	1,695,304.64

44. Income tax expenses

(1) Presentation of income tax expenses

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expense	172,846,414.95	181,475,283.87
Deferred income tax expense	-61,356,353.28	-58,401,245.72
Total	111,490,061.67	123,074,038.15

(2) Adjustment of accounting profit and income tax expense

In RMB

Item	Amount incurred in the current period
Total profit	734,668,501.02
Income tax expense calculated based on statutory/applicable tax rate	110,200,275.15
Effects of the subsidiaries' application of different tax rates	-648,657.89
Effects of the adjustment of income tax in previous period	0.00
Effects of the non-taxable income	335,883.18
Effects of the non-deductible costs, expenses and losses	1,676,591.80
Effects of using deductible losses of unrecognized deferred income taxes in the previous period	0.00
Effects of the deductible temporary difference or deductible losses of unrecognized deferred income tax assets in the current period	475,057.13
Income tax expenses	111,490,061.67

45. Other comprehensive incomes

See Note "VII. Other Comprehensive Incomes".

46. Cash flow statement items

(1) Other cashes received in relation to operating activities

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Government grants	83,007,211.22	52,163,036.94
Interest income	47,289,176.66	30,307,927.32
Security/guarantee deposits	3,445,820.00	3,811,603.20
Petty cash	2,060,756.89	0.00
Collection and payment agency services	6,405,232.50	0.00
Other payments	1,579,919.38	8,863,178.11
Total	143,788,116.65	95,145,745.57

(2) Other cashes paid relating to operating activities

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Period expense	681,737,610.63	689,332,020.79
Security/guarantee deposits	9,872,837.56	0.00
Petty cash	8,607,467.00	0.00
Payments or collections by another party	5,850,848.09	0.00
L/C margin	7,628,855.25	0.00
Others	1,043,789.70	81,682,101.67
Total	714,741,408.23	771,014,122.46

47. Supplementary information of Cash Flow Statement

(1) Supplementary information of Cash Flow Statement

In RMB

Supplementary information	Amount in the current period	Amount in the previous period
1. Reconciliation of net profit to cash flow from operating activities:	--	--
Net profit	623,178,439.35	677,416,589.89
Add: asset impairment provision	18,511,769.59	8,952,029.23
Depreciation of fixed assets, depreciation of oil and gas	47,537,865.87	45,201,367.93

assets, and depreciation of productive biological assets		
Amortization of intangible assets	6,783,614.63	6,418,112.43
Amortization of long-term deferred expenses	235,373.08	3,582,462.16
Loss from disposal of fixed assets, intangible assets and other long-term assets (profit shall be indicated with "-")	-11,388.98	1,468,397.23
Financial expenses (profit shall be indicated with "-")	-540,552.95	-116,415.75
Loss from investment (profit shall be indicated with "-")	-24,102,232.36	-39,858,974.49
Decrease in deferred income tax assets (increase shall be indicated with "-")	-61,093,635.20	-57,830,565.29
Increase in deferred income tax liabilities (decrease shall be indicated with "-")	-262,718.08	-570,680.43
Decrease in inventories (increase shall be indicated with "-")	69,294,179.87	130,904,758.56
Decrease in operating receivables (increase shall be indicated with "-")	-218,336,278.24	-298,690,566.84
Increase in operating payables (decrease shall be indicated with "-")	-62,765,374.17	187,057,740.99
Others	9,258,071.15	-5,243,171.04
Loss from credit assets impairment		
Net cash flow from operating activities	407,687,133.56	658,691,084.58
2. Non-cash flow-involved major investing and financing activities:	--	--
Conversion of debt into capital	0.00	0.00
Convertible bonds due within one year	0.00	0.00
Fixed assets acquired under financing leases	0.00	0.00
3. Net increase/decrease in cash and cash equivalents:	--	--
Ending balance of cash	4,315,955,499.25	2,559,638,401.46
Minus: cash beginning balance	4,029,296,265.50	2,177,219,858.85
Add: ending balance of cash equivalents	0.00	0.00
Minus: beginning balance of cash equivalents	0.00	0.00
Net increase in cash and cash equivalents	286,659,233.75	382,418,542.61

(2) Composition of cash and cash equivalents

In RMB

Item	Ending balance	Beginning balance
I. Cash	4,315,955,499.25	4,029,296,265.50
Including: cash on hand	353,643.65	218,775.77

deposits available for payment at any time	4,315,601,855.60	4,029,077,489.73
other monetary capital available for payment at any time	0.00	0.00
II. Cash equivalent	0.00	0.00
III. Balance of cash and cash equivalents at the end of the period	4,315,955,499.25	4,029,296,265.50

48. Note to items in the Statement of Changes in Owner's Equity

Name of the item under "Others" whose previous ending balance was adjusted, the adjusted amount and other matters: NA

49. Assets with limited ownership and right to use

In RMB

Item	Ending book value	Reason for the limitation
Monetary capital	35,340,844.54	Guarantee deposit
Total	35,340,844.54	--

50. Monetary items in foreign currency

(1) Monetary items in foreign currency

In RMB

Item	Ending balance in foreign currency	Exchange rate	Ending balance in RMB
Monetary capital	--	--	
Including: capital in USD	1,955,343.36	7.0795	13,842,853.32
capital in EURO	350.00	7.9610	2,786.35
capital in AUD	3.29	4.8657	16.01
Accounts receivable	--	--	
Including: receivables in USD	2,461,764.35	7.0795	17,428,060.72
receivables in EURO	289.60	7.9610	2,305.51
receivables in AUD	30.00	4.8657	145.97

(2) Description for overseas operating entities, including the disclosure of the main business location overseas, bookkeeping base currency and selection basis for the important business entity overseas as well as the reason for the change of bookkeeping base currency (if any).

Applicable Not Applicable

51. Government grants

(1) Basics of government grants

In RMB

Type	Amount	Items	Amounts included in current profits and losses
Financial support fund to boost the corporate development	53,859,120.00	Other income	53,859,120.00
Construction of the intelligent integrated kitchen industrialization base	17,241,420.00	Deferred income	0.00
Application of intelligent manufacturing, comprehensive standardization and new modes	4,269,752.82	Other income	4,269,752.82
Performance reward offered by the Finance Bureau of Hongkou District	3,400,000.00	Other income	3,400,000.00
Post-specific allowance and social insurance allowance	3,226,432.26	Other income	3,226,432.26
Reward for obtaining large scale revenue of "Kunpeng Plan" of the manufacturing industry	2,000,000.00	Other income	2,000,000.00
Construction of the production line with an annual output of 2.25 million sets of kitchen appliances	1,286,890.62	Other income	1,286,890.62
Construction Program of Construction of the kitchen appliances R&D, design and testing center	1,182,583.62	Deferred income	1,182,583.62
Refund of individual tax handling fee	1,092,154.23	Other income	1,092,154.23
Financial incentive for patent licensing	572,000.00	Other income	572,000.00
Construction of the production line with an annual output of 1 million sets of kitchen appliances	571,891.98	Other income	571,891.98
Reward for the development of high technologies	500,000.00	Other income	500,000.00
Reward for standardization, quality and branding-related projects	458,000.00	Other income	458,000.00
Construction of production line with an annual output of 1.08 million sets of built-in kitchen appliances	341,245.50	Deferred income	341,245.50
Return of social insurance taxes and dues	236,660.73	Other income	236,660.73

Subsidy for accounting center expenses	200,000.00	Other income	200,000.00
Subsidy for creating industry standards	121,244.00	Other income	121,244.00
Development of new generation of environmentally-friendly energy-saving kitchen appliances and their production line	95,325.42	Deferred income	95,325.42
Construction of digital intelligent workshop for smart home appliances	79,713.36	Deferred income	79,713.36
Reward for key enterprises in Hongkou District, Shanghai	60,000.00	Other income	60,000.00
Construction of the digital workshop with an annual output of 2.25 million sets of kitchen appliances	51,853.02	Other income	51,853.02
Recycling-centered renewal project	45,805.08	Other income	45,805.08
Outstanding corporate culture club	30,000.00	Non-operational income	30,000.00
Subsidy for an investment in a production line with an annual output of 150,000 kitchen ventilators	29,441.40	Other income	29,441.40
Academician (expert) workstation	23,127.84	Deferred income	23,127.84
VAT exemption or reduction	9,000.00	Other income	9,000.00
Recruitment subsidy	6,000.00	Other income	6,000.00
Patent-related allowance	4,180.00	Other income	4,180.00
Construction of the kitchen appliances R&D, design and testing center	3,812.40	Deferred income	3,812.40

(2) Return of government grants

Applicable Not Applicable

VIII. Changes in the scope of consolidated financial statements

There is no change in the scope of consolidated financial statements of the Company during the reporting period.

IX. Interests in Other Entities

1. Equity in subsidiaries

(1) Composition of the Robam conglomerate

Subsidiary	Principal place of business	Registration place	Nature of business	Shareholding ratio		Acquisition method
				Direct	Indirect	
Beijing Robam	Beijing	Beijing	Sales of kitchen	100.00%	0.00%	Business

Electric Appliance Sales Co., Ltd.			appliances			combination under common control
Shanghai Robam Electric Appliance Sales Co., Ltd.	Shanghai	Shanghai	Sales of kitchen appliances	100.00%	0.00%	Business combination under common control
Hangzhou MingQi Electric Co., Ltd.	Hangzhou	Hangzhou	Sales of kitchen appliances	100.00%	0.00%	Acquisition upon its establishment
De Dietrich Household Appliances Trading (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of kitchen appliances	51.00%	0.00%	Acquired through investment
Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd.	Shengzhou	Shengzhou	Production and sales of kitchen appliances	51.00%	0.00%	Business combination not under common control
Hangzhou Robam Fuchuang Investment Management Co., Ltd.	Hangzhou	Hangzhou	Asset, investment management, etc.	100.00%	0.00%	Acquisition upon its establishment

(2) Major non-wholly owned subsidiaries

In RMB

Subsidiary	Proportion of shares held by minority shareholders	Gains/losses attributable to minority shareholders in the current period	Dividend declared and distributed to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd.	49.00%	10,861,163.06	0.00	124,088,686.19
De Dietrich Household Appliances	49.00%	27.00	0.00	-3,333,027.89

Trading (Shanghai) Co., Ltd.				
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(3) Main financial information of important partially-owned subsidiaries

In RMB

Subsidiary	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd.	254,655,066.10	115,270,719.29	369,925,785.39	93,987,018.52	22,696,550.17	116,683,568.69	230,113,578.72	85,542,835.32	315,656,414.04	78,861,987.98	5,717,848.25	84,579,836.23
De Dietrich Household Appliances Trading (Shanghai) Co., Ltd.	5,657.52	3,817.31	9,474.83	6,811.572.56	0.00	6,811.572.56	5,602.41	3,817.31	9,419.72	6,811.572.56	0.00	6,811.572.56

In RMB

Subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Shengzhou Kinde Intelligent	92,100,731.82	22,165,638.90	22,165,638.90	27,412,195.88	90,517,727.14	14,311,880.56	14,311,880.56	26,511,914.94

Kitchen Appliance Co., Ltd.								
De Dietrich Household Appliances Trading (Shanghai) Co., Ltd.	0.00	55.11	55.11	4.18	0.00	-5,718.28	-5,718.28	-345.73

(4) Summary of the financial information of minor joint venture and associated company

In RMB

	Ending balance/amount incurred in current period	Beginning balance/ amount incurred in last period
Joint venture:	--	--
Total book value of investments	1,929,118.33	4,168,338.79
Totals of the following items calculated as per respective shareholding proportion	--	--
-Net profit	-4,390,628.34	1,550,487.63
-Other comprehensive incomes	0.00	0.00
-Total comprehensive income	-4,390,628.34	1,550,487.63
Associated company:	--	--
Totals of the following items calculated as per respective shareholding proportion	--	--

X. Risks Relating to Financial Instruments

Major financial instruments of the Company include accounts receivable, accounts payable, etc. See Note VII for the details of various financial instruments. Risks related to these financial instruments and risk management policies adopted by the Company to reduce such risks are outlined as follows. The management of the Company manages and monitors such risk exposures to ensure to keep the risks above within limited scope.

The Company's various risk management objectives and policies are outlined as follows:

Risk management conducted by the Company is to properly balance risk and income, minimize negative impacts of the risks on the Company's business performance and maximize benefits of the shareholders and other equity investors. Based on the risk management objective, the Company's basic risk management policy is to determine and

analyze all kinds of risks faced by the Company, establish appropriate risk bottom line for risk management, and monitor all risks promptly and reliably to keep risks within a limited range.

1. Market risk - price risk

Since the Company sells its products at market prices, it may be affected by such price fluctuations.

2. Credit risk

As of June 30, 2020, the biggest credit risk exposure that may bring financial loss to the Company mainly comes from the Company's financial assets loss caused by the other party's failure to perform its obligations in the contract, particularly including the loss in the book value of recognized financial assets in the consolidated balance sheet.

To reduce credit risk, the Company has a dedicated team responsible for determining the credit line, conducting credit approval and implementing other monitoring procedures, to ensure that necessary measures are taken to recover due debt. In addition, the Company reviews the recovery of each account payable on each balance sheet date, so as to ensure sufficient bad debt provisions for unrecoverable accounts. Therefore, the management of the Company holds that the credit risk faced by the Company has been significantly reduced.

The credit risk of the Company's liquid capital is low since it is deposited at banks with relatively high credit rating.

Because the risk exposures of the Company are related to multiple contracting parties and multiple clients, the Company has no major credit risk concentration.

The Company adopts necessary policies to ensure all of the clients involved in the sales of our products have good credit record. The Company has no major credit risk concentration.

3. Liquidity risk

Liquidity risk is faced by the Company where it cannot meet its financial obligations as they fall due. The Company manages the liquidity risk by ensuring capital liquidity to fulfill its due obligations to avoid unacceptable losses or damages to corporate reputation. The Company periodically analyzes debt structure and term to ensure that it has sufficient liquid capital.

4. Foreign exchange risk

The exchange rate risk borne by the Company is mainly associated with USD, Euro and HKD, etc. The foreign exchange risk borne by the Company is mainly associated with USD (which shall be changed according to relevant realities). The Company's main business activities priced and settled in RMB. As of June 30, 2020, the Company's balances of assets and liabilities are in RMB (except for the balances of the assets and liabilities in foreign currency in "VII. 50 Monetary items in foreign currency" in this Note). Exchange risk resulting from the assets and liabilities whose balances are in foreign currency may affect the Company's performance.

The Company pays close attention to the impact of change in exchange rate on the Company's exchange risk. Currently,

the Company hasn't adopted any measures to avoid foreign exchange risk.

XI. Disclosure of Fair Value

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

In RMB

Item	Ending fair value			
	Fair value measurement (Level 1)	Fair value measurement (Level 2)	Fair value measurement (Level 3)	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading	0.00	0.00	925,000,000.00	925,000,000.00
1. Financial assets measured at fair value with changes included in current profit or loss	0.00	0.00	925,000,000.00	925,000,000.00
(III) Investment in other equity instruments	0.00	0.00	102,116,023.22	102,116,023.22
Total assets measured continuously at fair value	0.00	0.00	1,027,116,023.22	1,027,116,023.22
II. Non-continuous fair value measurement	--	--	--	--

2. Valuation techniques adopted and qualitative and quantitative information on important parameters for the items involved in Level 3 continuous and non-continuous fair value measurement

Item	Fair value as of June 30, 2020	Valuation techniques	Significant unobservable value	Relationship between unobservable value and fair value
Financial products	925,000,000.00	Optimal fair value estimation	Investment cost	—
Other equity instrument investments	102,116,023.22	Optimal fair value estimation	Investment cost	—

XII. Related Party and Related Party Transactions

1. The Company's parent company

Parent company	Registration place	Nature of business	Registered capital	Proportion of the	Proportion of
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				Company's shares held by the parent company	voting right of the parent company in the Company
Hangzhou Robam Industrial Group Co., Ltd.	Hangzhou, Zhejiang	Investment and industrial management	RMB 60 million	49.68%	49.68%

2. The Company's subsidiaries

See Note "VII. Composition of the Robam conglomerate" for more about the Company's subsidiaries.

3. The Company's joint ventures and associated companies

See Note "VII. Major non-wholly owned subsidiaries for more about the Company's important joint ventures or associated companies.

4. Other related parties

Name	Relation between other related parties and the Company
Name of other related parties	Relationship with the Company
Hangzhou Amblem Kitchen Ware Co., Ltd.	Controlled by the same parent company
Hangzhou Yuhang Robam Fuel Station Co., Ltd.	Controlled by the same parent company
Hangzhou Nbond Nonwovens Co., Ltd.	Controlled by the same parent company
Hangzhou Yuhang Yaguang Spray Coating Factory	Controlled by the actual controller's younger sister
Hangzhou City Garden Hotel Co., Ltd.	Significantly influenced by the parent company
Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	Controlled by the same parent company
Shaoxing Kinde Electric Appliances Co., Ltd.	Other shareholders of the subsidiaries owned by the Company

5. Related transactions

(1) Related transactions regarding purchasing and selling goods and providing and accepting labor services

Table of the purchasing of goods and receiving of labor services

In RMB

Related parties	Description of the related transaction	Amount incurred in the current period	Trading limit approved	Whether exceeds the approved limited or not (Y/N)	Amount incurred in the previous period
Hangzhou Yuhang Yaguang Spray Coating	Receiving of labor services	5,127,566.52		No	5,504,169.36

Factory					
Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	Purchase of goods	1,387,629.65		No	1,746,291.56
Hangzhou Amblem Kitchen Ware Co., Ltd.	Receiving of labor service	2,137,356.44		No	1,697,016.55
Hangzhou Yuhang Robam Fuel Station Co., Ltd.	Purchase of goods	270,199.44		No	565,621.34
Hangzhou Nbond Nonwovens Co., Ltd.	Purchase of goods	36,514.24		No	0.00

Goods Sales/labor service provision

In RMB

Related parties	Contents of related transaction	Amount incurred in the current period	Amount incurred in the previous period
Shaoxing Kinde Electric Appliances Co., Ltd.	Sale of goods	2,243,171.75	18,933,222.50
Hangzhou Amblem Kitchen Ware Co., Ltd.	Sale of goods	1,958,456.62	5,836,683.25
Hangzhou Yuhang ROBAM Charity Foundation	Sale of goods	556,814.16	0.00
Hangzhou Nbond Nonwovens Co., Ltd.	Sale of goods	0.00	724.14

(2) Related leasing

The Company acts as the lessor:

In RMB

Lessee	Type of leased asset	Rental income recognized in the current period	Rental income recognized in the previous period
Hangzhou Robam Appliances Co., Ltd.	Housing	14,400.00	14,400.00

The Company acts as the Lessee:

In RMB

Lessor	Type of leased asset	Rental fee recognized in the current period	Rental fee recognized in the previous period
Hangzhou Robam Industrial Group Co., Ltd.	Housing	275,012.28	275,012.28

(3) Benefits of key management personnel

In RMB 10,000

Item	Amount incurred in the current period	Amount incurred in the previous period
Total benefits	302.31	323.11

6. Receivables and payables of related parties

(1) Receivables

In RMB

Item	Related parties	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Hangzhou Amblem Kitchen Ware Co., Ltd.	1,058,786.00	5%	0.00	
Advance payments	Hangzhou Amblem Kitchen Ware Co., Ltd.	2,113,234.47		50,000.00	
Advance payments	Shaoxing Kinde Electric Appliances Co., Ltd.	193,636.72		580,130.26	

(2) Payables

In RMB

Item	Related parties	Ending book balance	Beginning book balance
Accounts payable	Hangzhou Yuhang Yaguang Spray Coating Factory	3,664,899.31	4,525,094.50
Accounts payable	Hangzhou Yuhang Robam Fuel Station Co., Ltd.	1,796,270.91	1,490,945.55
Accounts payable	Shaoxing Kinde Electric Appliances Co., Ltd.	0.00	57,552.91
Accounts payable	Hangzhou Amblem Kitchen Ware Co., Ltd.	0.00	1,841.61
Accounts payable	Hangzhou Bonyee Daily Necessity	1,343,881.12	0.00

	Technology Co., Ltd.		
Accounts payable	Hangzhou Nbond Nonwovens Co., Ltd.	41,261.10	0.00
Deposit received	Hangzhou Amblem Kitchen Ware Co., Ltd.	0.00	139,622.44
Other accounts payable	Hangzhou Yuhang Yaguang Spray Coating Factory	200,000.00	200,000.00
Other accounts payable	Hangzhou Bonyee Daily Necessity Technology Co., Ltd.	20,000.00	0.00

XIII. Share-based Payment

N/A

XIV. Commitments and Contingencies

1. Major commitments

As of the day of the Financial Statements submission, the Company has no other major events after the balance sheet date to disclose.

2. Contingencies

(1) Major contingencies on the balance sheet date

As of June 30, 2020, the Company has no major contingencies that need to be disclosed

(2) It's also necessary to make it clear hereby that the Company has no major contingencies that need to be disclosed.

The Company has no major contingency that need to be disclosed.

XV. Events After the Balance Sheet Date

N/A

XVI. Other Significant Events

N/A

XVII. Notes to Main Items of the Financial Statements of the Parent Company

1. Accounts receivable

(1) Classified disclosure of accounts receivable

In RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent age (%)	Amount	Percent age of provision		Amount	Percent age (%)	Amount	Percent age of provision	
Including:										
Accounts receivable with a collective bad debt provision	782,923,881.35	100.00%	41,821,210.41		741,102,670.94	743,804,053.68	100.00%	39,557,168.87		704,246,884.81
Including:										
Accounts receivable grouped according to related parties	27,514,867.21	3.51%	0.00	0.00%	27,514,867.21	22,246,710.00	2.99%	0.00	0.00%	22,246,710.00
Multiple accounts receivable which are grouped by expected credit loss based on their age characteristics and with a collective bad debt provision	755,409,014.14	96.49%	41,821,210.41	5.54%	713,587,803.73	721,557,343.68	97.01%	39,557,168.87	5.48%	682,000,174.81
Total	782,923,881.35	100.00%	41,821,210.41		741,102,670.94	743,804,053.68	100.00%	39,557,168.87		704,246,884.81

Collective bad debt provision: for multiple accounts receivable grouped by expected credit loss based on their age characteristics, their bad debts are provided for collectively.

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Percentage of provision
Within 1 year	719,348,374.03	35,967,418.70	5.00%
1-2 years	28,060,031.49	2,806,003.15	10.00%
2-3 years	5,285,512.82	1,057,102.56	20.00%
3-4 years	1,119,460.29	559,730.15	50.00%
4-5 years	823,398.29	658,718.63	80.00%
Over 5 years	772,237.22	772,237.22	100.00%
Total	755,409,014.14	41,821,210.41	--

Collective bad debt provision: for multiple accounts receivable grouped according to related parties, their bad debts are provided for collectively.

In RMB

Name	Ending balance		
	Book balance	Bad debt provision	Percentage of provision
Accounts receivable grouped according to related parties	27,514,867.21	0.00	0.00%
Total	27,514,867.21		--

Disclosed based on the age of accounts receivable

In RMB

Age	Ending balance
Within 1 year (including 1 year)	746,863,241.24
1-2 years	28,060,031.49
2-3 years	5,285,512.82
More than 3 years	2,715,095.80
3-4 years	1,119,460.29
4-5 years	823,398.29
More than 5 years	772,237.22
Total	782,923,881.35

(2) Bad debt provision, and its recovery or reversal in the current period

Bad debt provision in the current period:

In RMB

Type	Beginning balance	Amount of change in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision for accounts receivable	39,557,168.87	2,264,041.54	0.00	0.00		41,821,210.41

2. Other receivables

In RMB

Item	Ending balance	Beginning balance
Dividends receivable		14,295,039.38
Other receivables	51,740,494.70	91,471,115.57
Total	51,740,494.70	105,766,154.95

(1) Classification of dividends receivable

In RMB

Project (or investee)	Ending balance	Beginning balance
Suzhou Industrial Park Ruican Investment Enterprise (Limited Partnership)		14,295,039.38
Total		14,295,039.38

(2) Other receivables

1) Classification of other receivables by nature

In RMB

Nature	Book balance at the end of the period	Initial book balance at the beginning of the period
Collections by a third party	19,688,144.56	63,604,415.88
Security/guarantee deposits	33,865,499.67	32,288,103.90
Related transactions	4,064,000.00	4,064,000.00
Petty cash	2,871,267.31	1,572,298.56
Withholdings	4,197,669.32	2,174,992.54
Factoring	2,221,438.07	0.00
Others	405,680.00	457,769.11

Total	67,313,698.93	104,161,579.99
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2) Bad debt provision

In RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance on January 1, 2020 in the current period	---	---	---	---
Provision in the current period	2,882,739.81			2,882,739.81
Balance on June 30, 2020	15,573,204.23			15,573,204.23

Disclosed based on the age of accounts receivable

In RMB

Age	Ending balance
Within 1 year (including 1 year)	36,430,795.72
1-2 years	7,731,566.55
2-3 years	3,027,193.49
More than 3 years	20,124,143.17
3-4 years	15,384,714.77
4-5 years	293,583.46
More than 5 years	4,445,844.94
Total	67,313,698.93

3) Bad debt provision, and its recovery or reversal in the current period

Bad debt provision in the current period:

In RMB

Type	Beginning balance	Amount of change in the current period				Ending balance
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision for	12,690,464.42	2,882,739.81	0.00	0.00		15,573,204.23

other receivables						
Total	12,690,464.42	2,882,739.81				15,573,204.23

4) Top five debtors with the biggest ending balances of other accounts receivable

In RMB

Unit	Nature	Ending balance	Age	Proportion in the total ending balance of other accounts receivable	Ending balance of bad debt provision
Unit 1	Security/guarantee deposits	14,778,000.00	3-4 years	21.95%	7,389,000.00
Unit 2	Collections by a third party	10,028,874.85	Within 1 year	14.90%	501,443.74
Unit 3	Related transactions	4,064,000.00	Over 5 years	6.04%	4,064,000.00
Unit 4	Collections by a third party	3,674,304.44	Within 1 year	5.46%	183,715.22
Unit 5	Security/guarantee deposits	3,000,000.00	1-2 years	4.46%	300,000.00
Total	--	35,545,179.29	--	52.81%	12,438,158.96

3. Long-term equity investment

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	246,905,933.73	20,400,000.00	226,505,933.73	246,905,933.73	20,400,000.00	226,505,933.73
Investment in joint ventures and associated companies	1,929,118.33	0.00	1,929,118.33	4,168,338.79	0.00	4,168,338.79
Total	248,835,052.06	20,400,000.00	228,435,052.06	251,074,272.52	20,400,000.00	230,674,272.52

(1) Investment in subsidiaries

In RMB

Investee	Beginning balance (book value)	Increase/decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Impairment provision	Others		
Shengzhou Kinde Intelligent Kitchen Appliance Co., Ltd.	162,320,000.00	0.00	0.00		0.00	162,320,000.00	
Hangzhou MingQi Electric Co., Ltd.	51,901,780.81	0.00	0.00		0.00	51,901,780.81	
De Dietrich Household Appliances Trading (Shanghai) Co., Ltd.	630,900.00	0.00	0.00		0.00	630,900.00	20,400,000.00
Shanghai Robam Electric Appliance Sales Co., Ltd.	5,838,272.10	0.00	0.00		0.00	5,838,272.10	
Beijing Robam Electric Appliance Sales Co., Ltd.	5,814,980.82	0.00	0.00		0.00	5,814,980.82	
Total	226,505,933.73					226,505,933.73	20,400,000.00

(2) Investment in joint ventures and associated companies

In RMB

Investor	Beginning balance (book value)	Increase/decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Negative investment	Investment profit or loss recognized using the equity method	Adjustment of other comprehensive incomes	Other changes in equity	Cash dividends or profits declared and distributed	Provision for impairment loss	Others		
I. Joint venture											
De	4,168,3	0.00	0.00	-2,239,	0.00	0.00	0.00	0.00	0.00	1,929,1	

Dietrich Trade (Shanghai) Co., Ltd.	38.79			220.46						18.33	
Sub-total	4,168,338.79	0.00	0.00	-2,239,220.46	0.00	0.00	0.00	0.00		1,929,18.33	
Total	4,168,338.79			2,239,20.46						1,929,18.33	0.00

4. Operating income and operating cost

In RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	2,922,262,959.98	1,329,831,191.10	3,187,683,518.21	1,477,699,188.18
Other businesses	58,651,720.79	19,754,013.25	72,109,808.46	29,798,963.74
Total	2,980,914,680.77	1,349,585,204.35	3,259,793,326.67	1,507,498,151.92

5. Investment income

In RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment measured by the equity method	-2,239,220.46	69,197.95
Income from investments in financial assets held for trading	20,859,653.65	36,895,138.71
Dividend income obtained during other equity instrument investments	0.00	0.00
Total	18,620,433.19	36,964,336.66

XVIII. Supplementary Information

1. Breakdown of non-recurring profits and losses in the current period

√ Applicable □ Not Applicable

In RMB

Item	Amount	Description
Gains and losses from disposal of non-current assets	11,388.98	
Government grants included into current profit or loss (except for the government grants closely related to the Company's business whose amount is stipulated in state standards)	73,756,234.28	
Profit and loss from entrusting others to invest or manage assets	0.00	
Non-operating incomes and expenses other than the above-mentioned items	-1,138,951.47	
Less: Affected amount of income tax	11,320,206.38	
Affected amount of minority shareholders' equity	311,648.17	
Total	60,996,817.24	--

It is necessary to explain the non-recurring gains or losses determined based on definitions in *Explanatory Announcement No. 1 on Information Disclosure for Publicly Listed Companies — Non-recurring Profit & Loss* (referred to as “Announcement No.1”) and the reason why non-recurring profits or losses listed in the Announcement No. 1 are determined as recurring profits or losses.

Applicable Not Applicable

2. Return on equity and earnings per share (EPS)

Profit within the Reporting Period	Weighted average return on equity	EPS	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to common stockholders of the Company	8.64%	0.65	0.65
Net profit attributable to common shareholders of the Company after deducting non-recurring profits and losses	7.78%	0.58	0.58

3. Accounting data differences under domestic and foreign accounting standards

(1) Differences of net profits and net assets in the Financial Report disclosed as per the IAS and CAS;

Applicable Not Applicable

(2) Differences of net profits and net assets in the Financial Report disclosed as per the foreign accounting standard and CAS;

Applicable Not Applicable

(3) Explanation of the reasons of accounting data differences under domestic and foreign accounting standards shall be made, and where data audited by an overseas audit institution has been adjusted based on the differences, the name of the overseas institution shall be indicated.

4. Others

Chapter 12 Documents Available for Future Inspection

I. Financial statements signed and sealed by the legal representative, the person in charge of accounting of the Company, and the person in charge of the accounting firm.

II. Original copies of documents and announcements of the Company published in the newspaper designated by China Securities Regulatory Commission during the Reporting Period.

III. The Semi-Annual Report 2020 signed by the legal representative on behalf of the Company.

IV. Other documents.

V. The preparation location of the above-mentioned documents available for future inspection: Board Office of the Company.