THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

HOPE EDUCATION GROUP CO., LTD.
希 望 教 育 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1765)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION AND THE PROPOSED SUBSCRIPTION OF SHARES OF THE TARGET COMPANY
(2) ENTRUSTMENT OF VOTING RIGHTS IN THE TARGET COMPANY

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

A letter from the Board is set out on pages 4 to 18 in this circular.

5 March 2021

CONTENTS

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Share Transfer Agreement;
"Acting-in-Concert Agreement"	the acting in concert agreement dated 12 October 2020 entered into between Mr. Ye and Tequ Mayflower WFOE in relation to the confirmation and undertaking of their acting in concert;
"Board"	the board of Directors;
"Business Days"	a day (excluding Saturday, Sunday and any other public holidays) on which banks in the PRC are generally open for settlement business;
"Company"	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange;
"Completion"	the completion of Acquisition in accordance with the terms and conditions of the Share Transfer Agreement;
"Connected person(s)"	has the same meaning ascribed to it in the Listing Rules;
"Consideration"	the total consideration of the Acquisition;
"Controlling Shareholder"	has the meaning ascribed to it in the Listing Rules;
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司);
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會);
"Director(s)"	the directors of the Company;
"Enlarged Group"	the Group and the Target Group upon completion of the Acquisition and the Proposed Subscription;
"Entrusted Shares"	45,744,700 shares of the Target Company which the voting rights are entrusted to Tequ Mayflower WFOE by Mr. Ye;
"Entrustment"	the entrustment by Mr. Ye of part of his voting rights in the Target Company to Tequ Mayflower WFOE pursuant to the Voting Rights Proxy Agreement;

"Group"	the Company and its subsidiaries, including its consolidated affiliated entities;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hope Education Investment"	Hope Education Investment Limited, a company incorporated in the BVI with limited liability and a Controlling Shareholder of the Company;
"Latest Practicable Date"	2 March 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Offer Shares"	171,000,000 new A shares proposed to be allotted and issued by the Target Company to the designated shareholders for subscription;
"PRC"	the People's Republic of China;
"Proposed Subscription"	the proposed subscription of 171,000,000 new A shares of the Target Company by Tequ Mayflower WFOE pursuant to the Subscription Agreement;
"Purchaser" or "Tequ Mayflower WFOE"	Sichuan Tequ Mayflower Education Management Co., Ltd. (四川特驅五月花教育管理有限公司), a company established in the PRC with limited liability and a wholly-foreign owned enterprise of Hope Education Group (Hong Kong) Company Limited;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	50,000,000 shares held by the Vendor in the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Transfer Agreement"	the share transfer agreement dated 12 October 2020 entered into between the Purchaser and Vendor in respect of the Acquisition;

"Shareholder(s)"	holder(s) of the ordinary share(s) of a nominal value of US$0.00001 each of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Agreement"	the subscription agreement dated 12 October 2020 entered into between Tequ Mayflower WFOE and the Target Company in relation to the Proposed Subscription;
"Subscription Price"	the total subscription amount of subscribing 171,000,000 new shares of the Target Company from Tequ Mayflower WFOE;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Target Company"	Dingli Corp., Ltd. (珠海世紀鼎利科技股份有限公司), a joint stock limited company established in the PRC, whose A shares have been listed on the Shenzhen Stock Exchange (stock code: 300050);
"Target Group"	the Target Company and its subsidiaries;
"Vendor" or "Mr. Ye"	Mr. Yebin, the actual controller of the Target Company who owned 95,744,700 shares in the Target Company, representing approximately 16.75% of the entire share capital of the Target Company as at the date of the Share Transfer Agreement and the Subscription Agreement, i.e. 12 October 2020;
"Voting Rights Proxy Agreement"	the voting rights proxy agreement dated 12 October 2020 and its supplemental agreement dated 23 December 2020 entered into between Mr. Ye and Tequ Mayflower WFOE in relation to the Entrustment; and
"%"	per cent.

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

For the purpose of this circular, the exchange rate of HK$1.00 = RMB0.8416 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

HOPE EDUCATION GROUP CO., LTD.
希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1765)

Executive Directors
Mr. Xu Changjun *(Chairman)*
Mr. Wang Huiwu *(Chief Executive Officer)*
Mr. Li Tao

Non-executive Directors
Mr. Wang Degen
Mr. Tang Jianyuan
Mr. Lu Zhichao

Independent Non-executive Directors
Mr. Zhang Jin
Mr. Chen Yunhua
Dr. Gao Hao

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2000 Xi Qu Avenue, Pidu District
Chengdu
PRC

Principal Place of Business in Hong Kong:
40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

5 March 2021

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION AND THE PROPOSED SUBSCRIPTION OF SHARES OF THE TARGET COMPANY
(2) ENTRUSTMENT OF VOTING RIGHTS IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 12 October 2020 in relation to the Acquisition and the Proposed Subscription of shares of the Target Company as well as the Entrustment of voting rights in the Target Company.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Acquisition, the Proposed Subscription and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Target Group; and (vi) the general information of the Group.

THE ACQUISITION

The Board is pleased to announce that on 12 October 2020 (after trading hours), the Purchaser entered into the Share Transfer Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares of the Target Company at the consideration of RMB392,500,000 (subject to adjustments). The Sale Shares represent approximately 8.75% of the entire share capital of the Target Company as at the Latest Practicable Date. Upon Completion, the Company through the Purchaser is interested in approximately 8.75% of the entire share capital of the Target Company.

THE SHARE TRANSFER AGREEMENT

The principal terms of the Share Transfer Agreement are set out below:

Date

12 October 2020

Parties

(i) the Purchaser; and

(ii) the Vendor.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

Share Transfer

Pursuant to the Share Transfer Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sale Shares, free from all encumbrances at the consideration of RMB392,500,000 (subject to adjustments).

Consideration

The Consideration is RMB392,500,000, subject to the following adjustments:

- if an ex-right event of the Target Company is triggered between the date of execution of the Share Transfer Agreement and the completion of share register in relation to the transfer of the Sale Shares, the number of the Sale Shares and the average price per Sale Shares shall be adjusted accordingly; and the Consideration shall remain unchanged;

- if an ex-dividend event of the Target Company is triggered between the date of execution of the Share Transfer Agreement and the completion of share register in relation to the transfer of the Sale Shares, the number of the Sale Shares shall remain unchanged; and average price per Sale Shares shall exclude the amount of the dividend paid; hence the Consideration shall be adjusted accordingly.

The Consideration shall be settled in cash in the following manner:–

(a) a sum of RMB10,000,000, being the deposit amount, shall be payable by the Purchaser to the Vendor's designated bank account by electronic fund transfer within three Business Days after the execution of the Share Transfer Agreement and publishing of the announcement of the Company dated 12 October 2020 (the "**Deposit**");

(b) the amount of tax responsible and payable by the Vendor to the relevant tax authorities in the PRC, deducting the Deposit paid, shall be payable by the Purchaser to the Vendor's designated bank account by electronic fund transfer as part of the Consideration within five Business Days after satisfaction of the conditions, including (i) the Purchaser having completed the relevant approval, filings or compliance procedures involved in the Acquisition under the relevant requirements under the Listing Rules; (ii) the approval of the Anti-monopoly Bureau of the State Administration for Market Regulation on concentration of undertakings is obtained (if applicable); and (iii) the compliance review on the Acquisition by the Shenzhen Stock Exchange is completed and the confirmation opinion in relation to the Acquisition from the Shenzhen Stock Exchange is obtained (the "**First Installment**");

(c) 70% of the Consideration in the sum of RMB274,750,000, deducting the Deposit and the First Installment paid, shall be payable by the Purchaser to the Vendor's designated bank account by electronic fund transfer within three Business Days after the completion of share register in relation to the transfer of the Sale Shares in the CSDC; and

(d) the remaining balance of the Consideration in the sum of RMB117,750,000 shall be payable by the Purchaser to the Vendor's designated bank account by electronic fund transfer within three Business Days upon satisfaction of the conditions, including (i) the new seal and all licenses of the Target Company and its subsidiaries, including but not limited to the original and copy of the business license, financial information and bank seal, are collected and kept by the Purchaser; (ii) the completion of re-election of the board of directors of the Target Company; and (iii) the candidates designated by the Purchaser are appointed as the chairman and legal representative of the Target Company and that the registration and filings of the same are completed.

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiation with reference to, among other things, (i) the asset quality and financial performance of the Target Company; (ii) the average price of the Target Company's shares immediately preceding 28 September 2020 (the price per Sale Share is RMB7.85, representing a premium of approximately 16.7% over the average price of the Target Company's shares from five trading days immediately preceding 28 September 2020, which is RMB6.73 per share); (iii) the prospect of the vocational education business in the PRC; (iv) the Company, through Tequ Mayflower, would become the single largest shareholder of the Target Company and could have influence over major decisions of the Target Company; and (v) the prospect of the business of the Target Company and the synergies that may be created following Completion.

The Consideration will be funded by the Group's internal resources. As of the Latest Practicable Date, the Consideration has been partially settled.

Conditions Precedent of the Share Transfer Agreement

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

(a) the Target Company and Tequ Mayflower WFOE having executed the Subscription Agreement in relation to the issue of new shares to Tequ Mayflower WFOE;

(b) the Purchaser having completed the relevant approval, filings or compliance procedures involved in the Acquisition under the relevant requirements under the Listing Rules;

(c) the approval of the Anti-monopoly Bureau of the State Administration for Market Regulation on concentration of undertakings is obtained (if applicable);

(d) the compliance review on the Acquisition by the Shenzhen Stock Exchange is completed and the confirmation opinion in relation to the Acquisition from the Shenzhen Stock Exchange is obtained; and

(e) the share register in relation to the transfer of the Sale Shares in the CSDC is completed.

After execution of the Share Transfer Agreement and obtaining the written approval of the Shareholders for the Acquisition, the Company has executed a confirmation letter on 25 January 2021 agreeing to waive the condition precedent under paragraph (b) above, '*the Purchaser having completed the relevant approval, filings or compliance procedures involved in the Acquisition under the relevant requirements under the Listing Rules*' in order for the parties to proceed with the completion of the Acquisition promptly.

As of the Latest Practicable Date, all conditions precedent of the Share Transfer Agreement in relation to the Acquisition have been satisfied or waived.

Completion

Completion took place on 25 January 2021 in accordance with the terms and conditions of the Share Transfer Agreement.

Upon Completion and as of the Latest Practicable Date, the Company, through the Purchaser, is interested in approximately 8.75% of the entire share capital of the Target Company.

THE ENTRUSTMENT

On 12 October 2020 (after trading hours), Mr. Ye, the actual controller of the Target Company entered into the Voting Rights Proxy Agreement with Tequ Mayflower WFOE, to entrust the voting rights attached to his remaining 8% shareholdings of the Target Company currently held by Mr. Ye, representing the voting rights attached to 45,744,700 shares, in aggregate, to Tequ Mayflower WFOE. After the Voting Rights Proxy Agreement becomes effective, Tequ Mayflower WFOE holds in aggregate the voting rights of the Target Company of approximately 16.75%.

The rationale for the entrustment arrangement is to enhance the Company's control in the Target Company. After the entering into the Voting Rights Proxy Agreement, the Company, through Tequ Mayflower WFOE, would have even more influence over major decisions of the Target Company so as to ensure a smooth transition for the period from 12 October 2020 to the completion of the Proposed Subscription.

THE VOTING RIGHTS PROXY AGREEMENT

The principal terms of the Voting Rights Proxy Agreement are set out below:

Date

12 October 2020

Parties

(i) Tequ Mayflower WFOE; and

(ii) Mr. Ye.

Entrustment period

The Voting Rights Proxy Agreement will become effective from the date of completion of share register in relation to the transfer of the Sale Shares in the CSDC (the "**Effective Date**"). The entrustment period commences from the Effective Date and shall cease upon the occurrence of any of the following events (whichever date is earlier):–

(a) the completion of share register in relation to the Proposed Subscription; or

(b) Mr. Ye has transferred the Entrusted Shares to Tequ Mayflower WFOE in accordance with the terms and conditions as stipulated in the Share Transfer Agreement; or

(c) Tequ Mayflower WFOE owns in aggregate the share capital of the Target Company of not less than 16.75%, such as increasing its shareholdings by other means including purchase shares in the secondary market and Target Company issuing further shares to purchase assets from Tequ Mayflower WFOE, etc.

Entrusted Voting Rights

The voting rights attached to 45,744,700 shares of the Target Company, representing approximately 8% of the entire share capital and voting rights of the Target Company as at the Latest Practicable Date.

During the entrustment period, Mr. Ye irrevocably appoints Tequ Mayflower WFOE to exercise shareholder's rights attached to his 45,744,700 shares in the Target Company at Tequ Mayflower WFOE's free will pursuant to the relevant PRC laws and regulations and articles of association of the Target Company, including the rights to:

(a) convene and participate in shareholders' meeting in the capacity of a proxy of Mr. Ye;

(b) submit any proposals regarding nomination, recommendation, election, designation or appointment and removal of the directors, supervisors and other senior officers of the Target Company; and

(c) exercise the voting rights and execute any relevant documents with regards to matters to be discussed and resolved at the general meeting of shareholders in accordance with the relevant laws, regulations, rules and other legally binding normative documents or articles of association of the Target Company.

Tequ Mayflower WFOE shall exercise the voting rights attached to the Entrusted Shares under the Voting Rights Proxy Agreement by means of on-site voting at the general meetings. Within the entrustment period, Mr. Ye shall not exercise the voting rights attached to the Entrusted Shares, and shall not interfere with Tequ Mayflower WFOE's exercise of voting rights attached to the Entrusted Shares.

Upon (i) the Completion of the Acquisition; and (ii) the Voting Rights Proxy Agreement became effective on 25 January 2021 which was the date of completion of share register in relation to the transfer of the Sale Shares in the CSDC, Tequ Mayflower WFOE holds in aggregate the voting rights of the Target Company of approximately 16.75%.

THE ACTING-IN-CONCERT AGREEMENT

On 12 October 2020, Mr. Ye, the actual controller of the Target Company entered into the Acting-in-Concert Agreement with Tequ Mayflower WFOE, pursuant to which in relation to the Entrusted Voting Rights, Mr. Ye undertook to exercise his voting rights at the general meeting of the Target Company in accordance with the decision made by Tequ Mayflower WFOE. If there are other matters beyond the Entrusted Voting Rights that require Mr. Ye to exercise shareholder's voting rights, Mr. Ye shall exercise his voting rights at the general meeting of the Target Company in accordance with the decision made by Tequ Mayflower WFOE.

The Acting-in-Concert Agreement is effective on the execution date of the Acting-in-Concert Agreement and will be automatically terminated upon the termination of the Voting Rights Proxy Agreement.

THE PROPOSED SUBSCRIPTION

The Board further announces that Tequ Mayflower WFOE has entered into the Subscription Agreement pursuant to which Tequ Mayflower WFOE has agreed to subscribe 171,000,000 shares of the Target Company at the Subscription Price upon obtaining consent from the general meeting of the Target Company and having approved or filed by the relevant regulatory authorities. As disclosed in the announcement of the Target Company dated 13 October 2020, the issue price per Offer Share is RMB5.27 and the Subscription Price is RMB901,170,000 which are determined in accordance with the requirements under the relevant laws and regulations of the PRC.

Date

12 October 2020

Parties

(i) Tequ Mayflower WFOE, as the subscriber; and

(ii) the Target Company, as the issuer.

Subject matter

Tequ Mayflower WFOE has entered into the Subscription Agreement pursuant to which Tequ Mayflower WFOE has agreed to subscribe 171,000,000 shares of the Target Company at the Subscription Price upon obtaining consent from the general meeting of the Target Company and having approved or filed by the relevant regulatory authorities. As disclosed in the announcement of the Target Company dated 13 October 2020, the issue price per Offer Share is RMB5.27 and the Subscription Price is RMB901,170,000 which are determined in accordance with the requirements under the relevant laws and regulations of the PRC. As at the Latest Practicable Date, the Proposed Subscription is subject to the approval from the general meeting of the Target Company and the approval of the relevant regulatory authorities, including the Shenzhen Stock Exchange and CSRC). The Company will issue further announcement(s) to update the Shareholders and the investors after the Proposed Subscription had been approved by the relevant regulatory authorities in the PRC.

Subscription Price

The pricing date of the Offer Share is the announcement date of the sixth meeting of the fifth board of directors of the Target Company, i.e. 13 October 2020 (the "**Pricing Date**"). According to Rule 28 of the Administrative Measures for the Issuance of Securities by Listed Companies of the PRC, it stipulates that the issue price shall not be lower than 80% of the average price of the Target Company's shares from 20 trading days immediately preceding the pricing date. In order to satisfy such regulatory requirement and taking into consideration that the Company, through Tequ Mayflower, has already been the single largest shareholder of the Target Company and had more influence over major decisions of the Target Company at the time of the Proposed Subscription, the issue price of the Offer Share at which the Offer Shares are offered for subscription is RMB5.27 which is 80% of the average price of the Target Company's shares from 20 trading days immediately preceding the Pricing Date.

The Subscription Price shall be settled in cash and payable by Tequ Mayflower WFOE to the Target Company's designated bank account by electronic fund transfer within five Business Days after obtaining the approval of the relevant regulatory authorities, including the Shenzhen Stock Exchange and CSRC and Tequ Mayflower WFOE receiving the payment notice from the Target Company.

The Subscription Price will be funded by the Group's internal resources. As of the Latest Practicable Date, the Subscription Price has not been settled.

Completion

Completion of the Proposed Subscription is conditional upon (i) the approval by the shareholders of the Target Company; and (ii) the approval of the relevant regulatory authorities in the PRC including the Shenzhen Stock Exchange and CSRC.

As of the Latest Practicable Date, neither of the conditions precedent of the Proposed Subscription above has been satisfied nor waived.

It is expected that immediately after completion of the Acquisition and the Proposed Subscription, the Company will, through Tequ Mayflower WFOE, hold approximately 29.76% of the entire share capital of the Target Company.

Lock-up

The Offer Shares subscribed by Tequ Mayflower WFOE is subject to lock-up restrictions. Tequ Mayflower WFOE is not permitted to transfer any of the Offer Shares within 18 months upon the listing of such Offer Shares on the Shenzhen Stock Exchange.

INFORMATION ABOUT THE PARTIES

The Company and the Purchaser

The principal business of the Company is investment holding, and its subsidiaries are mainly engaged in private higher education. The principal business of the Purchaser is investment holding. The Purchaser is a limited liability company established in the PRC which is wholly owned by Hope Education Group (Hong Kong) Company Limited, which is in turn wholly owned by the Company.

The Vendor

The Vendor was the actual controller of the Target Company who owned 95,744,700 shares in the Target Company, representing approximately 16.75% of the entire share capital of the Target Company as at the date of the Share Transfer Agreement and Subscription Agreement, i.e. 12 October 2020.

To the best of each of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

The Target Company

The Target Company is a joint stock limited company established in the PRC, whose A shares have been listed on the Shenzhen Stock Exchange (stock code: 300050). The Target Group is principally engaged in vocational education business and the provision of products and services for mobile communication network optimization as well as internet of things service.

Upon (i) Completion of the Acquisition; and (ii) the Voting Rights Proxy Agreement became effective on 25 January 2021 and up to the Latest Practicable Date, Tequ Mayflower WFOE holds in aggregate the voting rights of the Target Company of approximately 16.75%. It is expected that immediately after completion of the Acquisition and the Proposed Subscription, the Company will, through Tequ Mayflower WFOE, hold approximately 29.76% of the entire share capital of the Target Company. The Target Company will not become the subsidiary of the Company.

Financial information of the Target Group

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

	For the year ended 31 December	
	2019	**2020**
	(RMB)	*(RMB)*
	(audited)	*(audited)*
Revenue	1,244,350,146.93	675,174,187.75
Net profit before tax	(475,051,514.57)	36,675,462.88
Net profit after tax	(485,874,982.78)	24,361,256.05

The audited total assets value of Target Group as of 31 December 2020 was approximately RMB3,077 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE PROPOSED SUBSCRIPTION

The Company possesses the capability of enrollment and expansion across provinces of Mainland China, while Dingli Institute possess strong resources in terms of its brands. The Company will integrate these prime resources to provide public and private high education with quality services in terms of "brand export + management export" in the future. Based on the school operation mode of "asset-light expansion", the Company is looking to expanding the scale of our school operation through our traditional mode of mergers and acquisition, while exploring new business areas and markets by establishing secondary colleges with other parties. The Company believes that the Acquisition and the Proposed Subscription will diversify the scope of business of the Group and lay a foundation for new business for the Group; seek greater industrial synergy and expand channels for the growth of the Group; enhance the market competitiveness of the Group; especially in seeking for room of breakthrough in industry extension of the vocational education.

Taking into consideration the prospect of the education industry in the PRC, the Directors are of the view that the Acquisition and the Proposed Subscription are in the interests of the Company and the Shareholders as a whole, and are also of the view that the terms of the Share Transfer Agreement and the Subscription Agreement, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE PROPOSED SUBSCRIPTION

Financial Effects of the Acquisition

The acquisition will not have any impact on the earnings and assets of the Group at initial recognition. Upon completion, the Target Company will be accounted for using the equity method of accounting in accordance with IAS 28 Investments in Associates and Joint Ventures in the consolidated financial statements of the Group, and subsequently been subjected to impairment assessment in accordance with IAS 36 Impairment of Assets as a single asset, by comparing its recoverable amount to its carrying amount, wherever there are indicators that the investment may be impaired.

The details of the financial effects of the Acquisition and the Proposed Subscription on the financial position of the Group together with the bases and assumptions taken into account in preparing the Unaudited Pro Forma Financial Information are set out in Appendix III to this circular for illustrative purpose.

IMPLICATIONS UNDER THE LISTING RULES

As the Acquisition and the Proposed Subscription are conducted in respect of the shares in the same Target Company, the Acquisition and the Proposed Subscription were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. The highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition, in aggregation with the Proposed Subscription, is more than 25% and less than 100%. The Acquisition, in aggregation with the Proposed Subscription, constitute a major transaction of the Company, and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(A)(I) OF THE LISTING RULES

Background

Pursuant to Rule 4.03 of the Listing Rules, any accountants' report to be included in a circular must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company. Also, pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the financial information of the target company must be prepared using accounting policies which should be materially consistent with those of the listed issuer. Moreover, pursuant to Rule 4.11 of the Listing Rules, the financial history of results and the balance sheet included in the accountants' report must normally be drawn in conformity with (a) Hong Kong Financial Reporting Standards (HKFRS); or (b) International Financial Reporting Standards (IFRS) or China Accounting Standards for Business Enterprises (CASBE) in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Waiver Sought

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

(a) The Target Group had been publishing financial information, including audited accounts, to the market on a regular basis to enable investors to assess its activities and financial position. It is listed on Shenzhen Stock Exchange and its financial disclosures are subject to supervision by regulatory authorities.

(b) It would be unduly burdensome for the Company to engage professional accountants to prepare the Accountants' Report on the Target Group as required by the Listing Rules in light of the substantial time and costs required.

(c) The accounts of the Target Group to be disclosed in the circular would be audited by its auditors, Da Hua CPAs (Special General Partnership) ("**Da Hua CPAs**"). The accounts of the Target Group would cover the three years ended 31 December 2020 (the "**Relevant Periods**") presented under the PRC accounting policies. While Da Hua CPAs are not registered under the Hong Kong Professional Accountants Ordinance, they are a firm of accountants with international name and reputation and registered with a recognized body of accountants.

    (i) Da Hua CPAs is a member firm of Moore Global Network Limited ("**Moore Global**") similar to any other Moore Global network member firm and operates under Moore Global's global standards, policies and procedures.

(ii) Da Hua CPAs is regulated by the Chinese Institute of Certified Public Accountants ("**CICPA**"). The CICPA on its own, or based on the request from the China Securities Regulatory Commission, can make an investigation concerning violations attributed to the auditor.

(iii) The China Securities Regulatory Commission is responsible for regulating standards in financial markets and has the power to take enforcement action against relevant individuals and firms. Both the China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong are members of the International Organization of Securities Commissions.

(iv) Da Hua CPAs is independent of both the Target Group and of any other company concerned as required under the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is committed to maintaining its independence both in fact and in perception and its policies are designed in compliance with local laws and ethical principles.

(v) Da Hua CPAs maintains a system of quality controls for its audit practice that is designed to meet or exceed the relevant and applicable requirements of local laws and regulations.

(vi) In addition to complying with the standards required for a member firm of Moore Global, Da Hua CPAs has informed the Company that it complies with International Standard on Quality Control 1 "Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements" in relation to the quality assurance of its relevant assurance engagements.

(vii) This standard is essentially equivalent to the standard issued by the Hong Kong Institute of Certified Public Accountants "Code of Ethics for Professional Accountants", HKSQC 1 – "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA.

(viii) Da Hua CPAs is a practice of approximately 6,000 professional staff. Da Hua CPAs acts as auditor of a significant number of domestic and international companies, including companies listed on the stock exchange in China and component auditors for companies listed on the stock exchanges in the US and Hong Kong. Da Hua CPAs is registered with the United States Public Company Accounting Oversight Board as it has a substantial role in audit of at least one issuer and as such is an internationally recognised accounting firm.

Alternative Disclosure

The Company will include the following information in the circular as an alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

(a) the consolidated financial statements of the Target Company for each of the three years ended 31 December 2020 prepared in accordance with China Accounting Standards for Business Enterprises ("**CASBE**").;

(b) a line-by-line reconciliation for the Target Group's financial information which primarily consist of (i) comparing the unadjusted financial information of Target Group for the Relevant Periods as set out in the circular with the audited consolidated financial statements of Target Group for the Relevant Periods prepared in accordance with the Target Group's accounting policies under CASBE; (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the adjusted financial information under the Company's accounting policies, which included examining the differences between Target Group's accounting policies under CASBE and the Company's accounting policies under International Financial Reporting Standards; and (iii) checking the arithmetic accuracy of the computation of the adjusted financial information under the Company's accounting policies; and

(c) additional information which was required for an accountants' report under Chapter 4 of the Listing Rules but not disclosed in the published accounts as mentioned above will be disclosed in the circular for shareholders to assess the financial performance of the Target Group.

Based on the information provided by the Company and the alternative disclosure above, the Hong Kong Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to the Listing Rules, Shareholders' approval is required for a major transaction. As no Shareholders have a material interest in the Acquisition and the Proposed Subscription, no Shareholders would be required to abstain from voting if the Company was to convene a general meeting for approving the Acquisition and the Proposed Subscription. The Company will not be required to convene a general meeting for approving the Acquisition and the Proposed Subscription because the Company has obtained the written shareholder's approval from Hope Education Investment in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. Hope Education Investment controls 4,140,948,240 Shares, representing approximately 51.93% of the issued share capital of the Company as at the Latest Practicable Date.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Acquisition, the Proposed Subscription and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution. As disclosed above, the Company has obtained the written approval of Hope Education Investment for approving the Acquisition and the Proposed Subscription.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Hope Education Group Co., Ltd.
Xu Changjun
Chairman

1. FINANCIAL OVERVIEW OF THE GROUP

The financial information of the Group (i) for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019, from pages 127 to 215; (ii) for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 27 April 2020, from pages 125 to 232; (iii) for the eight months ended 31 August 2020 is disclosed in the annual report of the Company for the eight months ended 31 August 2020 published on 31 December 2020, from pages 124 to 232.

All of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://cpm.etnet.com.hk).

The 2018 annual report of the Company is available at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425125.pdf

The 2019 annual report of the Company is available at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701134.pdf

The 2020 annual results announcement of the Company is available at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1129/2020112900183.pdf

The 2020 annual report of the Company is available at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1231/2020123101037.pdf

2. INDEBTEDNESS STATEMENT OF THE GROUP

As at 31 January 2021, being the latest practicable date of the Group, for the purpose of this statement of indebtedness, the Group had the following outstanding indebtedness:

(a) As at 31 January 2021, the Group had total interest-bearing bank and other borrowings of RMB4,022 million. The Group's total interest-bearing bank and other borrowings were secured and pledged by (a) certain assets owned by the Group and assets owned by certain third parties; (b) equity interests of certain subsidiaries of the Group; and (c) tuition and boarding fee rights of certain schools of the Group. In addition, the Group's other borrowings of RMB8 million are guaranteed by a third party, who has been given a corporate guarantee to counter-guarantee the corporate guarantee by Yinchuan University of Energy, and bank loans of RMB223 million are guaranteed by a related party.

(b) As at 31 January 2021, the Group had an interest-bearing loan of RMB39 million received from Mr. Wang Huiwu, with no secure or pledge.

(c) As at 31 January 2021, the Group had lease liabilities of RMB183 million.

(d) As at 31 January 2021, the Group had no material contingent liabilities and guarantees on a group consolidated basis.

(e) As at 31 January 2021, the Group had committed and undrawn banking facilities totalling RMB161 million.

Save as those disclosed above or elsewhere in this circular and except for the inter-group liabilities during the ordinary course of business and normal trade payables, as at 31 January 2021, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, following the Completion, after taking into account the Group's available credit facilities, the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial and Trading Prospects

The "Asset-light" strategy has been an essential way for expanding the network of private education. The Company currently has 16 higher education institutions, across seven provinces and regions, with strong recruitment and expansion capabilities; and the Dingli Institute has built up a great brand reputation. In the future, the Company will integrate these high-quality resources, to provide quality services with "brand output and management output" to public and private universities, and combine the existing merger and acquisition model with self-construction model, to expand the scale of schools by establishing secondary colleges with universities to open up new business areas and markets.

The Company believes that the Acquisition and the Proposed Subscription will diversify the scope of business of the Group and lay a foundation for new business for the Group; seek greater industrial synergy and expand channels for the growth of the Group; enhance the market competitiveness of the Group, thereby improving the return on capital of the company.

Moreover, since the establishment of the Target Company, it has been a leading comprehensive provider of mobile communication network optimization solutions in the PRC. In recent years, the Target Company has actively promoted industrial extension to achieve rapid business development. Communication business is the cornerstone for the development of the Target Company. Since its establishment, the Target Company has focused on providing professional products, services and comprehensive solutions in respect of the testing, optimization, construction, operational maintenance and operation of networks for, among others, communication operators, system equipment providers and network service providers, and has been a leading comprehensive provider of mobile communication network optimization solutions in the PRC. Based on its layout and years of exploration in the communication and IoT businesses, the Target Company stepped into the field of vocational education in 2011 and has developed a set of school running system and standardized talent training scheme based on "production-education integration" by making industrial cases and practical experiences into professional, situational and curricular teaching resources through research and development and introducing such resources into the education and teaching process. The business model of the Target Company is in line with the policy guideline of the PRC to encourage vocational education and "school-enterprise integration". The unique industrial background and experiences of the Target Company and its leading professional courses and talent training scheme have enhanced the brand value and competitive strengths of its education business and facilitated the rapid commercial expansion of its education business. Therefore, there is a development context between the two major business segments of the Target Company (i.e., communication and IoT and vocational education). By acquiring the Target Company, Hope Education aims to leverage on the brand of "Dingli Institute" and its school running pattern and method based on production-education integration.

By acquiring the Target Company and leveraging on the brand and resources of the Dingli Institute, the Group will:

(1) Expand the potential market of Hope Education

According to the data of the Ministry of Education as of 2019, China had a total of 2,688 higher education institutions, of which there were 756 private schools and 1,932 public schools. At present, the potential M&A market accessible for Hope Education is limited to 756 private schools, and the remaining 1,932 public schools are an untapped market for Hope Education. Currently, Dingli Institute is primarily established in various universities as a secondary college. Unlike the traditional capital-intensive school operation model, Dingli Institute mainly adopts an education model of integrating production and education to serve cooperative colleges and universities. In the future, under the cooperation model of jointly establishing secondary colleges through the "Dingli Institute" to realize entrusted operations, Hope Education will be able to cooperate with more public colleges and universities and expand the currently accessible market from 756 to 2,688 colleges and universities, thus opening up greater room for future development. In the near future, colleges and universities will make their for-profit or non-profit options in accordance with the Civil Promotion Law: For for-profit colleges and universities, Hope Education will give priority to integration through mergers and acquisitions; for non-profit colleges and universities, as it is impossible to acquire and merge with them, Hope Education will realize the link of education and teaching through the entrusted operation of secondary colleges so as to further expand the potential market of Hope Education.

(2) Achieve the "product + channel" synergies

At present, Hope Education has an enrollment network spreading all provinces in China and expansion capabilities, and Dingli Institute boasts of strong brand resources of "production-education integration", an asset-light business model that is easy for promotion and replication, and the standardized professional courses and talent training plans accumulated over the years. The synergies between Hope Education and Dingli Institute is similar to the perfect match of powerful channels and high-quality products. In the future, through the well-established national network of Hope Education, and relying on the brand value and product competitiveness of Dingli Institute in the field of vocational education, we will be able to promote Dingli Institute across the country at a faster pace, expand the market, and more effectively realize a scaled school operation.

Upon completion of this transaction, Hope Education will exert significant influence on the general meetings and the board of directors of the Target Company, which can effectively promote the Target Company to better achieve synergies with Hope Education in resource allocation and business development direction.

Dingli Corp., Ltd.

Independent Auditor's Report

D.H.S.Z.[2021]No.001650

Da Hua Certified Public Accountants(Special General Partnership)

Auditor's report and Financial statements of Dingli Corp., Ltd.

(From 1st January, 2018 to 31th December, 2020)

Contents

INDEPENDENT AUDITOR'S REPORT

D.H.S.Z.[2021]001650

To all shareholders of Dingli Corp., Ltd.:

Ⅰ、**OPINION**

We have audited the financial statements of Dingli Corp., Ltd. (hereinafter referred to as The Company), including 31 December 2020, 31 December 2019, and 31 December 2018, The consolidated and parent company's balance sheet, the consolidated and parent company's income statement for the years of 2020,2019 and 2018, the consolidated and parent company's cash flow statement, the consolidated and parent company's shareholders' equity statement, and related notes to the statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect consolidated and parent company's financial conditions of at 31 December 2020, 31 December 2019 and 31 December 2018 and consolidated parent company's financial performance and cash flows for the years of 2020, 2019 and 2018.

Ⅱ、**BASIS FOR OPINION**

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the China Standards on Auditing's Code of Ethics for Professional Accountants in China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

III、**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the years of 2020, 2019 and 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified by us in our audit are summarized as below:

1.Impairment loss of accounts receivables

1.1 Description of matter

The fiscial year of key audit matters: 2020, 2019 and 2018.

As stated in Note 4.14/4.15 accounts receivables and Note 6.4 of accounts receivables in the Financial Statements.The original value of accounts receivables was CNY 680,837,653.51 and the provision for bad debts was CNY104,047,904.15 as of 31 December 2020, which was the 18.74% of total assets. As of 31 December 2019, the original value of accounts receivables was CNY736,706,405.67, and the provision for bad debts was CNY83,551,666.75 which is 19.80% of total assets. As of 31 December 2018, the original value of accounts receivables was CNY726,544,815.58 and the provision for bad debts was CNY104,703,456.47 which is 16.99% of the total assets. When the management assesses the recoverability of accounts receivables, they need to comprehensively consider the aging of accounts receivables, the debtor's repayment record, the current status of the debtor's industry, etc. The above factors all involve significant management judgment. Because the balance of accounts receivables is significant and the assessment of credit losses is complicated, the assessment of credit losses of accounts receivables requires the significant judgement of management. While considering the importance of accounts receivables to the overall financial statements, so we will Credit loss of accounts is a key audit matter.

1.2 Audit response

In the audit of financial statements of 2020, 2019 and 2018, the key audit procedures we implemented for the credit losses of accounts receivables include:

(1) Testing the management's key internal control related to the daily management and recoverability evaluation of accounts receivables;

(2) Reviewing management's relevant considerations and objective evidence for assessing the recoverability of accounts receivables;

(3) Combining with credit risk characteristics and aging analysis, we evaluate the rationality of the provision for bad debts of management when management has made provision for bad debts in accounts receivables by combining the credit risk characteristics,

(4) Combining with the analysis of the present value of the expected future cash flow and its book value, we evaluate the rationality of the management's credit loss provision, when management deal accounts receivables with a single significant amount and single-item credit loss,

(5) Obtain the company's credit policy, we understand contract signing and credit policy implementation, obtain contracts from major customers, and verify settlement methods;

(6) We send letters of verificating accounts receivables from major customers to verify the post-period collection of accounts receivables.

Since some audit work done, we believe that the assumptions and methods adopted by management in the accounts receivables credit loss test the management’s overall assessment of the accounts receivables credit loss are acceptable and management’s relevant judgments and estimates for the credit loss of accounts receivables are reasonable.

2. Provision for impairment of goodwill

2.1.Description of matter

The fiscal year of key audit matters: 2020, 2019 and 2018.

As stated in Note 4.28 impairment of Long-term Assets and Note 6.21 saying goodwill in the financial statements as of 31 December 2020, the net value from original book value of goodwill in the company’s consolidated balance sheet less accumulated impairment net value after preparation is CNY822,132,371.51. As of 31 December 2019, the net value from original book value of goodwill in the company's consolidated balance sheet less accumulated impairment provisions is CNY860,476,612.97. On the contrary, as of 31 December 2018, the net value from original book value of goodwill in the balance sheet less the accumulated impairment provision is CNY1,201,545,845.22. Since goodwill formed by business combination, the company should conduct an impairment test at least at the end of each year. Impairment testing requires the company to estimate the recoverable amount of the related asset group that includes goodwill, which the higher between the fair value from the related asset group minus the net amount of disposal expenses and the present value of the expected future cash flow of the related asset group .

The management conducts an impairment test on goodwill at the end of each year, and hires an external independent assessment agency to perform relevant assessment work for the purpose of the goodwill impairment test and issue an assessment report. Moreover, the management conducts an impairment test on the goodwill and then evaluates it whether it is necessary to make provision for impairment of goodwill. Since the amount of goodwill is material, the management needs to make material judgments on key assumptions, such as expected future cash flows and discount rates, when they take tests. Thus, we consider the impairment of goodwill as a key audit matter.

2.2Audit response

The important audit procedures we have implemented for goodwill impairment provision include:

(1) We understand, evaluate and test the effectiveness of management's key internal control design and operation related to goodwill impairment;

(2) We evaluate the competence, professional quality and objectivity of external evaluating experts employed by the management;

(3) We communicate with external evaluating experts to understand the evaluation methods, important assumptions and key factors selected in the goodwill impairment test, causing we could analyze whether it is reasonable for management to identify asset group which goodwill belongs.

(4) We evaluate the appropriateness of the evaluation methods used by external evaluation experts, and the rationality of key factors such as important assumptions and discount rates;

(5) We obtain and review the calculation of the recoverable amount of the asset group which goodwill belongs and compare the difference between the book value of the asset group which the goodwill belongs and its recoverable amount, in order to confirm whether there is any impairment of goodwill;

(6) We check and evaluate whether the presentation and disclosure of goodwill impairment is accurate and appropriate.

Based on the audit work performed, we believe that the assumptions and methods adopted by the management in the goodwill impairment test and the management’s overall assessment of the impairment of goodwill and the management’s impairment of goodwill are acceptable. Moreover, the relevant judgments and estimates of the value are reasonable.

Ⅳ、OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The management of Dingli Corp., Ltd. is responsible for other information as well, which includes the ones covered in the financial report in 2020, 2019 and 2018. However, it does not include the financial statements and our audit report.

Our audit opinion on the financial statement does not cover other information, and we do not conclude the information in any forms, and we do not conclude the information in any forms.

As for the audit of this financial statement, our responsibility is to read other information, in which process, we consider if there is any inconsistency or significant mistakes between the information in the financial reports and the situations we knew.

Based on our executed works, if we found any big mistakes, we will report them. In this case, nothing need reporting.

Ⅴ、RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with requirements of China Accounting Standards for Business Enterprises, and to design, execute and maintain necessary internal controls to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

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

Ⅵ、AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidences that are sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities

or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current periods and are therefore the key audit matters. We describe these matters in our auditor’ s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants(Special General Partnership)	China Certified Public Accountants：	
	(Engagement partner)	程银春
China，Beijing	China Certified Public Accountants：	
		程道平
		26 February 2021

CONSOLIDATED STATEMENT OF BALANCE SHEET

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

ASSETS	Note 6	31 December 2020	31 December 2019	31 December 2018
CURRENT ASSETS				
Bank balance and cash	6.1	327,486,282.45	380,311,647.02	413,651,988.03
Financial assets at fair value through profit or loss				
Financial assets held for trading	6.2	44,995,277.89		
Derivative financial assets				
Notes receivables	6.3	33,162,124.92	33,870,385.38	42,165,235.27
Accounts receivables	6.4	576,789,749.36	653,154,738.92	621,841,359.11
Accounts receivable financings				
Prepayments	6.5	92,775,445.22	167,986,749.67	96,726,868.88
Other receivables	6.6	82,394,192.90	182,282,495.12	66,423,506.15
Inventories	6.7	99,170,750.82	66,682,289.66	93,166,633.51
Contract assets	6.8	1,232,921.40		
Assets classified as held for sale				
Current portion of non-current assets	6.9	11,300,001.25	2,867,450.00	
Other current assets	6.10	18,819,190.61	11,290,189.44	16,490,403.85
Total current assets		1,288,125,936.82	1,498,445,945.21	1,350,465,994.80
NON-CURRENT ASSETS				
Available-for-sale financial assets	6.11			12,000,000.00
Held-to-maturity investments				
Debt investment				
Other debt investments				
Long-term receivables	6.12	82,369,333.30	164,802,898.38	237,841,088.40
Long-term equity investments	6.13	21,872,870.62	19,518,622.37	16,726,122.50
Other equity instruments investments	6.14	6,000,000.00	11,000,000.00	
Other non-current financial assets	6.15		1,000,000.00	
Investment properties	6.16	5,384,566.08		471,369.62
Fixed assets	6.17	256,256,606.37	119,109,206.14	99,427,176.07
Construction in progress	6.18	5,176,630.20		3,897,355.22
Productive biological assets				
Oil and gas assets				
Right-of-use asset				
Intangible assets	6.19	29,313,374.05	39,403,309.49	77,948,457.63
Development expenditures	6.20	30,537,553.11	8,107,846.67	20,964,333.87
Goodwill	6.21	822,132,371.51	860,476,612.97	1,201,545,845.22
Long-term deferred expenses	6.22	458,714,713.56	476,639,416.10	591,646,765.39
Deferred tax assets	6.23	69,222,870.20	63,078,876.37	39,093,667.64
Other non-current assets	6.24	1,981,470.61	33,993,734.04	8,217,500.00
Total non-current assets		1,788,962,359.61	1,797,130,522.53	2,309,779,681.56
Total assets		3,077,088,296.43	3,295,576,467.74	3,660,245,676.36

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION（CONTINUED）

Prepared by:Dingli Corp., Ltd.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 6	31 December 2020	31 December 2019	31 December 2018
Current liabilities				
Short-term borrowings	6.25	193,131,414.28	399,946,465.00	197,500,000.00
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payables	6.26	17,970,310.22	75,440,640.00	46,004,181.77
Accounts payables	6.27	164,961,527.66	193,072,007.47	143,885,422.68
Receipts in advance	6.28		82,467,151.27	64,638,678.79
Contract Liabilities	6.29	70,715,889.57		
Salary payables	6.30	39,913,748.58	40,695,872.25	38,393,622.01
Taxes payable	6.31	53,254,247.11	69,333,642.72	57,144,651.96
Other payables	6.32	94,423,954.74	39,266,453.52	238,235,369.43
Liabilities classified as held for sale				
Current portion of non-current liabilities	6.33	496,536.26		
Other current liabilities	6.34	6,268,938.13		
Total current liabilities		641,136,566.55	900,222,232.23	785,801,926.64
Non-current liabilities				
Long-term borrowings				
Bonds payable				
Including: Preference share				
Perpetual debt				
Lease liabilities				
Long-term Payable				
Long-term salary payables	6.35		3,660,768.26	9,160,230.38
Provisions				
Deferred income	6.36	4,167,874.68	3,170,260.00	8,952,260.00
Deferred tax liabilities	6.37	8,855,331.21		
Other non-current liabilities				
Total non-current liabilities		13,023,205.89	6,831,028.26	18,112,490.38
Total liabilities		654,159,772.44	907,053,260.49	803,914,417.02
SHAREHOLDERS' EQUITY：				
Share capital	6.38	571,596,718.00	544,846,718.00	544,846,718.00
Other equity instruments				
Including: Preference share				
Perpetual debt				
Capital reserve	6.39	1,775,179,454.43	1,711,366,064.60	1,692,017,541.24
Less: treasury shares	6.40	73,830,000.00		
Other comprehensive income	6.41	(7,702,477.56)	(1,013,148.42)	(1,781,444.90)
Special reserve				
Surplus reserve	6.42	61,461,678.97	61,461,678.97	61,461,678.97
Retained earnings	6.43	98,712,775.08	72,789,800.49	557,317,053.09
Equity attributable to owners of the parent		2,425,418,148.92	2,389,451,113.64	2,853,861,546.40
Non-controlling interests		(2,489,624.93)	(927,906.39)	2,469,712.94
Total shareholders' equity		2,422,928,523.99	2,388,523,207.25	2,856,331,259.34
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,077,088,296.43	3,295,576,467.74	3,660,245,676.36

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED INCOME STATEMENT

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	Note 6	2020	2019	2018
1. Total revenue	6.44	675,174,187.75	1,244,350,146.93	983,233,236.40
Less: Total cost of sales	6.44	394,636,289.55	924,710,981.12	585,643,041.43
Taxes and surcharges	6.45	3,941,192.07	7,313,835.74	7,636,436.76
Selling expenses	6.46	79,854,187.72	104,549,371.34	97,741,398.37
General and administrative expenses	6.47	101,138,252.15	155,939,401.18	156,452,536.63
Research and development expenses	6.48	76,090,539.95	102,066,366.65	61,897,769.51
Finance costs	6.49	5,439,556.43	16,151,036.08	(1,840,028.05)
Including: Interest expenses (expressed with positive value)		12,088,106.77	9,622,686.54	3,900,197.09
Interest income (expressed with positive value)		7,057,080.28	3,046,771.86	4,623,790.75
Add: Other income	6.50	32,481,474.09	26,982,002.10	32,293,372.79
Investment income/(loss)	6.51	(755,603.41)	2,010,936.91	(9,881,061.66)
Including: Share of profits or loss of associates and joint ventures		(760,307.09)	42,499.87	68,771.18
Gain from derecognition of financial assets measured at amortized cost				
Net exposure hedging gains/ (losses)				
Gain/ (loss) on the changes in fair value	6.52	44,995,277.89		
Credit impairment losses	6.53	(29,630,636.26)	(71,465,085.67)	
Assets impairment losses	6.54	(37,973,844.11)	(346,145,209.43)	(42,792,579.91)
Gain from disposal of assets	6.55	5,437,977.60	1,070,051.78	427,263.01
2. Operating profit/Loss		28,628,815.68	(453,928,149.49)	55,749,075.98
Add: Non-operating income	6.56	9,371,066.56	2,054,359.37	2,004,640.36
Less: Non-operating expenses	6.57	1,324,419.36	23,177,724.45	2,660,279.93
3. Profit/(loss) before tax		36,675,462.88	(475,051,514.57)	55,093,436.41
Less: Income tax expense	6.58	12,314,206.83	10,823,468.21	3,277,616.99
4. Net profit /(loss)		24,361,256.05	(485,874,982.78)	51,815,819.42
Including: the net profit realized by the merged party before the merger under the same control				
I.Categorized by operation continuity				
Net profit from continuing operations		24,361,256.05	(485,874,982.78)	51,815,819.42
Net profit from discontinuing operations				
II.Categorized by ownership				
Net profit attributable to owners of the parent		25,922,974.59	(482,782,490.61)	56,693,357.26
Net profit attributable to non-controlling interests		(1,561,718.54)	(3,092,492.17)	(4,877,537.84)
5. Other comprehensive income, net of tax		(6,689,329.14)	762,402.64	662,728.35 #
Other comprehensive income, net of tax, attributable to owners of the parent		(6,689,329.14)	762,402.64	662,728.35
I.Other comprehensive income that will not be reclassified to profit or loss		**(4,250,000.00)**	**0.00**	**0.00**
i. Remeasurement gains or losses of a defined benefit plan				
ii. Other comprehensive income using the equity method that will not be reclassified to profit or loss				
iii. Changes in fair value of other equity instrument investments		(4,250,000.00)		
iv. Changes in fair value of enterprise's own credit risk				
II. Other comprehensive income to be reclassified to profit or loss		**(2,439,329.14)**	**762,402.64**	**662,728.35**
i. Other comprehensive income that can be reclassified to profit or loss in equity method				
ii. Change in the fair value of available-for-sale financial assets				
iii. Reclassification of held-to-maturity investments as available-for-sale financial assets				
iv. Changes in fair value of other debt investments				
v. Amount of financial assets reclassified into other comprehensive income				
vi. Provision for credit impairment of other debt investments				
vii. Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)				
viii Exchange differences on translation of foreign currency financial statements		(2,439,329.14)	762,402.64	662,728.35
Other comprehensive income, net of tax, attributable to non-controlling interests				
6. Total comprehensive income		17,671,926.91	(485,112,580.14)	52,478,547.77
Total comprehensive income attributable to owners of the parent		19,233,645.45	(482,020,087.97)	57,356,085.61
Total comprehensive income attributable to non-controlling interests		(1,561,718.54)	(3,092,492.17)	(4,877,537.84)
7. Earnings per share:				
I.Basic earnings per share (yuan/ share)		0.05	(0.89)	0.10
II.Diluted earnings per share (yuan/ share)		0.05	(0.89)	0.10

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CASH FLOWS

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	Note 6	2020	2019	2018
1.CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from the sale of goods and the rendering of services		1,153,883,292.57	1,199,890,857.60	1,009,947,905.96
Tax refunds received		19,044,263.34	6,742,377.39	15,213,635.89
Cash received relating to other operating activities	6.59	67,395,493.70	158,206,806.98	94,095,488.90
Sub-total of cash inflows		1,240,323,049.61	1,364,840,041.97	1,119,257,030.75
Cash paid for purchase of goods and services		834,793,945.68	917,824,089.62	578,431,466.53
Cash paid to and on behalf of employee		201,379,379.40	240,323,278.96	272,779,000.50
Cash paid for taxes		76,727,865.96	73,705,572.32	119,751,517.65
Cash paid relating to other operating activities	6.59	100,559,110.93	112,967,435.25	226,982,938.71
Sub-total of cash outflows		1,213,460,301.97	1,344,820,376.15	1,197,944,923.39
Net cash flows from operating activities		26,862,747.64	20,019,665.82	(78,687,892.64)
2.CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from disposal of investments		127,000,000.00		1,093,712.61
Cash received from investment income		4,703.68		
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		18,833,938.64	2,388,130.87	1,079,342.11
Cash received from disposal of subsidiaries and other business units		904,645.60	1,777,214.44	25,445,727.29
Cash received relating to other investing activities	6.59	13,669,795.09		
Sub-total of cash inflows		160,413,083.01	4,165,345.31	27,618,782.01
Purchase of property, plant and equipment, intangible assets and other non-current assets		48,902,661.46	28,214,324.04	96,566,980.02
Cash paid for investments		5,210,469.02	500,000.00	5,300,000.00
Net cash paid for acquisition of a subsidiary and other operating units		14,234,435.13	216,000,000.00	
Cash paid relating to other investing activities	6.59	2,629,200.61	31,733,198.99	
Sub-total of cash outflows		70,976,766.22	276,447,523.03	101,866,980.02
Net cash flows from investing activities		89,436,316.79	(272,282,177.72)	(74,248,198.01)
3.Cash flows from financing activities				
Cash received from investment		73,830,000.00		350,000.00
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries				
Proceeds from borrowings		244,786,777.78	232,000,000.00	197,500,000.00
Cash receipts relating to other financing activities	6.59	16,135,017.77	247,588,125.01	
Subtotal of cash inflows		334,751,795.55	479,588,125.01	197,850,000.00
Repayments for debts		468,197,100.00	207,500,000.00	115,878,784.83
Cash payments for distribution of dividends or profit and interest expenses		11,657,158.59	9,640,671.54	18,728,299.93
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries				
Cash payments relating to other financing activities	6.59	17,842,275.41	56,338,409.70	80,233,035.47
Subtotal of cash outflows		497,696,534.00	273,479,081.24	214,840,120.23
Net cash flows from financing activities		(162,944,738.45)	206,109,043.77	(16,990,120.23)
4.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,343,206.78)	(571,517.26)	1,071,027.12
5.NET INCREASE IN CASH AND CASH EQUIVALENTS		(47,988,880.80)	(46,724,985.39)	(168,855,183.76)
Add: Cash and cash equivalents at beginning of year		313,338,454.62	360,063,440.01	528,918,623.77
6.CASH AND CASH EQUIVALENTS AT END OF YEAR		265,349,573.82	313,338,454.62	360,063,440.01

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd.

(The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2020									
	Equity attributable to owners of the parent									
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
1. Balance at the end of previous year	544,846,718.00		1,711,366,064.60		(1,013,148.42)		61,461,678.97	72,789,800.49	(927,906.39)	2,388,523,207.25
Changes in accounting policies										
Corrections of prior period errors										
Business combination under common control										
Others										
2. Balance at the beginning of the year	544,846,718.00		1,711,366,064.60		(1,013,148.42)		61,461,678.97	72,789,800.49	(927,906.39)	2,388,523,207.25
3. Increase/(decrease) during the period	26,750,000.00		63,813,389.83	73,830,000.00	(6,689,329.14)			25,922,974.59	(1,561,718.54)	34,405,316.74
I.Total comprehensive income					(6,689,329.14)			25,922,974.59	(1,561,718.54)	17,671,926.91
II. Shareholders' contributions and reduction	26,750,000.00		63,813,389.83	73,830,000.00						16,733,389.83
i. Shareholders 'contributions in ordinary share	26,750,000.00		47,080,000.00							73,830,000.00
ii.Other equity instruments contributions										
iii.Amount of share-based payments recognized in equity			19,428,733.40	73,830,000.00						(54,401,266.60)
iv. Others			(2,695,343.57)							(2,695,343.57)
III.Profit distribution										
i.Transfer to surplus reserve										
ii.Distribution to shareholders										
iii.Others										
IV.Transfer within equity										
i.Capital reserves converted to share capital										
ii. Surplus reserves converted to share capital										
iii.Loss made up by surplus reserves										
iv.Changes in the defined benefit plan transferred to retained earnings										
v.Other comprehensive income transferred to retained earnings										
vi.Others										
V.Special reserve										
i.Additions										
ii. Utilisation										
iii.Others										
4. Balance at the end of the period	571,596,718.00		1,775,179,454.43	73,830,000.00	(7,702,477.56)		61,461,678.97	98,712,775.08	(2,489,624.93)	2,422,928,523.99

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd.

(The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2019									
	Equity attributable to owners of the parent									
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
1. Balance at the end of previous year	544,846,718.00		1,692,017,541.24		(1,781,444.90)		61,461,678.97	557,317,053.09	2,469,712.94	2,856,331,259.34
Changes in accounting policies								(1,744,761.99)		(1,744,761.99)
Corrections of prior period errors										
Business combination under common control										
Others										
2. Balance at the beginning of the year	544,846,718.00		1,692,017,541.24		(1,781,444.90)		61,461,678.97	555,572,291.10	2,469,712.94	2,854,586,497.35
3. Increase/(decrease) during the period			19,348,523.36		768,296.48			(482,782,490.61)	(3,397,619.33)	(466,063,290.10)
I.Total comprehensive income					762,402.64			(482,782,490.61)	(3,092,492.17)	(485,112,580.14)
II. Shareholders' contributions and reduction			19,348,523.36						200,000.00	19,548,523.36
i. Shareholders 'contributions in ordinary share									200,000.00	200,000.00
ii.Other equity instruments contributions										
iii.Amount of share-based payments recognized in equity										
iv. Others			19,348,523.36							19,348,523.36
III.Profit distribution										
i.Transfer to surplus reserve										
ii.Distribution to shareholders										
iii.Others										
IV.Transfer within equity					5,893.84					5,893.84
i.Capital reserves converted to share capital										
ii. Surplus reserves converted to share capital										
iii.Loss made up by surplus reserves										
iv.Changes in the defined benefit plan transferred to retained earnings										
v.Other comprehensive income transferred to retained earnings					5,893.84					5,893.84
vi.Others										
V.Special reserve										
i.Additions										
ii. Utilisation										
iii.Others									(505,127.16)	(505,127.16)
4. Balance at the end of the period	544,846,718.00		1,711,366,064.60		(1,013,148.42)		61,461,678.97	72,789,800.49	(927,906.39)	2,388,523,207.25

(The accompanying notes are an integral part of these financ

Legal Representative: Chief Accountant: Head of Accounting Department:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd.

(The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2018									
	Equity attributable to owners of the parent									
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
1. Balance at the end of previous year	560,861,718.00		1,741,400,711.98	80,555,450.00	(2,444,173.25)		60,784,754.85	512,197,327.49	7,583,202.60	2,799,828,091.67
Changes in accounting policies										
Corrections of prior period errors										
Business combination under common control										
Others										
2. Balance at the beginning of the year	560,861,718.00		1,741,400,711.98	80,555,450.00	(2,444,173.25)		60,784,754.85	512,197,327.49	7,583,202.60	2,799,828,091.67
3. Increase/(decrease) during the period	(16,015,000.00)		(49,383,170.74)	(80,555,450.00)	662,728.35		676,924.12	45,119,725.60	(5,113,489.66)	56,503,167.67
I.Total comprehensive income					662,728.35			56,693,357.26	(4,877,537.84)	52,478,547.77
II. Shareholders' contributions and reduction	(16,015,000.00)		(49,383,170.74)	(80,555,450.00)					(235,951.82)	14,921,327.44
i. Shareholders 'contributions in ordinary share									350,000.00	350,000.00
ii.Other equity instruments contributions										
iii.Amount of share-based payments recognized in equity	(16,015,000.00)		(49,383,170.74)	(80,555,450.00)						15,157,279.26
iv. Others									(585,951.82)	(585,951.82)
III.Profit distribution							676,924.12	(11,893,931.66)		(11,217,007.54)
i.Transfer to surplus reserve							676,924.12	(676,924.12)		
ii.Distribution to shareholders								(11,217,007.54)		(11,217,007.54)
iii.Others										
IV.Transfer within equity								320,300.00		320,300.00
i.Capital reserves converted to share capital										
ii. Surplus reserves converted to share capital										
iii.Loss made up by surplus reserves										
iv.Changes in the defined benefit plan transferred to retained earnings										
v.Other comprehensive income transferred to retained earnings										
vi.Others								320,300.00		320,300.00
V.Special reserve										
i.Additions										
ii. Utilisation										
iii.Others										
4. Balance at the end of the period	544,846,718.00		1,692,017,541.24		(1,781,444.90)		61,461,678.97	557,317,053.09	2,469,712.94	2,856,331,259.34

(The accompanying notes are an integral part of these financ

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF BALANCE SHEET

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

ASSETS	Note 16	31 December 2020	31 December 2019	31 December 2018
CURRENT ASSETS				
Bank balance and cash		73,283,591.46	87,734,937.51	114,936,633.74
Financial assets at fair value through profit or loss				
Financial assets held for trading		44,995,277.89		
Derivative financial assets				
Notes receivables		1,312,799.30		
Accounts receivables	16.1	310,256,006.30	245,438,570.28	252,718,297.80
Accounts receivable financings				
Prepayments		34,273,433.93	48,529,077.96	8,983,906.86
Other receivables	16.2	427,045,639.63	468,512,749.12	7,149,483.80
Inventories		26,206,617.66	19,269,435.90	24,878,093.73
Contract assets				
Assets classified as held for sale				
Current portion of non-current assets				
Other current assets				71,333.94
Total current assets		917,373,366.17	869,484,770.77	408,737,749.87
NON-CURRENT ASSETS				
Available-for-sale financial assets				12,000,000.00
Held-to-maturity investments				
Debt investment				
Other debt investments				
Long-term receivables		42,460,000.00	39,300,000.00	288,866,144.57
Long-term equity investments	16.3	1,586,231,302.18	1,586,679,893.88	2,300,160,182.15
Other equity instruments investments		6,000,000.00	11,000,000.00	
Other non-current financial assets			1,000,000.00	
Investment properties		5,384,566.08		471,369.62
Fixed assets		42,312,520.36	62,829,048.81	67,442,245.41
Construction in progress				
Productive biological assets				
Oil and gas assets				
Right-of-use asset				
Intangible assets		10,243,454.74	15,789,253.14	39,991,254.23
Development expenditures		13,141,332.46	2,579,433.25	3,750,572.88
Goodwill				
Long-term deferred expenses		179,276,509.79	194,522,305.75	231,627,135.41
Deferred tax assets		46,568,172.76	51,154,907.11	23,444,822.67
Other non-current assets				
Total non-current assets		1,931,617,858.37	1,964,854,841.94	2,967,753,726.94
Total assets		2,848,991,224.54	2,834,339,612.71	3,376,491,476.81

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF BALANCE SHEET（CONTINUED)

Prepared by:Dingli Corp., Ltd.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note 16	31 December 2020	31 December 2019	31 December 2018
Current liabilities				
Short-term borrowings		135,000,000.00	300,900,000.00	149,500,000.00
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payables			20,000,000.00	30,000,000.00
Accounts payables		89,444,039.89	109,043,658.07	123,496,997.71
Receipts in advance			79,671,549.11	115,709,405.17
Contract Liabilities		140,213,014.16		
Salary payables		19,383,854.57	21,639,712.98	24,828,835.47
Taxes payable		17,096,718.09	13,687,703.29	9,744,641.43
Other payables		114,817,730.45	9,121,586.12	222,425,138.89
Liabilities classified as held for sale				
Current portion of non-current liabilities				
Other current liabilities		8,465,142.53		
Total current liabilities		524,420,499.69	554,064,209.57	675,705,018.67
Non-current liabilities				
Long-term borrowings				
Bonds payable				
Including: Preference share				
Perpetual debt				
Lease liabilities				
Long-term Payable			51,220,000.00	
Long-term salary payables				
Provisions				
Deferred income		3,170,260.00	3,170,260.00	8,952,260.00
Deferred tax liabilities		6,749,291.68		
Other non-current liabilities				
Total non-current liabilities		9,919,551.68	54,390,260.00	8,952,260.00
Total liabilities		534,340,051.37	608,454,469.57	684,657,278.67
SHAREHOLDERS' EQUITY：				
Share capital		571,596,718.00	544,846,718.00	544,846,718.00
Other equity instruments				
Including: Preference share				
Perpetual debt				
Capital reserve		1,837,256,395.46	1,770,747,662.06	1,770,747,662.06
Less: treasury shares		73,830,000.00		
Other comprehensive income		(4,250,000.00)		
Special reserve				
Surplus reserve		61,461,678.97	61,461,678.97	61,461,678.97
Retained earnings		(77,583,619.26)	(151,170,915.89)	314,778,139.11
Total shareholders' equity		2,314,651,173.17	2,225,885,143.14	2,691,834,198.14
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,848,991,224.54	2,834,339,612.71	3,376,491,476.81

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

INCOME STATEMENT OF COMPANY

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	Note16	2020	2019	2018
1.Total revenue	16.4	362,572,873.19	352,843,529.37	388,422,207.05
Less: Total cost of sales	16.4	234,322,332.16	260,889,586.40	285,279,912.66
Taxes and surcharges		2,354,877.87	2,972,454.97	2,491,422.21
Selling expenses		19,977,558.62	22,365,459.72	23,576,718.92
Administrative expenses		45,960,010.12	58,199,033.93	90,200,591.11
Research and development expenses		36,487,942.31	100,304,994.39	75,037,644.84
Finance costs		2,754,217.09	10,154,999.95	(1,601,857.12)
Including: Interest expenses (expressed with positive value)		7,182,276.56	7,334,039.68	880,277.91
Interest income (expressed with positive value)		4,611,663.94	936,678.09	2,533,430.93
Add: Other income		10,299,846.88	9,371,533.19	16,540,675.24
Investment income/(loss)	16.5	(12,295,349.89)	(10,211,056.02)	73,994,910.97
Including: Share of profits or loss of associates and joint ventures				28,445.78
Gain from derecognition of financial assets measured at amortized cost				
Net exposure hedging gains/ (losses)				
Gain/ (loss) on the changes in fair value		44,995,277.89		
Credit impairment losses		1,821,024.20	(31,249,431.38)	
Assets impairment losses		1,196,127.90	(346,585,172.16)	(16,691,474.15)
Gain from disposal of assets		6,631,199.94		30.59
2.Operating profit/Loss		73,364,061.94	(480,717,126.36)	(12,718,082.92)
Add: Non-operating income		12,836,512.21	124,759.88	501,741.47
Less: Non-operating expenses		527,251.49	13,066,772.96	1,155,624.41
3I.Profit/(loss) before tax		85,673,322.66	(493,659,139.44)	(13,371,965.86)
Less: Income tax expense		12,086,026.03	(27,710,084.44)	(20,141,207.05)
4.Net profit /(loss)		73,587,296.63	(465,949,055.00)	6,769,241.19
i.Net profit from continuing operations		73,587,296.63	(465,949,055.00)	6,769,241.19
ii.Net profit from discontinuing operations				
5.Other comprehensive income, net of tax		(4,250,000.00)		
I.Other comprehensive income, net of tax		(4,250,000.00)		
i. Other comprehensive income that will not be reclassified to profit or loss				
ii. Other comprehensive income using the equity method that will not be reclassified to profit or loss				
iii. Changes in fair value of other equity instrument investments		(4,250,000.00)		
iv. Changes in fair value of enterprise's own credit risk				
II. Other comprehensive income to be reclassified to profit or loss				
i. Other comprehensive income that can be reclassified to profit or loss in equity method				
ii. Change in the fair value of available-for-sale financial assets				
iii. Reclassification of held-to-maturity investments as available-for-sale financial assets				
iv. Changes in fair value of other debt investments				
v. Amount of financial assets reclassified into other comprehensive income				
vi. Provision for credit impairment of other debt investments				
vii. Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)				
viii. Exchange differences on translation of foreign currency financial statements				
6.Total comprehensive income		69,337,296.63	(465,949,055.00)	6,769,241.19
7.Total comprehensive income:				
I.Basic earnings per share (yuan / share)				
II.Diluted earnings per share (yuan / share)				

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF CASH FLOWS

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	Note16	2020	2019	2018
1.CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from the sale of goods and the rendering of services		409,622,801.78	556,532,026.06	518,517,397.99
Tax refunds received		7,654,227.69	3,141,609.13	7,274,214.76
Cash received relating to other operating activities		22,328,216.60	272,734,857.90	25,071,567.40
Sub-total of cash inflows		439,605,246.07	832,408,493.09	550,863,180.15
Cash paid for purchase of goods and services		205,862,031.58	527,894,025.95	293,482,260.79
Cash paid to and on behalf of employee		78,623,273.28	94,059,894.39	129,929,215.48
Cash paid for taxes		15,307,326.55	13,099,918.21	24,868,164.28
Cash paid relating to other operating activities		156,402,052.98	179,516,688.70	90,164,161.81
Sub-total of cash outflows		456,194,684.39	814,570,527.25	538,443,802.36
Net cash flows from operating activities		(16,589,438.32)	17,837,965.84	12,419,377.79
2.CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from disposal of investments		127,000,000.00	1,551,678.14	1,093,712.61
Cash received from investment income		4,703.68		75,000,000.00
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		15,320,184.01	133,908.42	39,693.80
Cash received from disposal of subsidiaries and other business units		23,095.42	1,800,000.00	
Cash received relating to other investing activities		13,669,795.09		80,000,000.00
Sub-total of cash inflows		156,017,778.20	3,485,586.56	156,133,406.41
Purchase of property, plant and equipment, intangible assets and other non-current assets		12,692,179.03	979,359.82	73,489,881.74
Cash paid for investments				177,800,000.00
Net cash paid for acquisition of a subsidiary and other operating units			216,000,000.00	
Cash paid relating to other investing activities		893,712.61		70,600,000.00
Sub-total of cash outflows		13,585,891.64	216,979,359.82	321,889,881.74
Net cash flows from investing activities		142,431,886.56	(213,493,773.26)	(165,756,475.33)
3.Cash flows from financing activities				
Cash received from investment		73,830,000.00		
Proceeds from borrowings		171,786,777.78	160,000,000.00	149,500,000.00
Cash receipts relating to other financing activities			221,700,000.00	
Subtotal of cash inflows		245,616,777.78	381,700,000.00	149,500,000.00
Repayments for debts		370,897,100.00	159,500,000.00	100,000,000.00
Cash payments for distribution of dividends or profit and interest expenses		6,882,742.66	7,334,039.68	16,256,259.22
Cash payments relating to other financing activities			56,338,409.70	80,233,035.47
Subtotal of cash outflows		377,779,842.66	223,172,449.38	196,489,294.69
Net cash flows from financing activities		(132,163,064.88)	158,527,550.62	(46,989,294.69)
4.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
5.NET INCREASE IN CASH AND CASH EQUIVALENTS		(6,320,616.64)	(37,128,256.80)	(200,326,392.23)
Add: Cash and cash equivalents at beginning of year		75,072,494.55	112,200,751.35	312,527,143.58
6.CASH AND CASH EQUIVALENTS AT END OF YEAR		68,751,877.91	75,072,494.55	112,200,751.35

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd.

(The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2020								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of previous year	544,846,718.00		1,770,747,662.06				61,461,678.97	(151,170,915.89)	2,225,885,143.14
Changes in accounting policies									
Corrections of prior period errors									
Business combination under common control									
Others	544,846,718.00		1,770,747,662.06				61,461,678.97	(151,170,915.89)	2,225,885,143.14
2. Balance at the beginning of the year	26,750,000.00		66,508,733.40	73,830,000.00	(4,250,000.00)			73,587,296.63	88,766,030.03
3. Increase/(decrease) during the period					(4,250,000.00)			73,587,296.63	69,337,296.63
I.Total comprehensive income	26,750,000.00		66,508,733.40	73,830,000.00					19,428,733.40
II. Shareholders' contributions and reduction	26,750,000.00		47,080,000.00						73,830,000.00
i.Shareholders 'contributions in ordinary share									
ii.Other equity instruments contributions			19,428,733.40	73,830,000.00					(54,401,266.60)
iii.Amount of share-based payments recognized in equity									
iv.Others									
III. Profit distribution									
i.Transfer to surplus reserve									
ii.Distribution to shareholders									
iii.Others									
IV.Transfer within equity									
i.Capital reserves converted to share capital									
ii.Surplus reserves converted to share capital									
iii.Loss made up by surplus reserves									
iv.Changes in the defined benefit plan transferred to retained earnings									
v.Other comprehensive income transferred to retained earnings									
vi.Others									
V.Special reserve									
i.Additions									
ii. Utilisation									
iii.Others	571,596,718.00		1,837,256,395.46	73,830,000.00	(4,250,000.00)		61,461,678.97	(77,583,619.26)	2,314,651,173.17
4. Balance at the end of the period									

(The accompanying notes are an integral part of these financial statements.)

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd. (The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2019								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of previous year	544,846,718.00		1,770,747,662.06				61,461,678.97	314,778,139.11	2,691,834,198.14
Changes in accounting policies									
Corrections of prior period errors									
Business combination under common control									
Others	544,846,718.00		1,770,747,662.06				61,461,678.97	314,778,139.11	2,691,834,198.14
2. Balance at the beginning of the year								(465,949,055.00)	(465,949,055.00)
3. Increase/(decrease) during the period								(465,949,055.00)	(465,949,055.00)
I.Total comprehensive income									
II. Shareholders' contributions and reduction									
i.Shareholders 'contributions in ordinary share									
ii.Other equity instruments contributions									
iii.Amount of share-based payments recognized in equity									
iv.Others									
III. Profit distribution									
i.Transfer to surplus reserve									
ii.Distribution to shareholders									
iii.Others									
IV.Transfer within equity									
i.Capital reserves converted to share capital									
ii.Surplus reserves converted to share capital									
iii.Loss made up by surplus reserves									
iv.Changes in the defined benefit plan transferred to retained earnings									
v.Other comprehensive income transferred to retained earnings									
vi.Others									
V.Special reserve									
i.Additions									
ii. Utilisation									
iii.Others	544,846,718.00		1,770,747,662.06				61,461,678.97	(151,170,915.89)	2,225,885,143.14
4. Balance at the end of the period									

(The accompanying notes are an integral part of thes

Legal Representative: Chief Accountant: Head of Accounting Department:

COMPANY STATEMENT OF CHANGES IN EQUITY

Prepared by:Dingli Corp., Ltd.

(The currency of the statements are Chinese Yuan or 'CNY', unless otherwise indicated)

Item	2018								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of previous year	560,861,718.00		1,816,416,784.62	80,555,450.00			60,784,754.85	319,582,529.58	2,677,090,337.05
Changes in accounting policies									
Corrections of prior period errors									
Business combination under common control									
Others	560,861,718.00		1,816,416,784.62	80,555,450.00			60,784,754.85	319,582,529.58	2,677,090,337.05
2. Balance at the beginning of the year	(16,015,000.00)		(45,669,122.56)	(80,555,450.00)			676,924.12	(4,804,390.47)	14,743,861.09
3. Increase/(decrease) during the period								6,769,241.19	6,769,241.19
I.Total comprehensive income	(16,015,000.00)		(45,669,122.56)	(80,555,450.00)					18,871,327.44
II. Shareholders' contributions and reduction									
i.Shareholders 'contributions in ordinary share									
ii.Other equity instruments contributions	(16,015,000.00)		(45,669,122.56)	(80,555,450.00)					18,871,327.44
iii.Amount of share-based payments recognized in equity									
iv.Others							676,924.12	(11,893,931.66)	(11,217,007.54)
III. Profit distribution							676,924.12	(676,924.12)	
i.Transfer to surplus reserve								(11,217,007.54)	(11,217,007.54)
ii.Distribution to shareholders									
iii.Others								320,300.00	320,300.00
IV.Transfer within equity									
i.Capital reserves converted to share capital									
ii.Surplus reserves converted to share capital									
iii.Loss made up by surplus reserves									
iv.Changes in the defined benefit plan transferred to retained earnings									
v.Other comprehensive income transferred to retained earnings								320,300.00	320,300.00
vi.Others									
V.Special reserve									
i.Additions									
ii. Utilisation									
iii.Others	544,846,718.00		1,770,747,662.06				61,461,678.97	314,778,139.11	2,691,834,198.14
4. Balance at the end of the period									

(The accompanying notes are an integral part of thes

Legal Representative: Chief Accountant: Head of Accounting Department:

Dingli Corp., Ltd.

As of 31 December 2020 and the first two years

1.THE GENERAL INFORMATION OF THE COMPANY

1.1Company registration place, organizational form and headquarters address

Dingli Corp., Ltd.(referred to the "Company"), which registered with the Zhuhai Administration for Industry and Commerce in December 2007. It was established by 19 natural personal shareholders,, such as Ye Bin, Wang Yun,Chen Yong,Cao Jidong, Li Yanping, The company was listed on the Shenzhen Stock Exchange on 20 January 2010 and now has a business license with a unified social credit code, 91440400733108473F.

After the distributing of bonus shares, allotting of new shares, capitalizing and issuing of new shares, the company has issued a total of 571,596,718.00 shares with a registered capital of CNY571,596,718.00 as of 31 December 2020. Registered address: Zhuhai City, Guangdong Province. Headquarters address: 1st Floor, No. 8, Keji 5th Road, Gangwan Avenue, Zhuhai City, Guangdong Province. The actual controller is Mr.Ye Bin, and the ultimate actual controller of the Group is also Mr.Ye Bin.

1.2The nature of the company's business and main business activities

The company belongs software and information technology service industry, whose main business activities include software development, system integration, power technology promotion, and technical services; wholesale and retail of communication equipment, instrumentation, electronic components, and electronic products; wireless communication terminal equipment (including mobile phones) production, research and development and services; education investment, education consulting services, technical training, teaching equipment sales agency; Internet information service business; health care consulting services; labor dispatch services, human resources services; communication system engineering services; communication lines and equipment Installation; communication facilities installation engineering services; data processing and storage services, information technology consulting services; self-owned real estate leasing, property management, enterprise management services; labor subcontracting, overseas labor dispatch; computer and communication equipment leasing. Products or services provided mainly include: In the communications and Internet of Things business sector, the company not only provides high-tech mobile communication network optimization testing and analysis systems and services for communication operators and system equipment vendors, but also provides industrial robot equipment for customers in related industries , RFID products and IoT industry solutions. In the vocational education business segment, the group integrates its own industrial advantages with vocational education, transforms industrial experience into educational capabilities, and builds an application-oriented talent training system based on the unique "UBL talent training model".

1.3This financial statement was approved by all directors of the company on 26 February 2021.

2 .THE SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

A total 37 subsidiaries were included in the scope of the consolidated financial statements during the reporting period, including:

Subsidiaries name	Subsidiaries type	Level	The proportion of shareholders	The proportion of voting rights
Dingli Communications Inc.	Wholly-owned	1	100%	100%
Guangzhou Beixun Communication Technology Co., Ltd.	Wholly-owned	1	100%	100%
GuangZhou BeiRuan electronic technology Co.,Ltd.	Wholly-owned	1	100%	100%
BeiJing ShiYuan Xintong technology Co.,Ltd.	Wholly-owned	1	100%	100%
Dingli Communications (H.K.) Company Limited.	Wholly-owned	1	100%	100%
ZhuHai DingLian information technology Co.,Ltd.	Wholly-owned	1	100%	100%
BeiJing Zhixinshu Technology Co.,Ltd.	Wholly-owned	1	100%	100%
BeiJing DongXi health technology Co.,Ltd.	Holding	1	30%	30%
Shanghai Zhixiang Information Technology Development Co., Ltd.	Wholly-owned	1	100%	100%
ShangHai DongHui information technology Co.,Ltd.	Wholly-owned	2	100%	100%
Shenzhen Meilehua Information Technology Co., Ltd..,	Wholly-owned	2	100%	100%
Chengdu ZhiHui Factory Information Technology Co.,Ltd.	Holding	2	51%	51%
Jilin Jizhi Factory Information Technology Co., Ltd.	Holding	2	51%	51%

Dingli Corp., Ltd.
As of December 31, 2020 and the first two years
Notes of financial statements

Subsidiaries name	Subsidiaries type	Level	The proportion of shareholders	The proportion of voting rights
Shanghai ShiJiDingLi education Technology Co.,Ltd.	Wholly-owned	2	100%	100%
Soarsky Telecommunication Co., Ltd..,	Wholly-owned	3	100%	100%
JiLin City BoYu Professional Skills Training School	Holding	3	51%	51%
Chengdu ZhiChang information technical development Co.,Ltd.	Wholly-owned	3	100%	100%
SiChuan ShiJiDingLi education technology Co.,Ltd.	Wholly-owned	3	100%	100%
Tibet YunZaiXian Information Technology Co.,Ltd.	Wholly-owned	4	100%	100%
Shanghai MeiDu management consulting Co.,Ltd.	Wholly-owned	3	100%	100%
Esim Technology Ltd.	Wholly-owned	1	100%	100%
ESIMTECHNOLOGYLTD	Wholly-owned	2	100%	100%
ChongQing XinKun intelligent technology Co.,Ltd.	Wholly-owned	2	100%	100%
ShangHai WuJiMao intelligent technology Co.,Ltd.	Wholly-owned	2	100%	100%
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	Holding	1	55.74%	55.74%
Beijing, JiaNuoMingDe technology Co.,,Ltd.	Holding	2	55.74%	55.74%
Beijing Jia NuoMingDe human resource Co, ,Ltd.	Holding	2	55.74%	55.74%
Zhengzhou JiaNuoMingDe technology Co.,Ltd.	Holding	3	55.74%	55.74%
ShenZhen City JiaNuoMingDe technology Co.,,Ltd.	Holding	3	55.74%	55.74%
JiaNuoMingDe(TianJin City) human source service Co.,,Ltd.	Holding	3	55.74%	55.74%
MeiDu educational technology (ShangHai) Co.,,Ltd.	Wholly-owned	4	100%	100%
BeiJing XiBiDi ZhiXiang educational technology Co.,,Ltd.	Wholly-owned	2	100%	100%
Beijing YuanDa Zhixiang educational technology development Co.,,Ltd.	Wholly-owned	2	100%	100%
Tibet HuiDing information technology development Co.,,Ltd.	Wholly-owned	2	100%	100%
NanTong ZhiXiang information technology Co.,,Ltd.	Wholly-owned	2	100%	100%
Shanghai Xin Cong technology Co.,,Ltd.	Wholly-owned	2	100%	100%
HuBei DingLi educational technology Co.,,Ltd.	Wholly-owned	3	100%	100%

The reason why the proportion of Subsidiaries' shareholders is different from the the proportion of voting right and the explanation for someone who are holding half of less of the voting rights bust still controlling the invested companies are disclosed in "Note 8.1Rights and interests in subsidiaries". Entities added into the consolidated financial statements during the reporting period increased by 7 and decreased by 1.

2.1Subsidiaries included in the consolidation scope during the reporting period recently

Name	The reason for change
ChongQing, XinKun intelligent technology Co,.LTD	Set Up
Shanghai Xin Cong technology Co,.LTD	Business Combination under Nor same control
ShangHai WuJiMao intelligent technology Co,.LTD	Set Up
SiChuan ShiJiDingLi education technology Co,.LTD	Set Up
Shanghai, ShiJiDingLi education Technology Co,.LTD	Set Up
MeiDu educational technology (ShangHai) Co,. LTd	Business Combination under Nor same control
HuBei DingLi educational technology Co,.LTD	Set Up

2.2Subsidiaries no longer included in the consolidation scope during the reporting period

Name	The reason for change
ZhiXiang(HongKong) information technology Co.,Ltd.	Cancellation in 2017

The detail for the change of consolidation scope entities is disclosed in “Note 7. Changes in the scope of consolidation ”.

3. BASIS FOR THE PREPARATION

3.1 The basis for the preparation of financial statements

Depending on actual transactions and events, the company follows the "Accounting Standards for Business Enterprises-Basic Standards" published by the Ministry of Finance. Also, it confirms and measures specific business accounting standards, the application guide for business accounting standards, the interpretation of business accounting standards， and other relevant regulations (hereinafter collectively referred to as "Enterprises Accounting Standards”). On this basis, through combining with the provisions of the China Securities Regulatory Commission’s "Regulations for the Preparation of Information Disclosure by Companies Offering Securities No. 15-General Provisions on Financial Reporting" (revised in 2014), the company prepare to make financial statements.

3.2 Going concern

The company has evaluated the ability to continue operations for 12 months from the end of the reporting period and does not identify any issues or circumstances that have material doubts about its ability to continue as a going concern. Therefore, the financial statements are prepared based on of the assumption of going concerned.

4. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

4.1 Detailed accounting policies and accounting estimates reminder

The company determines specific accounting policies and accounting estimates according to the characteristics of production and operation, which are mainly reflected in the method of accruing expected credit losses on accounts receivables (Note 4 (13)/(14)/(15)/(17))), the timing of revenue recognition (Note 4 (33)/(34)), etc.

4.2 **Statement of compliance with accounting standards for business enterprises**

The financial statements have been prepared by the Accounting Standards for Business Enterprises and reflect the company's financial position as of 31 December 2020, 31 December 2019, and 31 December 2018. Besides, they also reflect truly, reliably and utterly financial performance and cash flow in the year ended in 2018, 2019,2020.

4.3 Accounting Period

From calendar year January 1st to December 31st, is one accounting period. This report is from January 1st ,2018 to December 31st, 2020.

4.4 Operating cycle

The Operating cycle of the company's business is relatively short and it uses 12 months as the standard for dividing the liquidity of assets and liabilities.

4.5 Reporting Currency

The bookkeeping currency is CNY.

4.6 Accounting treatment methods for business combinations under the same control and the nor same control

4.6.1 When they meet the following one or more conditions in the process of deal terms, conditions, and economic effects; the multiple accounting transactions will be recorded as package deals.

(1) These transactions are signed based on considering the influence of each other.

(2) These transactions are regarded as a whole to achieve complete business results.

(3) The occurrence of one transaction depends on at least one other transaction.

(4) One transaction is not regarded solely as the economy. However, this transaction is economical when it is considered with other transactions together.

4.6.2 Business combination under the same control

The assets and liabilities the company acquired in a business combination shall be measured according to the book value of assets, liabilities (including goodwill arising from the acquisition) stated in the consolidated financial statements of the ultimate controlling party on the consolidation date. The difference between the book value of net assets acquired and the consolidated consideration of book value (or nominal value of shares issued) shall be adjusted in the share premium of reserve capital. If the share premium is not sufficient to absorb the difference, it shall be adjusted against retained earnings.

If there is an existence of contingent consideration which needs to confirm estimated liabilities or assets, the difference between the estimated liabilities or assets and the settlement amount of consequent contingent consideration is utilized to adjust capital reserve (capital premium or equity premium). If there was insufficient capital reserve, it would adjust retained earnings.

As for business combination realized through multiple transactions, if these transactions belong to a package, each of them shall be accounted for as a transaction needed to acquire the control. However, if it does not belong to a package, the difference between the initial investment cost of the long-term equity investment as of the date on which the company obtains the control and the carrying value of the long-term equity investment before combination plus the carrying value of the new consideration paid for further acquisition of shares as of the combination date shall be used to adjust capital reserve; except insufficient capital reserve, it would turn to adjust retained earnings. For equity investment held before the combination date, the other comprehensive income recognized based on equity method or recognition and measurement method for financial instruments would not be accounted for temporarily until the company disposes of the investment on the same basis as the investee when it directly disposes of relevant assets or liabilities; other net assets of investee recognized under equity method shall not be accounted for until the investment is disposed and turn to current profit or loss, except for net profit or loss, other comprehensive income, and profit distribution,

4.6.3 Business combination under nor same control

The purchase date refers to the when the company acquires control over the purchased party, the same as the date when the purchased party's net assets or control over production and operation decisions are transferred to the company. At the same time, when the following conditions are met, the company considers generally that the transfer of control rights has been realized:

(1)The consolidation contract or agreement has been approved by the internal authority of the company.

(2)The consolidation of enterprises needs to be examined and approved by the State’s relevant competent authorities .

(3)Necessary procedures for the transfer of property rights have been completed.

(4)The company has paid most of the combined price and has the ability and plan to pay the remaining amount.

(5)The company has actually controlled the purchased party’s financial and business policies and undertook corresponding benefits and risks.

On the date of purchase, the company shall measure the assets, liabilities incurred or assumed as consolidation consideration of the enterprise according to the fair value. The difference between the fair value and its book value shall be included in the profits and losses of the current period.

The company recognizes the difference that the consolidation cost greater than the fair value share of the acquiree’s identifiable net assets obtained in the consolidation as goodwill; the consolidation cost is less than the difference between the purchaser’s identifiable net assets fair value share acquired in the coalition. After review, it is included in the current profit and loss.

A business combination under the nor same control is realized step by step through multiple exchange transactions. If it is a package transaction, each transaction shall be accounted for as a transaction to obtain control. However, if it is not a package transaction, the equity which held the investment is accounted for by the equity method before the consolidation date used the sum of the book value of the acquiree's equity investment held before the purchase date, and the new investment cost on the purchase date is used as the initial investment cost of the investment; the equity investment held before the purchase date belonging to the other comprehensive income recognized under the equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when disposing of the investment. Suppose the equity investment held before the merger date is accounted for using financial instrument recognition and measurement standards. In that case, the fair value of the equity investment on the merger date plus the new investment cost shall be the initial investment cost on the consolidation date. The difference between the fair value of the original equity held and the book value and the accumulated fair value changes included initially in other comprehensive income shall all be transferred to the investment income of the current period on the consolidation date.

4.6.4 Related expenses for the business combination

The legal audit services, consulting, and other intermediary fees and related administrative expenses for business combination will be included into current profit or loss upon occurrence. On the contrary, the transaction costs of the issuance of equity securities for business combination shall be deducted from equity.

4.7 Preparation methods for consolidated financial statements

4.7.1 Scope of consolidation

The scope of consolidated financial statements shall be confirmed based on the control. All subsidiaries of the company （including separate entities controlled by parent company) shall be included into the consolidated financial statement.

4.7.2 Consolidation process

According to other relevant materials, the consolidated financial statements shall be prepared by the company based on the company's financial statements and its subsidiaries. The company prepares the consolidated financial statements to regard the entire enterprise group as an accounting entity. According to the relevant enterprise accounting standards for confirmation, measurement and presentation, the overall financial situation of the enterprise group, operating results and cash flow according to a unified accounting policy.

The accounting policies and accounting period adopted by the subsidiaries included in the scope of the consolidated financial statement are consistent with those the company adopts. Suppose the accounting policies and accounting period adopted by a subsidiary are different from those adopted by the company. In that case, necessary adjustments shall be made to the financial statements under the accounting policies and accounting period adopted by the company.

The consolidated financial statement shall be prepared by the parent company after the effects of the internal transactions are offset between the company and its subsidiaries and between its subsidiaries themselves on the consolidated balance sheets, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in owners' equity. When standing in consolidated financial statements of the corporate group and the company or subsidiary as an accounting entity to identify a same transaction is different, the company shall adjust the transaction from the corporate groups' perspective.

The equity, profit and loss, and comprehensive income accounted for the minority shareholders of subsidiaries shall be separately disclosed in the owner's equity item of the consolidated balance sheet and net profit item, and comprehensive income item of the consolidated profit statement. For the deficit of the current period exceeding the share at the beginning of owner's equity, the balance shall still offset against the minority shareholder's equity.

For a subsidiary due to a corporation merger under the same control, it shall adjust its financial report based on its assets (including goodwill owing to the acquisition of the subsidiary by the ultimate control party) and liabilities' book value presented in the ultimate control party's financial report.

For a subsidiary due to a corporation merger not under the same control, it shall adjust its financial report based on its net identifiable fair value on the deal day.

（1）Added subsidiaries or businesses

During the reporting period, for the added subsidiary companies and businesses for a business combination under the same control, shall adjust the beginning balance of the consolidated balance sheet and shall involve the incomes, expenses, and profits of the subsidiary companies and businesses incurred from the beginning of the current period to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies and businesses from the beginning of the current period to the reporting period into the consolidated cash flow. Simultaneously, adjust the relevant items of comparative statements and shall be regarded as the consolidated report entity that has been in existence since the final controlling party began to control.

Because of additional investment and other reasons, if the investor can control its target corporation under the same control, all parties that participated in the merger have existed in the present status and make the adjustment immediately since the ultimate control party started to control. Between the latter-day among acquisition of original stock rights and the acquiring firm and the acquired firm under the same control and the deal day, the stock investments held by the acquiring firm before obtaining possession of the acquired firm have been verified some profit and loss, other comprehensive income and other change of net assets, then retained earnings at the beginning of accounting period of comparative statements or profit and loss in current period shall be written down.

During the reporting period, for the added subsidiary companies and businesses for a business combination not under the same control, shall not adjust the beginning balance of the consolidated balance sheet; and shall involve the incomes, expenses, and profits of the subsidiary companies and businesses incurred from the acquisition date to the end of reporting year into the consolidated income statement; and shall include the cash flow from the acquisition date to the end of reporting period into the consolidated cash flow.

If the investee under different control can be controlled for additional investment and other reasons, the company shall re-measure the equity held by the purchase before the purchase date according to the fair value of the equity on the purchase date. The difference between the fair value and its book value shall be included in the current investment income. Where the equity of the purchased party before the purchase date involves other comprehensive gains under the equity method and the changes of the owner's rights and interests other than net profit and loss, other comprehensive gains and profit distribution, the related comprehensive gains and other changes of owner's rights and interests are converted to the current investment gains on the purchase date, because the investee re-measures and sets the net liabilities of the benefit plan, except for other comprehensive gains arising from changes in net assets.

（2）Disposal of subsidiaries or businesses

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1) General Processing Method

During the reporting period, when the company disposes of a subsidiary or business, the income, expenses, and profits of the subsidiary or business from the beginning of the business period to the date of disposal shall be included in the consolidated profit statement. The cash flow of the subsidiary or business period from the beginning to the date of disposal shall be included in the consolidated cash flow statement.

When the controlling right of the investee is lost due to the disposal of part of the equity investment or other reasons, the company shall re-measure the remaining equity investment after removal according to its fair value on the day of losing the controlling right. The sum of the consideration and the fair value of the residual equity obtained by disposing of the equity is subtracted from the difference between the share of net assets and the sum of goodwill that should be continuously calculated by the original subsidiary company from the date of purchase or merger. It is included in the investment income in the period of loss of control. Other comprehensive gains related to an equity investment of existing subsidiaries or changes in owners' rights and interests other than net gains and losses, further comprehensive gains and profit distribution are converted to current investment gains when the loss of control, except for further comprehensive gains arising from the re-measurement of net liabilities or changes in net assets of the Beneficiary Plan by the investee.

2)Step-by-step disposal of subsidiaries

If the subsidiary's equity investment is disposed of step by step through multiple transactions until it loses control, the terms, conditions, and economic impact of the various transactions dealing with the subsidiary's equity investment conform to one or more of the following circumstances, which usually indicates that the multiple transactions should be treated as a package transaction.

A. These transactions are concluded at the same time or in consideration of each other's influence;

B. These transactions as a whole can achieve a complete business result;

C. The occurrence of one transaction depends on the event of at least one other transaction;

D. A transaction is uneconomical when viewed alone, but it is economical when considered in conjunction with other trades.

Disposal of transactions involving equity investments of subsidiary companies and loss of control rights belongs to a package transaction The company will treat all transactions as a transaction dealing with subsidiary companies and losing control rights. However, before the loss of control rights, the difference between each disposal price and the disposal investment corresponding to the share of the subsidiary company’s net assets shall be recognized in the consolidated financial statements as the share of the subsidiary company's net assets. Other synthetical gains and losses will be transferred to the loss of control right in the current period when the loss of control directly occurs.

Dealing with the transactions that invest in the subsidiary company's equity until the loss of control right does not belong to a package transaction, before the loss of control request, accounting treatment shall be carried out according to the relevant policy of partial disposal of the subsidiary company's equity investment without losing control right, and accounting treatment shall be carried out according to the general disposal method of the subsidiary company when the loss of control right occurs.

（3）Purchasing Minority Equity of Subsidiary Company

The company shall adjust the capital premium in the capital reserve in the consolidated balance sheet and the retained earnings if the capital reserve’s capital premium is insufficient to be reduced.

（4）Partial disposal of equity investments in subsidiaries without loss of control

Without losing control, the difference between the disposal price obtained by partial disposal of long-term equity investments in subsidiaries and the disposal of long-term equity investments in subsidiaries shall be the net asset share continuously calculated by subsidiaries from the date of purchase or consolidation, the capital premium in capital accumulation in the consolidated balance sheet shall be adjusted. The capital premium in capital accumulation shall be insufficiently reduced. Adjust retained earnings.

4.8 Classification of joint arrangement and accounting treatment for joint operation

4.8.1 Classification of joint arrangement

According to the structure and legal form of the collaborative arrangement, the company divides collaborative arrangements into joint operations, and joint ventures in the light of the terms agreed in the joint arrangement and other situations.

Joint arrangements which are reached without the involvement of separate vehicles are regarded as joint operation. Joint arrangements involving separate vehicles are regarded as joint ventures. However, there is concrete evidence shows that joint arrangements which meet any of the following conditions and comply with laws and regulations are also regarded as joint operation:

(1) The legal form of the joint arrangement shows that parties to a joint arrangement shall enjoy the rights and assume the obligations respecting the arrangement's assets and liabilities.

(2) That parties to a joint arrangement shall enjoy the rights and assume the obligations respecting the assets and liabilities of the arrangement is agreed in the contract of joint arrangement.

(3) Other facts and situations show that parties to a joint arrangement shall enjoy the rights and assume the obligations respecting the assets and liabilities of the arrangement, such as the parties to a joint arrangement shall enjoy almost all the outputs related to the joint arrangement and the liabilities of the joint arrangement shall be paid off with the sustaining support of the parties.

4.8.2 Accounting treatment for joint operation

The company confirms the following items, which concern the interest share of joint operation and related with the company and will handle accounting treatment in accordance with the accounting standard for business enterprises:

(1) Confirming the assets owned privately and the assets shared in the joint operation according to the share;

(2) Confirming the liabilities held privately and the liabilities jointly assumed in the joint process according to the share;

(3) Confirming the income achieved by selling the shared outputs of the joint operation;

(4) According to the share, confirming the income achieved in the joint operation by selling the outputs;

(5) Confirming the costs incurred privately and the costs incurred in the joint operation according to our share.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent. It is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case those assets injected or disposed satisfy the condition for asset impairment loss under Accounting Standards for Enterprises No. 8 – Impairment of Assets, the company recognizes the loss in full.

For the acquisition of assets from joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent. It is attributable to other parties to the joint operation before the relevant assets are sold to any third party. In case that the acquired assets satisfy the condition for asset impairment loss under Accounting Standards for Enterprises No. 8 – Impairment of Assets, the company recognizes relevant loss according to the proportion it assumes.

The company exercises no common control over joint operations. If the company is entitled to relevant assets of the joint operation and assumes relevant liabilities, it shall be accounted for under the above principle. Otherwise, it would be accounted for under the relevant business accounting principles.

4.9 Cash and cash equivalents

When preparing a cash flow state, stock cash can be used to pay deposits is regarded as cash. A combination of short term (generally from the acquisition date, expired within 3 months), liquid, easily converted into a known amount of cash, value investment risk is small four conditions, identified as cash equivalents.

4.10 Foreign currency business and foreign currency report conversion

4.10.1 Foreign currency business

When foreign currency business transactions are initially confirmed, the transaction date's spot exchange rate on the shall be used as the conversion rate to convert into CNY for bookkeeping.

Foreign currency monetary items are converted at the spot exchange rate on the balance sheet date. The resulting exchange differences, except for the foreign currency special borrowings related to the acquisition and construction of assets that meet the capitalization conditions, are based on the borrowing cost capital. Except for the treatment of the transformation principle, they are all included in the current profit and loss. Non-monetary items in foreign currencies measured at historical cost are still converted at the spot exchange rate on the transaction date. The amount in the functional currency is not changed.

As for non-currency-oriented projects of foreign currency calculated by fair value, by the currency on the date of fair value confirmation, the price (local currency) difference of which after conversion between the new value and the old value shall become the changes on the fair value (include the changes on the currency), which is included in profit or loss, or other comprehensive income.

4.10.2 Translation of foreign currency financial statements

The assets and liabilities items in the balance sheet are converted at the spot exchange rate on the balance sheet date; the owner's equity items except for the "undistributed profit" items, other items are converted at the spot exchange rate at the time of occurrence. The income and expense items in the profit statement are converted at the spot exchange rate on the transaction date. The conversion difference of the foreign currency financial statements generated in accordance with the above conversion is included in other comprehensive income.

When disposing of an overseas operation, the foreign currency financial statement translation difference related to the overseas operation listed in the other comprehensive income item in the balance sheet shall be transferred from the other comprehensive income item to the current profit and loss of the disposal; in the disposal of part of the equity investment or other reasons When the proportion of foreign business equity held is reduced, but the control over the foreign business is not lost, the foreign currency statement translation difference related to the part of the foreign business disposal will be attributed to the minority shareholders' equity. It will not be transferred to the current profit and loss. When disposing of part of the equity of an overseas operation as an associate or joint venture, the conversion difference of the foreign currency statement related to the overseas operation shall be transferred to the disposal of the current profit and loss according to the proportion of the disposal of the overseas operation. Financial instruments（Applicable before 31th December, 2018)

Financial instruments include financial assets, financial liabilities and equities instruments.

4.11 Financial instruments (Applicable before 31, Dec, 2018)

Financial instruments include financial assets, financial liabilities, and equity instruments.

4.11.1 Classification of financial instruments

According to the contract terms of the financial instrument issued and the economic substance reflected by such instrument, which is not only defined in the form of law, with the purpose of acquiring and holding financial assets and assuming financial liabilities, the financial assets and liabilities are classified by the company upon initial recognition into different categories: financial assets (or financial liabilities) measured at fair value through current profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

4.11.2 Recognition basis and measurement method of financial instruments

(1) Financial assets (or financial liabilities) measured at fair value through profit or loss

Financial assets or financial liabilities measured at fair value through profit or loss include financial assets or financial liabilities classified as held for trading and financial assets or financial liabilities that are directly designated to be measured at fair value through profit or loss.

Held for trading financial assets or financial liabilities are financial assets or financial liabilities that meet at least one of the following conditions:

1) The purpose of obtaining the financial assets or financial liabilities is to sell, buy-back or redeem in the short term;

2) It belongs to part of the combination of identifiable financial instruments, and there is objective evidence that the company has recently adopted a short-term profit-making mode to manage the combination;

3) It belongs to derivative financial instruments, except the derivative instruments designated as effective hedging instruments. The derivative instruments belong to the financial guarantee contract, and the derivative instruments are linked to the equity instrument that has no quotes in the active market, whose fair value cannot be measured reliably and the settlement of which is conditional upon delivery of the equity instrument.

Subject to the satisfaction of any of the following conditions, financial assets or liabilities can be designated as financial assets or liabilities measured at fair value through profit or loss upon initial recognition:

1) The designation can eliminate or substantially eliminate the inconsistency of profit or loss arising from the financial assets or liabilities under different measurement bases;

2) The formal written document of risk management or investment strategy specifies that the portfolio of financial assets, the portfolio of financial liabilities, and the portfolio of financial assets and liabilities are measured at fair value, and it is the basis to manage, evaluate and report to the key management personnel;

3) They include hybrid instruments that contain one or more embedded derivatives unless the containing of embedded derivatives does not have a substantial effect on cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from relevant hybrid

instruments;

4) They include hybrid instruments that contain embedded derivatives that should split but cannot be measured separately when acquired or on the subsequent balance sheet date.

Financial assets and liabilities measured at fair value through profit or loss are initially recognized at their fair value (after deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) by the company and the transaction expenses shall be directly recorded into current profit or loss. Interest or cash dividend acquired during the holding period shall be recognized as investment income, and changes in fair value shall be included in current profit or loss at the end of the period. Upon disposal, the difference between the fair value and initial entry value shall be recognized as investment income, with the corresponding adjustment to profit or loss of changes in fair value.

(2) Accounts receivables

Accounts receivable refers to the non-derivative financial assets without inactive quotes market but with the recoverable amount that is fixed or determinable.

The receivable claims arising from the sale of goods or rendering of services and the claims of debt instruments that have no inactive quotes market which include accounts receivables, other receivables and etc. should be measured upon the initial recognition based on the contracts of the buyers or the price agreed; if with financing nature, they shall be measured at present value upon the initial recognition.

Upon recovery or disposal, the difference between the proceeds obtained and the book value of accounts receivables shall be accounted into the current profit or loss.

(3) Held-to-maturity investment

Held-to-maturity investment refers to the non-derivative financial assets with fixed maturity dates and recoverable amounts, which the company possesses with clear intention and ability to hold to maturity.

Held-to-maturity investments are initially recognized at the sum of the fair value (after deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and related transaction expenses upon acquisition. The interest income will be calculated and determined according to the amortized cost and effective interest rate during the holding period and included in investment income. The effective interest rate is determined upon acquisition and will remain unchanged during the expected renewal period, or a shorter period if applicable. The difference between the proceeds and book value of the investments shall be included in investment income upon disposal.

Suppose held-to-maturity investment is disposed or reclassified as other types of financial asset, and the amount accounts for a large proportion in the total amount of the held-to-maturity investment prior to the disposal or reclassification. In that case, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial assets immediately following such disposal or reclassification. On the reclassification date, the difference between the book value and fair value of the investment shall be included in other comprehensive income and transferred to current profit or loss when impairment or de-recognition of the available-for-sale financial assets occurred. However, the following circumstances can be excluded:

1) The date of disposal or reclassification is approaching the date of expiration or redemption of the investment (such as three months prior to expiration), and the change of market-rate has no material influence over the fair value of the investment.

2) Company has already recovered nearly all initial principal under the repayment means as agreed in the contract.

3) Disposal or reclassification is arising from separate matters that are out of the company's control, which are difficult to predict reasonably but not expected to occur repeatedly.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale upon initial recognition, as well as other financial assets besides other classification of financial assets.

Available-for-sale financial assets are initially recorded at the sum of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs upon acquisition. The interests or cash dividends to be obtained during the holding period are recognized as investment income. Gains or losses arising from the change in fair value is directly included in other comprehensive income except for impairment loss and exchange difference arising from monetary financial assets in foreign currency. The difference between the proceeds and the book value of the financial assets is recognized as investment profit or loss upon disposal. Meanwhile, The amount of disposal corresponding to the accumulated change in fair value, which is originally and directly included in other comprehensive income, shall be transferred out and recognized as investment income.

For the investment of equity instrument with no quotes in active market and whose fair value cannot be reliably measured, and derivative financial assets linked to such an equity instrument and whose settlement is conditional upon delivery of the equity instrument, they are measured at cost by the company.

(5) Other financial liabilities

They are initially recognized at the sum of the fair value and the associated transaction costs. The subsequent measurement is based on amortized costs.

4.11.3 Recognition basis and measurement methods for transfer of financial assets

When a financial assets' transfer occurs, the financial assets will be derecognized when substantially all the risks and rewards related to the ownership of the financial assets have been transferred to the transferee. They will not be derecognized if substantially all the risks and rewards related to the ownership of the financial assets have been retained.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for financial assets. The company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of the financial asset meets the de-recognition conditions, the difference of the following two amounts will be included in current profit or loss:

(1) book value of the transferred financial assets;

(2) the sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial assets involved in the transfer belong to available-for-sale financial assets).

Suppose partial transfer of the financial assets meets the de-recognition condition. In that case, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value. The difference between the amounts of the following two items shall be included in the current profit or loss:

(1) book value of the derecognized part;

(2) the sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial assets involved in the transfer belong to available-for-sale financial assets).

If the transfer of financial assets does not meet the de-recognition condition, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

4.11.4 De-recognition conditions for financial liabilities

The whole or partial financial liabilities, whose present obligations have been wholly or partially discharged, shall be de-recognized in full or partially; if the company signs an agreement with the creditor to replace the existing financial liabilities by means of assuming the new financial liabilities of which the contract terms are different from those of the existing financial liabilities, the existing financial liabilities shall be derecognized, and the new financial liabilities shall be recognized.

If the company makes a substantial amendment to the whole or part of the contract terms of the existing financial liabilities, the existing financial liabilities shall be de-recognized in full or partially, and the financial liability of which the contract terms have been modified shall be recognized as a new financial liability.

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

When the company repurchases part of the financial liabilities, it will allocate the entire book value of the said financial liabilities on the repurchase date in accordance with the relative fair value of the recognized part and the terminated part. The difference between the book value of the derecognized part and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

4.11.5 Determination method for the fair value of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted price in the active market; the quotes of the active market include the quotes of related assets or liabilities that can be easily and regularly obtained from the exchange, the dealer, the broker, the industry group, the pricing institution or the regulatory body, and which can represent that the market transactions actually and frequently occurred are carried out at arm's length.

The market transaction prices shall be used to determine the fair values of the initial acquired or derivative financial assets or financial liabilities assumed.

The fair value of financial assets or liabilities, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the company adopts applicable valuation techniques in current circumstances, and there is adequate available data and other information to support the valuation chooses input values whose characteristics are consistent with those of assets or liabilities considered by the market participants in the course of transactions of relevant assets or liabilities and applies relevant observable input values in priority. Unobservable input values are used only when relevant observable input values are not available or getting such values is infeasible.

4.11.6 Provision for impairment of financial assets (excluding accounts receivables)

The company reviews the carrying value of the financial assets except those measured at fair value through current profit or loss on the balance sheet date, and impairment provision shall be made when there is objective evidence that the financial assets are devalued.

Objective evidence of financial asset impairment includes but is not limited to the followings:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granted a concession to the borrower;

(4) It becomes probable that the borrower will enter bankruptcy or other financial reorganizations;

(5) The financial assets cannot continue to be traded in the active market because of financial difficulties of the issuer;

(6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. The decrease can be arising from the adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the country or geographical area of the borrowers, a decrease in property prices

for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of investments in equity instruments may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of investments in equity instruments;

The specific impairment methods of financial assets are as follows:

(1) Impairment provision for available-for-sale financial assets

The company separately tested various available-for-sale equity instruments at the balance sheet date. They will be deemed to be impaired if the fair value is lower than the initial investment cost by more than 50% (including 50%) or lower than the initial investment cost for no less than one year; if the fair value is lower than the initial investment cost by more than 20% (including 20%) but less than 50%, the company will take other factors into consideration such as price fluctuation to evaluate whether the equity instruments are impaired or not.

The cost stated above is based on the initial acquisition costs of the equity instruments available for sale less principal repayment and amortization, and the impairment loss originally included in profit or loss; the fair value of the available-for-sale investment in equity instrument without an active market is determined by the present value of future cash flows on the basis of the current market return of similar financial assets; the fair value of the available-for-sale investment in equity instrument with quotes in active market is determined by the closing price of the stock exchange at the end of the period, unless there is a restriction period. For available-for-sale investment in equity instruments with restriction period, the fair value shall be confirmed by the closing price of the stock exchange deducting the compensation amount for the market participants due to the impossibility to sell the risks of equity instruments in the open market during the specified period.

When available-for-sale financial assets are impaired, the cumulative loss that is arising from the decline in fair value and recognized in other comprehensive income is reclassified to the profit or loss even though the financial assets are not derecognized. The amount of the cumulative loss transferred equals to the initial acquisition cost (net of any principal repayment and amortization) plus current fair value and the impairment loss previously recognized in profit or loss.

If there is objective evidence that the value of available-for-sale debt instrument is recovered and it relates to the matters that happened after the impairment loss recognition, the impairment loss shall be reversed and accounted in current profit or loss; for the impairment loss of the available-for-sale investment in equity instrument, it shall be recovered through equity when the value increased; for the investment in an equity instrument that has no quote in active market and cannot be reliably measured at fair value, or the derivative financial assets which are linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, the impairment loss shall not be recovered.

(2) Impairment provision for held-to-maturity investment

If there is objective evidence that the held-to-maturity investment has been devalued, the impairment loss shall be calculated in accordance with the difference between the book value and the present value of estimated future cash flows; if there is evidence that the value has been recovered, the impairment loss shall be recovered and included in current profit or loss, but the recovered book value cannot exceed the amortized cost of the financial asset on the recovery date assuming that no impairment provision had been made.

4.11.7 Financial assets and financial liabilities offset by each other

Financial assets and financial liabilities are stated in the balance sheet separately without offsetting by each other. However, the net amount after the offset is stated in the balance sheet when all the following conditions are met:

(1) The company has legal right to offset the recognized amount, and the right is enforceable;

(2) The company plans to settle on a net basis or simultaneously realize the financial assets and settle the financial liabilities.

4.12 Financial instruments(Applicable since 1st, January, 2019)

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and apportioning interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the expected duration of the financial asset's book balance or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of all the contractual terms of the financial asset or financial liability (such as prepayment, extension, call option or other similar options, etc.), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is based on the initial confirmation amount of the financial asset or financial liability minus the principal paid, plus or minus the difference between the initial confirmation amount and the amount on the maturity date using the actual interest rate method The accumulated amortization amount formed by amortizing the difference, and then deducting the accumulated loss provision (only applicable to financial assets).

4.12.1 Classification and measurement of financial assets

Based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the company divides financial assets into the following three categories:

(1) Financial assets measured at amortized cost.

(2) Financial assets that are measured at fair value and whose changes are included in other comprehensive income.

(3) Financial assets measured at fair value and whose changes are included in the current profits and losses.

Financial assets are measured at fair value at the time of initial recognition, but the accounts receivable or bills receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components not exceeding one year, the transaction price Initial measurement.

For financial assets that are measured at fair value and whose changes are included in the current profit and loss, the related transaction costs are directly included in the current profit and loss, and the related transaction costs of other types of financial assets are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification. All related financial assets affected will be reclassified when and only when the company changes the business model of managing financial assets.

(1) Classified as financial assets measured at amortized cost

The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and interest based on the amount of the outstanding principal, and the business model of managing the financial asset is to collect the contractual cash flow as the objective, then the principal The company classifies the financial assets as financial assets measured at amortized cost. Financial assets classified by the company as measured at amortized cost include monetary funds, bills and accounts receivable, other receivables, long-term receivables, debt investments, etc.

The company uses the actual interest rate method to recognize interest income on such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the devaluation or derecognition or modification of such financial assets are included in the current profit and loss. Except for the following circumstances, the company calculates and determines interest income based on the book balance of financial assets multiplied by the actual interest rate:

1) For purchased or derived financial assets that have been credit-impaired, the company will determine the interest income based on the amortized cost of the financial assets and the credit-adjusted actual interest rate from the initial recognition.

2) For purchased or sourced financial assets that have not been credit-impaired but become credit-impaired in the subsequent period, the company will determine the interest based on the amortized cost and actual interest rate of the financial asset in the subsequent period income. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the company will calculate the interest income by multiplying the actual interest rate by the book balance of the financial asset.

(2) Classified as financial assets measured at fair value with changes included in other comprehensive income

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the amount of the outstanding principal, and the business model of managing the financial asset is both to collect contractual cash flow as the goal and to sell If the financial asset is the target, the company classifies the financial asset as a financial asset measured at fair value and whose changes are included in other comprehensive income. The company uses the effective interest method to recognize interest income on such financial assets. Except for interest income, impairment losses and exchange differences that are recognized as current profits and losses, the other fair value changes are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the current profit and loss.

Note receivables and accounts receivable that are measured at fair value and whose changes are included in other comprehensive income are listed as financing receivables, and other such financial assets are listed as other debt investments, of which: as of the balance sheet date Other debt investments due within the year are listed as non-current assets due within one year, and other debt investments with original maturity dates within one year are listed as other current assets.

(3) Designated as financial assets measured at fair value and whose changes are included in other comprehensive income

At the time of initial recognition, the company can irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income based on individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no provision for impairment is required. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings. During the company's holding of the equity instrument investment, the company's right to receive dividends has been established, and the economic benefits related to the dividend are likely to flow into the company, and the amount of the dividend can be reliably measured, the dividend income is recognized and included in the current profit and loss. The company reports such financial assets under other equity instrument investment projects.

An equity instrument investment that meets one of the following conditions is a financial asset measured at fair value and its changes are included in the current profit and loss: the financial asset is obtained mainly for the near-term sale; it is an identifiable financial asset instrument under centralized management at the time of initial recognition Part of the portfolio, and there is objective evidence showing that there is a short-term profit model in the near future; it is a derivative (except for the derivative that meets the definition of a financial guarantee contract and is designated as an effective hedging instrument).

(4) Classified as financial assets measured at fair value and whose changes are included in the current profit and loss

Financial assets that do not meet the criteria for classification as a financial asset measured at amortized cost or at fair value and whose changes are included in other comprehensive income, and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive income are all classified as Financial assets measured at fair value and whose changes are included in the current profit and loss.

The company uses fair value for subsequent measurement of such financial assets, and records the gains or losses from changes in fair value and the dividends and interest income related to such financial assets into the current profits and losses.

The company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

(5) Designated as financial assets measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company can irrevocably designate financial assets as financial assets measured at fair value and whose changes are included in current profits and losses on the basis of individual financial assets.

If a hybrid contract contains one or more embedded derivative instruments, and the main contract does not belong to the above financial assets, the company can designate it as a financial instrument measured at fair value and whose changes are included in the current profit and loss. Except in the following cases:

1) Embedded derivatives will not significantly change the cash flow of the hybrid contract.

2) When determining for the first time whether a similar mixed contract needs to be split, it is hardly necessary to analyze it to make it clear that the embedded derivatives it contains should not be split.

For example, the prepayment right of the embedded loan allows the holder to repay the loan in advance at an amount close to the amortized cost, and the prepayment right does not need to be split.

The company uses fair value for subsequent measurement of such financial assets, and records the gains or losses from changes in fair value and the dividends and interest income related to such financial assets into the current profits and losses.

The company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

4.12.2 Classification and measurement of financial liabilities

Based on the contract terms of the issued financial instruments and the economic substance they reflect, the company combines the definitions of financial liabilities and equity instruments to classify the financial instruments or their components as financial liabilities or Equity instruments. At the time of initial recognition, financial liabilities are classified as: financial liabilities measured at fair value and whose changes are included in the current profits and losses, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at the time of initial recognition. For financial liabilities that are measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the relevant transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on its classification:

(1) Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value at the time of initial recognition and whose changes are included in the current profits and losses.

It is a transactional financial liability that meets one of the following conditions: the purpose of assuming the relevant financial liability is mainly for sale or repurchase in the near future; it is part of a centralized management of identifiable financial instrument portfolio, and there is objective evidence that the company has adopted it recently Short-term profit-making mode; it is a derivative instrument, except for the derivative instrument that is designated as an effective hedging instrument and the derivative instrument that meets the financial guarantee contract. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss.

At the time of initial recognition, in order to provide more relevant accounting information, the company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities that are measured at fair value and whose changes are included in current profits and losses:

1) It can eliminate or significantly reduce accounting mismatches.

2) According to the corporate risk management or investment strategy stated in the formal written documents, the financial liability portfolio or the financial assets and financial liability portfolio is managed and performance evaluated on the basis of fair value, and the key management personnel are reported on this basis within the company report.

The company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in current profits and losses. Unless changes in fair value caused by changes in the company's own credit risk are included in other comprehensive income that will cause or enlarge accounting mismatches in profit and loss, the company will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profit and loss.

(2) Other financial liabilities

Except for the following items, the company classifies financial liabilities as financial liabilities measured at amortized cost. For such financial liabilities, the effective interest method is adopted, and subsequent measurement is performed on the basis of amortized cost, and the profit or loss from derecognition or amortization is calculated Into the current profit and loss:

1) Financial liabilities that are measured at fair value and whose changes are included in the current profit and loss.

2) The transfer of financial assets does not meet the conditions for derecognition or continues to be involved in financial liabilities formed by the transferred financial assets.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan

commitments that do not fall under category 1) of this article to borrow at a lower-than-market interest rate.

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount of compensation to the contract holder who has suffered losses when a specific debtor is unable to repay the debt in accordance with the original or revised debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities that are measured at fair value and whose changes are included in the current profit and loss shall be calculated according to the amount of loss provision and the amount of initial recognition after deducting the accumulated amortization amount during the guarantee period, whichever is higher after initial recognition Metering.

4.12.3 Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, the confirmation of the financial asset is terminated, that is, it is written off from its account and balance sheet:

1) The contractual right to receive the cash flow of the financial asset terminates.

2) The financial asset has been transferred, and the transfer meets the requirements for derecognition of financial assets.

(2) Conditions for derecognition of financial liabilities

If the current obligation of the financial liability (or part of it) has been discharged, the recognition of the financial liability (or this part of the financial liability) shall be terminated.

The company signs an agreement with the lender to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, or a contract to the original financial liability (or part of it) If the terms are substantially modified, the original financial liability shall be terminated and a new financial liability shall be confirmed at the same time. The difference between the book value and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current period profit and loss.

If the company repurchases part of a financial liability, the book value of the financial liability shall be allocated according to the proportion of the respective fair value of the continued recognition part and the derecognized part to the overall fair value on the repurchase date. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities assumed) shall be included in the current profits and losses.

4.12.4 Confirmation basis and measurement method of financial asset transfer

When the company transfers financial assets, it evaluates the degree of risks and rewards in retaining the ownership of financial assets, and handles the following situations respectively:

(1) If almost all the risks and rewards in the ownership of a financial asset are transferred, the recognition of the financial asset shall be terminated, and the rights and obligations generated or retained during the transfer shall be separately recognized as assets or liabilities.

(2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets shall continue to be recognized.

(3) If almost all risks and rewards in the ownership of financial assets are neither transferred nor retained (that is, in other circumstances except for (1) and (2) of this article), the respective financial assets shall be controlled according to whether they retain control of the financial assets. Deal with the following situations:

1) If the control of the financial asset is not retained, the recognition of the financial asset shall be terminated, and the rights and obligations arising or reserved during the transfer shall be separately recognized as assets or liabilities.

2) If the control of the financial asset is retained, the relevant financial assets shall be continuously recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuing involvement in the transferred financial assets refers to the degree of risk or rewards that the company undertakes to change the value of the transferred financial assets.

When judging whether the transfer of financial assets meets the above-mentioned conditions for derecognition of financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into overall transfer and partial transfer of financial assets.

(1) If the overall transfer of financial assets meets the conditions for termination of confirmation, the difference between the following two amounts is included in the current profit and loss:

1) The book value of the transferred financial asset on the date of derecognition.

2) The consideration received due to the transfer of financial assets is the amount of the corresponding derecognition part of the accumulated amount of fair value changes originally directly included in

other comprehensive income (the financial assets involved in the transfer are measured at fair value and the changes are included in other Comprehensive income of financial assets).

(2) If the financial asset is partially transferred and the transferred part meets the conditions for termination of confirmation, the book value of the financial asset before the transfer shall be included in the part of termination of confirmation and the part of continued confirmation (in this case, the retained service assets shall be (Deemed as continuing to confirm a part of the financial assets), the respective relative fair values on the transfer date are allocated, and the difference between the following two amounts is included in the current profit and loss:

1) The book value of the derecognized part on the date of derecognition.

2) The consideration received for the derecognition part corresponds to the amount of the derecognition part in the cumulative amount of fair value changes originally included in other comprehensive income (the financial assets involved in the transfer are measured at fair value and the changes are included in other comprehensive income Financial assets).

If the transfer of financial assets does not meet the conditions for termination of recognition, the financial assets shall continue to be recognized, and the received consideration shall be recognized as a financial liability.

4.12.5 Methods for determining the fair value of financial assets and financial liabilities

For financial assets or financial liabilities in an active market, the fair value of the financial assets or financial liabilities is determined based on the quoted prices in the active market, unless the financial asset has a restricted sale period for the asset itself. For financial assets subject to sales restrictions on the asset itself, the quotation in the active market shall be determined after deducting the amount of compensation required by market participants for assuming the risk that the financial asset cannot be sold on the open market within a specified period. The quotation in the active market includes the quotation that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies, etc., related assets or liabilities, and can represent the actual and frequent market on the basis of fair trading transaction.

Initially acquired or derived financial assets or financial liabilities assumed shall be based on market transaction prices as the basis for determining their fair value.

For financial assets or financial liabilities that do not have an active market, valuation techniques are used to determine their fair value. At the time of valuation, the company adopts valuation techniques that are applicable under the current circumstances and have sufficient data and other information to support, and choose to be consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related assets or liabilities Input values, and use relevant observable input values as priority as possible. When the relevant observable input value cannot be obtained or is not feasible, the unobservable input value is used.

4.12.6 Impairment of financial instruments

Based on expected credit losses, the company conducts impairment accounting treatment and confirms the financial assets classified as measured at amortized cost, financial assets classified as measured at fair value with changes included in other comprehensive income, and financial guarantee contracts. Loss preparation.

Expected credit loss refers to the weighted average of the credit losses of financial instruments based on the risk of default. Credit loss refers to the difference between all contract cash flows receivable under the contract and all cash flows expected to be received by the company discounted at the original actual interest rate, that is, the present value of all cash shortages. Among them, for the financial assets purchased or originated by the company that have been credit-impaired, they shall be discounted at the actual credit-adjusted interest rate of the financial assets.

For accounts receivable formed by transactions regulated by the income standards, the company uses simplified measurement methods to measure loss reserves at an amount equivalent to expected credit losses during the entire duration.

For purchased or derived financial assets that have been credit-impaired, only the cumulative changes in expected credit losses during the entire duration after initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the amount of changes in expected credit losses during the entire duration shall be included in the current profits and losses as impairment losses or gains. Even if the expected credit loss for the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at the time of initial recognition, a favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and purchases or sources of financial assets that have been credit- The following situations shall measure its loss reserves, confirm expected credit losses and their changes:

(1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, and it is in the first stage, the loss provision is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the book balance And the actual interest rate to calculate interest income.

(2) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, and the loss provision is measured at an amount equivalent to the expected credit loss during the entire life of the financial instrument , And calculate interest income based on the book balance and actual interest rate.

(3) If the financial instrument has been credit-impaired since the initial recognition, it is in the third stage, and the company measures its loss provision at an amount equivalent to the expected credit loss during the entire life of the financial instrument, and based on the amortized cost And the actual interest rate to calculate interest income.

The increase or reversal of the credit loss provision of financial instruments shall be included in the current profits and losses as impairment losses or gains. Except for financial assets that are classified as measured at fair value and whose changes are included in other comprehensive income, credit loss provisions are offset against the book balance of financial assets. For financial assets that are classified as measured by fair value and whose changes are included in other comprehensive income, the company recognizes its credit loss provision in other comprehensive income, and does not reduce the book value of the financial asset in the balance sheet.

The company has measured the loss provision in the previous accounting period at an amount equivalent to the expected credit loss of the financial instrument during the entire lifetime, but at the current balance sheet date, the financial instrument is no longer subject to a significant increase in credit risk since the initial recognition In the case of circumstance, the company measures the loss provision of the financial instrument at the amount equivalent to the expected credit loss in the next 12 months on the current balance sheet date, and the reversal of the resulting loss provision is included in the current period as the impairment gain profit and loss.

(1) Credit risk increased significantly

The company uses available reasonable and well-founded forward-looking information to compare the risk of default on the balance sheet date of financial instruments with the risk of default on the date of initial recognition to determine whether the credit risk of financial instruments has been Has increased significantly. For financial guarantee contracts, when the company applies the provisions on impairment of financial instruments, the date on which the company becomes the party making the irrevocable undertaking shall be the initial confirmation date.

The company will consider the following factors when assessing whether the credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether the regulatory, economic or technical environment of the debtor has undergone significant adverse changes;

3) Whether there are significant changes in the value of the collateral used as debt collateral or the guarantee or credit enhancement quality provided by a third party. These changes are expected to reduce the debtor's economic motivation to repay the debt within the specified period of the contract or affect the probability of default;

4) Whether the expected performance and repayment behavior of the debtor has changed significantly;

5) Whether the company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the company judges that a financial instrument has only a relatively low credit risk, the company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. If the default risk of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in the short term, and even if there are unfavorable changes in the economic situation and operating environment in a long period of time, it may not necessarily reduce the borrower’s cash to perform its contract The capacity of the flow obligation, the financial instrument is deemed to have lower credit risk.

(2) Financial assets with credit impairment

When one or more events that have an adverse effect on the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset with credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

1) The issuer or debtor has major financial difficulties;

2) The debtor breached the contract, such as defaulting or overdue payment of interest or principal;

3) The creditor, out of economic or contractual considerations related to the debtor ’ s financial difficulties, gives the debtor a concession that the debtor would not make under any other circumstances;

4) The debtor is likely to go bankrupt or other financial reorganization;

5) The issuer or debtor ’ s financial difficulties lead to the disappearance of the active market for the financial asset;

6) A financial asset is purchased or originated at a steep discount. The discount reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by a combination of multiple events, and may not be caused by a separately identifiable event.

(3) Determination of expected credit losses

The company assesses the expected credit losses of financial instruments based on individual items and combinations. When assessing expected credit losses, it considers reasonable and evidence-based information about past events, current conditions and forecasts of future economic conditions.

Based on common credit risk characteristics, the company divides financial instruments into different combinations. The common credit risk characteristics adopted by the company include: financial instrument type, credit risk rating, aging portfolio, overdue aging portfolio, contract settlement cycle, debtor's industry, etc. The individual evaluation criteria and portfolio credit risk characteristics of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The company uses the following methods to determine the expected credit losses of related financial instruments:

1) For financial assets, credit loss is the present value of the difference between the contractual cash flow that the company should collect and the cash flow expected to be collected.

2) For a financial guarantee contract, the credit loss is the estimated payment to be paid by the company for the credit loss incurred by the contract holder, minus the expected payment from the contract holder, debtor or any other party The present value of the difference between the amounts.

3) For financial assets that have been credit-impaired on the balance sheet date but not purchased or originated, the credit loss is the present value of the financial asset's book balance and the estimated future cash flow discounted at the original actual interest rate The difference between.

Factors reflected in the company's method of measuring expected credit losses of financial instruments include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; no unnecessary additional costs or effort on the balance sheet date Reasonable and evidence-based information that can be obtained about past events, current conditions, and forecasts of future economic conditions.

(4) Write down financial assets

When the company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, it shall directly write down the book balance of the financial asset. This write-down constitutes the derecognition of related financial assets.

4.12.7 Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is listed in the balance sheet:

(1) The company has a statutory right to offset the confirmed amount, and such legal right is currently enforceable;

(2) The company plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

4.13.Notes receivables (applicable since 1 January 2019)

The company's determination method and accounting treatment method of the expected credit loss of bills receivable are detailed in Note 4/(12) 6. Impairment of financial instruments.

When it is impossible to assess sufficient evidence of expected credit losses at a reasonable cost at the level of individual instruments, the company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides bills receivable into several combinations based on credit risk characteristics. Calculate expected credit losses on a portfolio basis. The basis for determining the combination is as follows:

Combination name	Basis for determining combination	Accrual method
Bank acceptance notes portfolio	Types of bills	Measure bad debt provision with reference to historical credit loss experience, combined with current conditions and expectations of future economic

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		conditions
Commercial acceptance bill portfolio	Types of bills	Refer to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculate expected credit losses through default risk exposure and the expected credit loss rate within the next 12 months or the entire duration

4.14 Accounts receivable（Applicable before 31th December. 2018)

1.Accounts receivable with a significant single amount and a single provision for bad debts:

Recognition standards for accounts receivables with a single significant amount and a single provision for bad debts:

It accounts for more than 10% of the balance of accounts receivables and the amount is more than 1 million yuan.

The method of accruing bad debt provision for accounts receivables with a single significant amount: conduct a separate impairment test, accrue the bad debt provision based on the difference between the present value of the expected future cash flow and its book value, and record it into the current profit and loss. The accounts receivables that have not been impaired in a separate test are classified into the corresponding combination to make provision for bad debts.

2.Accounts receivable with provision for bad debts according to the combination of credit risk characteristics:

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

For receivables with insignificant individual amounts, together with receivables with significant individual amounts that have not been impaired after individual testing, they are divided into several combinations based on credit risk characteristics, and based on the previous years with similar credit risk characteristics. The actual loss rate of the receivable portfolio is based on the current situation to determine the provision for bad debts.

Determine the basis of the combination：

Name of combination	Accrual method	Determine the basis of the combination
Aging analysis method combination	Aging analysis	Including accounts receivables other than the above combination, the company makes the best estimate of the proportion of accounts receivables based on past historical

		experience, and classifies the credit risk portfolio with reference to the age of the accounts receivables

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

①Use the aging analysis method to make provision for bad debts：

Aging	Proportion of accrual accounts receivables (%)	Provision ratio of accrual other accounts receivabless (%)
Within one year	5	5
One to two years	10	10
Two to Three years	20	20
Three to Four years	40	40
Four to Five years	80	80
More than Five years	100	100

3.Receivables with a single amount that is not material but with a single provision for bad debts

The reason for the single provision for bad debts is: there is objective evidence that the company will not be able to recover the amounts according to the original terms of the receivables.

The method of accruing bad debt provision is: accruing according to the difference between the present value of the estimated future cash flow of the receivable and its book value.

4.Description of other accrual methods

For bills receivable, prepayments, interest receivable, long-term receivables and other receivables, provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

4.15 Accounts receivables (applicable since 1 January 2019)

The determination method and accounting treatment method of the company's expected credit loss on accounts receivables are detailed in Note 4/(12) 6. Impairment of financial instruments.

The company separately determines its credit losses for accounts receivables with sufficient evidence to assess expected credit losses at a reasonable cost.

When sufficient evidence of expected credit losses cannot be assessed at a reasonable cost at the level of individual instruments, the company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides accounts receivables into several combinations based on credit risk characteristics , Calculate expected credit losses on a portfolio basis. The basis for determining the combination is as follows:

Name of combination	Accrual method	Determine the basis of the combination
Related party portfolio	The portfolio of related parties included in the consolidation scope	Refering to historical credit loss experience, combined with current conditions and expected future economic conditions to measure bad debt reserves
Aging portfolio	The company makes the best estimate of the accrual ratio of accounts receivables based on past historical experience, and classifies the credit risk portfolio with reference to the age of accounts receivables	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate in the next 12 months or the entire duration

4.16 Receivables financing (applicable from 1 January 2019)

The determination method and accounting treatment method of the expected credit loss of the company's financing of receivables are detailed in Note 4/(12) 6. Impairment of financial instruments.

4.17 Other receivables (applicable from 1 January 2019)

For the determination method and accounting treatment method of the company's expected credit losses of other receivables, please refer to Note 4/(12) 6. Impairment of Financial Instruments.

The company separately determines its credit losses for other receivables that have sufficient evidence to assess expected credit losses at a reasonable cost at the level of individual instruments.

When it is impossible to assess sufficient evidence of expected credit losses at the level of individual instruments at a reasonable cost, the company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides other receivables into several combinations based on credit risk characteristics , Calculate expected credit losses on a portfolio basis. The basis for determining the combination is as follows:

Name of combination	Accrual method	Determine the basis of the combination

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Related party portfolio	The portfolio of related parties included in the consolidation scope	Refering to historical credit loss experience, combined with current conditions and expected future economic conditions to measure bad debt reserves
Aging portfolio	The company makes the best estimate of the accrual ratio of accounts receivables based on past historical experience, and classifies the credit risk portfolio with reference to the age of accounts receivables	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate in the next 12 months or the entire duration

4.18 Inventory

4.18.1 Categories

Inventories mainly refer to the company's land development costs, project management costs, and finished goods or commodities held for sale in daily activities. Inventories mainly include development costs, development products, inventory goods, low-value consumables, packaging materials, and consumable biological assets. Land development costs include land transfer fees or land acquisition compensation fees, demolition expenses, land leveling expenditures, pre-project fees, infrastructure fees and ancillary facilities fees, borrowing costs incurred before the land reaches the available-for-sale status, and other relevant developments cost.

4.18.2 Pricing method for outgoing inventories

Inventories shall be measured initially in terms of the cost when obtained. It includes purchase cost, conversion cost, and other costs. When delivered, the cost of inventories shall be determined primarily using the weighted average method. The company's inventories related to the real estate development business are valued at actual cost when acquired and are valued according to the individual recognition method when issued. Land development costs and project management costs are valued using the individual valuation method.

4.18.3 Basis for determining the net realizable value of inventories and the accrual method for inventory depreciation reserve

After the inventory is fully inspected at the end of the period, the inventory depreciation reserve is drawn or adjusted at the lower of the cost of the inventories and the net realizable value. The stock of goods directly used for sale, such as finished goods, stocked goods, and materials for sale, in the normal production and operation process, after the estimated selling price of the stock minus the estimated sales expenses and related taxes, Determining its net realizable value; inventory of materials that need to be processed, in the normal production and operation process, after the estimated selling price of the finished product produced is reduced to the estimated cost of completion, estimated selling expenses and related taxes and fees, the amount to determine its net realizable value; For the inventory held for the execution of a sales contract or a labor contract, the net realizable value is calculated on the basis of the contract price. If the quantity of the held inventory is more than the quantity ordered by the sales contract, the net realizable value of the excess inventory is calculated based on the general sales price.

At the end of the period, the inventory depreciation reserve is accrued according to the individual inventory items; however, for a large number of inventories with lower unit prices, the inventory depreciation reserve is accrued according to the inventory category;

Inventories related to product lines produced and sold in the same region, having the same or similar end-uses or purposes, and difficult to measure separately from other projects, are combined for provision for inventory depreciation.

If the influencing factors of the write-down of inventory value have disappeared, the amount of write-down will be restored and will be reversed within the amount of the provision for the decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit and loss.

4.18.4 Inventory system for inventories:

Perpetual inventory system.

4.18.5 Amortization methods for low-value consumption goods and packing

(1) The one-off write-off approach is adopted for low-value consumption goods;

(2) The one-off write-off approach is adopted for packing

(3) Other turnover materials are amortized using the one-off write-off method.

4.19Held-for-sale assets

4.19.1. Criteria for Held-for-sale asset

The company recognizes that the non-current assets or disposal groups that meet the following conditions are held as part of the sale:

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

(2) The sale is highly probable. That is, the company has already resolved a sale plan and has obtained regulatory approval (if applicable), and has obtained a confirmed purchase commitment, which is expected to be completed within one year.

The determined purchase commitment refers to the legally binding purchase agreement signed between the company and other parties. The agreement includes important terms such as transaction price, time, and sufficiently severe breach of penalty, which makes the possibility of making major adjustments or cancellations of the agreement is minimal.

4.19.2. Accounting measurement for Held-for-sale asset

The company shall not depreciate or amortize the non-current assets or disposal groups held for sale, and if the book value is higher than the fair value minus the sales expenses, the book value shall be reduced to the fair value minus net amount after the sale fee, The amount of the write-down is recognized as the asset impairment loss, which is included in the current profit and loss, and the provision for impairment of assets held for sale is made.

For the non-current assets or disposal groups that are classified as holdings for sale on the acquisition date, the initial measurement is compared to the initial measurement amount and the fair value minus the sale cost measured by the lower amount.

The above principles apply to all non-current assets but exclude investment properties that are subsequently measured using the fair value model, biological assets measured using fair value fewer costs of disposal, assets formed by employee compensation, deferred income tax assets. The financial assets are regulated by the relevant accounting standards of financial instruments and the rights are arising from the insurance contracts regulated by the relevant accounting standards of insurance contracts.

4.20 Other debt investments

For the determination method and accounting treatment method of the expected credit loss of the company's other debt investments, please refer to Note 4/(12) 6. Impairment of Financial Instruments.

4.21 Long-term receivables(Applicable since 31th December, 2020)

The company's determination method and accounting treatment method of the expected credit loss of long-term receivables are detailed in Note 4/(12)

The company separately determines its credit losses for long-term receivables with sufficient evidence to assess expected credit losses at a reasonable cost at the level of individual instruments.

When sufficient evidence of expected credit losses cannot be assessed at a reasonable cost at the level of individual instruments, the company refers to historical credit loss experience, combined with current conditions and judgments on future economic conditions, and divides long-term receivables into several combinations based on credit risk characteristics, Calculate expected credit losses on a portfolio basis. The basis for determining the combination is as follows:

Combination name	Determine the basis of the combination	Withdrawal method
Related party portfolio	Portfolio of related parties included in the consolidation scope	Measure bad debt provision with reference to historical credit loss experience, combined with current conditions and expectations of future economic conditions
Aging portfolio	The company makes the best estimate of the accrual ratio of accounts receivables based on past historical experience and classifies the credit risk portfolio with reference to the age of accounts receivables	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit loss is calculated through the default risk exposure and the expected credit loss rate in the next 12 months or the entire duration

4.22 Long-term equity investment

4.22.1 Determination of initial investment cost

(1)For the long-term equity investment formed by the business combination, the specific accounting policies are detailed in Note 4.6 Accounting treatment method for a business combination under the same control and not different control

(2)Long-term equity investment obtained by other means

Long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial investment cost includes direct expenses related to the acquisition of long-term equity investment, tax, and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. The transaction expenses caused by issuing or acquiring its own equity instruments shall deduct from equity, which is directly assigned to equity transactions. The transaction cost for issuing or acquiring the companies' own equity instrument shall be deducted from equity, which can be directly assigned to equity transaction.

As for a non-monetary assets transaction, under the premise that the transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably, the initial cost of the fair value of the long-term equity investment received shall be recognized based on the fair value of the assets surrendered, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in the above premises at the same time, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of the long-term equity investment received.

The initial cost of a long-term equity investment obtained by debt restructuring shall be recognized based on the fair value.

4.22.2 Subsequent measurement and gain/loss recognition

(1) Cost method

The long-term equity investment that the company is able to control with the invested entities shall be measured based on the cost method. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted based on the initial investment cost.

The company shall recognize investment income in the light of the attributable share of the profits or cash dividends declared to distribute by the invested entity except for money paid actually or cash dividends or profit that have been declared but not yet distributed included in consideration when obtaining investment.

(2) Equity method

The long-term equity investment of joint ventures and affiliated companies shall be measured by the equity method. Some of the equity investments for affiliated companies held indirectly by venture capital institution, mutual funds, trust companies, or similar entity including VUL, shall be measured by means of fair value and of which changes are recorded in profit or loss.

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

After the company obtains a long-term equity investment, it shall, in accordance with the attribute share of the net profits or losses of invested equity, recognize the investment profits or losses and other comprehensive income, meanwhile adjust the book value of long-term equity investment. The company shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall enjoy and reduce the book value of the long-term investment correspondingly. Where any change is made to the owner’s equity other than the net profits and losses, other comprehensive income, and profit distribution of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner’s equity.

The company shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. Profit and loss from the unrealized internal transactions between joint ventures, affiliated enterprises, and the investing enterprise calculated according to the proportion of which the company should enjoy shall be offset. On this basis, confirm it as investment profit and loss.

The company shall handle the net losses of the invested enterprise recognized by it: (1) offset book value of long-term equity investment; (2) if the book value of long-term equity investment is insufficient to dilute, investment loss shall be recognized based on the book value of other long-term rights and interests which substantially form the net investment made to the invested entity, to offset book value of long-term receivables items; and (3) through the above treatment, where the company still has an obligation to undertake extra losses as per investment contracts or agreements, the obligation that is expected to undertake shall be recognized the project liabilities, and recorded into losses on investment of the current period.

If the invested entity realizes any profits later, the company shall, after the amount of its attributable share of the un-recognized losses, treat based on reverse order, and write down the book balance of projected liabilities recognized, resume the book value of other long-term rights and interests which substantially form the net investment made to the invested entity and long-term equity investment, and recognize investment income simultaneously.

4.22.3 Conversion of long-term equity investment accounting methods

(1) Fair value measurement to equity method accounting

The equity investment originally held by the company that does not have control, joint control, or significant influence on the investee, which is accounted for according to the recognition and measurement criteria of financial instruments, can exert significant influence or joint control but not control on the invested entity or be implemented due to additional investment and other reasons. The fair value of the original equity investment held in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" plus the sum of new investment costs shall be calculated as Initial investment cost.

The initial investment cost calculated by the equity method is less than the difference between the fair share of the identifiable net assets of the investee on the additional investment date determined by the new shareholding ratio after the additional investment and the book value of the long-term equity investment is adjusted and included in the current non-operating income.

(2) Fair value measurement or equity method accounting transfer cost method accounting

The equity investment originally held by the company that does not have control, joint control, or significant influence on the investee is accounted for in accordance with the financial instrument recognition and measurement criteria. The original held long-term equity investment in the joint venture or co-operations, if it is possible to exercise control over the investee under the different control due to additional investment, etc., in the preparation of individual financial statements, the sum of the book value of the original equity investment plus the new investment cost shall be calculated as Initial investment cost by the cost-based method.

The other comprehensive income recognized by the equity method before the purchase date is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of.

If the equity investment held before the purchase date is accounted in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", the cumulative fair value change originally included in other comprehensive income is calculated when the measurement method is changed into cost method, transfer it to current profit and loss.

(3) Equity method accounting to fair value measurement

If the company loses joint control or significant influence on the investee due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be calculated according to the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", which is lost. The difference between the fair value and the book value on the date of joint control or significant impact is recognized in current profit or loss.

The other comprehensive income recognized in the original equity investment using the equity method is accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated.

(4) Cost method transfer to equity method

If the company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, which is treated as an adjustment and measurement to the equity method when it is acquired.

(5) Cost method transfer to fair value measurement

If the company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal cannot jointly control or exert significant influence on the invested entity, then the relevant provisions of "Accounting Standards No. 22 – Recognition and Measurement of Financial Instruments" are accounted for. The difference between the fair value and the book value on the date of loss of control is recognized in profit or loss.

4.22.4 Disposal of long-term equity investment

For the disposal of long-term equity investments, the difference between the book value and the actual purchase price shall be included in the current profit and loss. For the long-term equity investment accounted for using the equity method, when disposing of the investment, the partial comprehensive income accounted by original portion using the same basis of investee disposed of relevant assets and liabilities directly.

The terms, conditions, and economic impact of each transaction dealing with the equity investment of the subsidiary are meeting in one or more of the following cases, and the multiple transactions are treated as a package transaction:

(1) These transactions are concluded at the same time or with consideration of mutual influence for each other.

(2) These transactions as a whole can achieve a complete business result;

(3) The occurrence of a transaction depends on the occurrence of at least one other transaction;

(4)A transaction alone is uneconomical, but it is economical when considered together with other transactions.

If an enterprise loses control over the original subsidiary due to disposal of part of the equity investment or other reasons and does not belong to a package transaction, it shall distinguish the individual financial statements and the consolidated financial statements for relevant accounting treatment:

(1) In the individual financial statements, the difference between the book value of the disposed of equity and the actual purchase price is included in the current profit and loss. If the remaining equity after disposal can exert joint control or exert significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by the equity method when it is acquired; If the remaining equity after disposal cannot be jointly controlled or exerts significant influence on the invested entity, it shall be accounted for in accordance with the relevant "provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", on the date of loss of control, the difference between the fair value and the book value is included in the current profit and loss.

(2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the difference between the disposal price and the disposal of the long-term equity investment correspond to the share of the net assets that the subsidiary has continuously calculated

from the date of purchase or the merger date. Adjust the capital reserve (share premium). If the capital reserve is insufficient to offset, adjust the retained earnings; when the control of the subsidiary is lost, the remaining equity is re-measured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the original shareholding and the net assets that have been continuously calculated from the date of purchase from the original shareholding, which is accounted in the current period of investment income when the loss of control while reducing goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

Disposal of the equity investment in a subsidiary until the loss of control belongs to a package transaction, accounting for each transaction as one transaction to dispose of the equity investment of the subsidiary and losing control, distinguishing between individual financial statements and consolidated financial statements and to do related accounting treatment:

(1) In the individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposed of equity before the loss of control is recognized as other comprehensive income and is transferred to the current profit and loss when the loss of control.

(2) In the consolidated financial statements, the difference between each disposal price and the disposal investment that has the share of the net assets of the subsidiary before the loss of control is recognized as other comprehensive income and is transferred to the current profit and loss when the loss of control.

4.22.5 Recognition basis of joint control and significant influences of invested enterprises

If the company controls an arrangement collectively with other participants in accordance with relevant agreements, and an activity decision that has a significant impact on the return of the arrangement requires the unanimous consent of the participants who share control rights to exist, it is deemed that the company and other participants If the parties jointly control an arrangement, the arrangement is a joint arrangement.

The joint-venture arrangement is operated through a single entity. When the company has the right of net assets of the entity according to the relevant agreement, the entity is regarded as a joint venture and is calculated with the equity method. On the contrary, when the company has no right of net assets of the entity according to the relevant agreement, the entity is regarded as a pooling of interests. The company recognizes the benefit of pooling of interests of relevant projects. Accounting treatment shall be based on relevant regulation of corporation accounting rules.

The term "significant influence" means having the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies together with other parties. If the company meets the following one or more situations, and after considering all the facts and circumstances, it could be judged that the company has a significant influence on the invested entity. (1) Designate representatives to the board of directors or similar authority of the invested entity; (2) Participate in the financial and operating policy-making process of the invested entity; (3) Make important transactions with the invested entity; (4) Assign managers to the invested entity; (5) Provide the invested entity with key technical data.

4.23 Investment real estate

Investment real estate refers to real estate held to earn rent or capital appreciation, or both, including leased land use rights, land use rights held and ready for transfer after appreciation, and leased buildings. In addition, for vacant buildings held by the company for operating leases, if the board of directors makes a written resolution that they are used for operating leases and the holding intention will not change in the short term, they are also reported as investment real estate.

The company’s investment real estate is valued at its cost. The cost of outsourcing investment real estate includes the purchase price, relevant taxes and other expenses directly attributable to the asset; the cost of self-built investment real estate is determined by the construction. The composition of the necessary expenditures incurred before the asset reaches the expected usable state.

The company adopts the cost model for subsequent measurement of investment real estate, and depreciates or amortizes buildings and land use rights based on their estimated service life and net residual value rate. The estimated service life, net residual value rate, and annual depreciation (amortization) rate of investment real estate are listed as follows:

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category	Estimated service life (years)	Estimated net residual value rate (%)	Annual depreciation (amortization) rate (%)
Land use rights	50	0	2
building	20	5	4.75

When the use of investment real estate is changed to self-use, the company will convert the investment real estate into fixed assets or intangible assets from the date of change. When the purpose of self-use real estate is changed to earning rent or capital appreciation, the company will convert fixed assets or intangible assets into investment real estate from the date of change. When a conversion occurs, the book value before the conversion is used as the entry value after the conversion.

When an investment real estate is disposed of or is permanently withdrawn from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment real estate shall be terminated. The amount of disposal income from the sale, transfer, scrapping or destruction of investment real estate after deducting its book value and relevant taxes is included in the current profit and loss.

4.24 Fixed assets

4.24.1 Confirmation conditions of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing labor services, renting or operating management, and with a service life of more than one fiscal year. Fixed assets are recognized when the following conditions are met at the same time:

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

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

4.24.2 Initial measurement of fixed assets

The company's fixed assets are initially measured at cost.

(1) 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 attributable to the asset incurred before the fixed asset reaches its intended use status.

(2) The cost of self-built fixed assets consists of the necessary expenditures incurred before the construction of the asset reaches its intended useable state.

(3) The fixed assets invested by investors are recorded at the value agreed in the investment contract

or agreement, but if the value agreed in the contract or agreement is not fair, it shall be recorded at fair value.

(4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions and is of the financing nature, the cost of the fixed assets is determined on the basis of the current value of the purchase price. The difference between the actual price paid and the current value of the purchase price shall be included in the current profits and losses during the credit period, except for those that should be capitalized.

4.24.3 Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is accrued within the estimated useful life after deducting the estimated net residual value from its book value. For fixed assets with provision for impairment, the depreciation amount will be determined in the future period based on the book value after deduction of the provision for impairment and based on the remaining useful life; fixed assets that have been fully depreciated and are still in use are not depreciated.

For fixed assets formed by using special reserve expenditures, the special reserve shall be written off according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be confirmed, and the fixed assets will no longer be depreciated in the future periods.

The company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the useful life estimated net residual value and depreciation method of the fixed assets should be reviewed, and if there is a difference with the original estimate, the corresponding adjustment shall be made.

The depreciation method, depreciation period, and annual depreciation rate of various fixed assets are as follows:

category	Depreciation method	Depreciation period (years)	Salvage rate (years)	Annual depreciation (years)
houses and buildings	Straight line method	20	5	4.75
mechanical equipment	Straight line method	5-10	5	9.5-19
Electronic equipment	Straight line method	3-5	5	19-31.67
Transportation Equipment	Straight line method	5	5	19

Office equipment and others	Straight line method	3-5	5	19-31.67

(2) Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets shall be included in the cost of fixed assets if they meet the conditions for the recognition of fixed assets; those that do not meet the conditions for the recognition of fixed assets shall be included in the current profits and losses when incurred.

(3) Disposal of fixed assets

When a fixed asset is disposed of, or when it is expected that no economic benefits can be generated through use or disposal, the confirmation of the fixed asset is terminated. The income from the disposal, transfer, scrapping, or damage of fixed assets after deducting its book value and related taxes shall be included in the current profit and loss.

4.24.4 Recognition basis, valuation and depreciation method of financial leased fixed assets

When the company's leased fixed assets meet one or more of the following criteria, it is recognized as finance leased fixed assets:

(1) At the expiration of the lease term, the ownership of the leased assets is transferred to the company.

(2) The company has the option to purchase leased assets. The purchase price entered into is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined on the lease start date that the company will exercise this option.

(3) Even if the ownership of the asset is not transferred, the lease term accounts for most of the useful life of the leased asset.

(4) The present value of the company's minimum lease payments on the lease start date is almost equivalent to the fair value of the leased assets on the lease start date.

(5) The leased assets are of special nature, and only the company can use them if they are not remodeled.

For fixed assets leased by finance leases, the lower of the fair value of the leased assets on the lease start date and the present value of the minimum lease payment shall be the entry value. The minimum lease payment is taken as the entry value of the long-term payable, and the difference is taken as the unrecognized financing expense. In the process of lease negotiation and signing of the lease contract, the initial direct expenses such as handling fees, legal fees, travel expenses, stamp duty, etc. That can be attributed to the lease item are included in the value of the leased asset. The unrecognized financing costs shall be amortized by the effective interest method during each period of the lease term.

The company adopts a depreciation policy consistent with that of its own fixed assets to withdraw the depreciation of fixed assets acquired by financing leases. If it can be reasonably determined that the ownership of the leased asset will be obtained at the expiration of the lease term, depreciation shall be accrued during the useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued during the shorter of the lease term and the useful life of the leased asset.

4.25 Construction in progress

1. Initial measurement of construction in progress

The construction in progress built by the company is priced at the actual cost. The actual cost consists of the necessary expenditures incurred before the construction of the asset reaches the expected usable state, including the cost of construction materials, labor costs, relevant taxes, and fees payable, Capitalized borrowing costs, and indirect costs that should be allocated.

2. Standards and time points for the transfer of construction in progress to fixed assets

Construction in progress projects are based on all the expenditures incurred before the construction of the asset reaches the expected usable state as the entry value of the fixed asset. If the construction in progress has reached the expected usable status, but the final accounts for completion have not yet been processed, from the date of reaching the expected usable status, it will be transferred to fixed assets at the estimated value based on the project budget, cost, or actual project cost. The depreciation of fixed assets is accrued according to the company's fixed asset depreciation policy. After the final accounts are completed, the original temporary estimated value is adjusted according to the actual cost, but the original depreciation amount is not adjusted.

4.26 Borrowing costs

4.26.1. Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred by the company can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs shall be recognized as expenses based on the amount incurred when they are incurred. Into the current profit and loss.

Assets that meet the conditions for capitalization refer to fixed assets, investment real estate, inventory, and other assets that require a long period of acquisition, construction or production activities to reach the intended use or sale status.

The capitalization of borrowing costs starts when the following conditions are met simultaneously:

(1) Asset expenditures have occurred, including expenditures in the form of paying cash, transferring non-cash assets, or assuming interest-bearing debts for the purchase, construction or production of assets that meet the capitalization conditions;

(2) Borrowing costs have incurred;

(3) The purchase, construction or production activities necessary for the asset to reach the expected usable or saleable state have started.

4.26.2 Period of capitalization of borrowing costs

The period of capitalization refers to the period from the point when the capitalization of borrowing costs starts to the point when capitalization is stopped. The period during which the capitalization of borrowing costs is suspended is not included.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease.

When part of the projects in the acquisition, construction or production of assets that meet the capitalization conditions are completed and can be used independently, the capitalization of the borrowing cost of the part of the asset shall cease.

If each part of the asset purchased, constructed or produced is completed separately but cannot be used or sold until the whole is completed, the capitalization of borrowing costs shall be stopped when the entire asset is completed.

4.26.3. Period of suspension of capitalization

If an abnormal interruption occurs during the acquisition, construction or production of an asset that meets the capitalization conditions, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended; if the interruption is the acquisition, construction or production meets the capitalization conditions If the assets reach the intended usable state or the necessary procedures for the saleable state, the borrowing costs continue to be capitalized. The borrowing costs incurred during the interruption period are recognized as the current profit and loss, and the borrowing costs continue to be capitalized until the acquisition, construction or production activities of the asset restart.

4.26.4. Calculation method of the capitalized amount of borrowing costs

Special borrowing interest expenses (deducting the interest income obtained by depositing unused borrowing funds in the bank or investment income obtained by making temporary investments) and auxiliary expenses shall be used when the purchased, constructed or produced assets that meet the capitalization conditions are ready for use or it is capitalized before it can be sold.

Calculate and determine the amount of interest that should be capitalized on the general borrowings based on the weighted average of the cumulative asset expenditures exceeding the portion of the special borrowings multiplied by the capitalization rate of the general borrowings used. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on loans, the number of discounts or premiums that should be amortized in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted.

4.27 Intangible assets and development expenditure

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company, including land use rights, patent rights, non-patent technologies, etc.

4.27.1 Initial measurement of intangible assets

The cost of outsourcing intangible assets includes the purchase price, relevant taxes, and other expenditures directly attributable to the asset's intended use. If the payment for the purchase of intangible assets is delayed beyond the normal credit conditions and is of the financing nature, the cost of the intangible assets is determined on the basis of the current value of the purchase price.

Debt restructuring obtains the intangible assets used by the debtor to repay the debts, determine its entry value based on the fair value of the intangible assets, and include the difference between the book value of the restructured debt and the fair value of the intangible assets used to repay the debt in the current period profit and loss.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the exchanged assets or the exchanged assets can be reliably measured, the intangible assets exchanged in the exchange of non-monetary assets are determined based on the fair value of the exchanged assets. , Unless there is conclusive evidence that the fair value of the assets exchanged in is more reliable; non-monetary asset exchanges that do not meet the above premises, the book value of the exchanged assets and the relevant taxes and fees payable are used as the cost of the exchanged intangible assets, and are not recognized profit and loss.

The book value of intangible assets acquired through the merger of enterprises under the same control shall be determined according to the book value of the merged party; the record value of the intangible assets acquired through the merger of enterprises not under the same control shall be determined at the fair value.

The cost of intangible assets developed internally includes materials used in the development of the intangible asset, labor costs, registration fees, amortization of other patents and franchises used in the development process, and interest expenses that meet the capitalization conditions, And other direct expenses incurred before the intangible asset reaches its intended use.

4.27.2 Subsequent measurement of intangible assets

The company analyzes and judges the service life of intangible assets when it obtains them and divides them into intangible assets with limited service life and uncertain service life.

(1) Intangible assets with limited service life

For intangible assets with limited service life, they are amortized on a straight-line basis during the period when they bring economic benefits to the enterprise. The expected life of intangible assets with limited useful life and the basis is as follows:

Item	Estimated service life (Years)	Basis
Software copyright	5-10	Benefit period
Land use rights	50	The specified period of the title certificate
Technology concession	1-5	Earning period
Financial software and others	5-10	Reasonably expected

At the end of each period, the service life and amortization method of intangible assets with a limited service life is reviewed, and if there is a difference with the original estimate, corresponding adjustments are made.

After rechecking, the useful life and amortization method of intangible assets at the end of the reporting period was not different from previous estimates.

4.27.3 The specific criteria for dividing the research phase and development phase of the company's internal research and development projects

Research stage: the stage of originally planned investigations and research activities to acquire and understand new scientific or technical knowledge, etc.

Development stage: Before commercial production or use, research results or other knowledge are applied to a certain plan or design to produce new or substantially improved materials, devices, products and other activities.

Expenditures in the research phase of internal research and development projects are included in the current profits and losses when they occur.

4.27.4. Expenditure in the development phase meets the specific criteria for capitalization

Expenditures in the development stage of internal research and development projects are recognized as intangible assets when the following conditions are met simultaneously:

(1) It is technically feasible to complete the intangible asset so that it can be used or sold;

(2) It has the intention to complete the intangible asset and use or sell it;

(3) The way intangible assets generate economic benefits, including the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, which can prove their usefulness;

(4) Sufficient technical, financial, and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset;

(5) The expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenditures in the development stage that do not meet the above conditions are included in the current profits and losses when they occur. Development expenditures that have been included in profit and loss in previous periods will not be re-recognized as assets in subsequent periods. Expenditures in the development phase that have been capitalized are listed as development expenditures on the balance sheet and are converted to intangible assets from the day when the project reaches its intended use.

4.28 Impairment of long-term assets

The company judges whether long-term assets may be impaired on the balance sheet date. If there are signs of impairment of long-term assets, estimate the recoverable amount on the basis of a single asset; if it is difficult to estimate the recoverable amount of a single asset, determine the recoverable amount of the asset group based on the asset group to which the asset belongs.

The estimate of the recoverable amount of the asset is determined based on the higher of its fair value minus the disposal expenses and the present value of the asset's expected future cash flow.

The measurement result of the recoverable amount shows that if the recoverable amount of the long-term asset is lower than its book value, the book value of the long-term asset is written down to the recoverable amount, and the written down amount is recognized as an asset impairment loss and included in the current profit and loss. At the same time, the corresponding asset impairment provision is made. Once an asset impairment loss is recognized, it cannot be reversed in a subsequent accounting period.

After the asset impairment loss is confirmed, the depreciation or amortization expenses of the impaired asset will be adjusted accordingly in the future so that the asset will be systematically amortized the book value of the adjusted asset (deducting the expected net residual value) during the remaining useful life of the asset.

Regardless of whether there are signs of impairment, the goodwill formed by business combinations and intangible assets with uncertain service life is tested for impairment every year.

When conducting an impairment test on goodwill, the book value of goodwill is allocated to the asset group or combination of asset groups that are expected to benefit from the synergies of the business combination. When performing an impairment test on a related asset group or combination of asset groups that contain goodwill, if there are signs of impairment for an asset group or combination of asset groups related to goodwill, first perform an asset group or combination of asset groups that do not contain goodwill Carry out an impairment test, calculate the recoverable amount, and compare it with the relevant book value to confirm the corresponding impairment loss. Then conduct an impairment test on the asset group or combination of asset groups that contain goodwill, and compare the book value of these related asset groups or combination of asset groups (including the book value of the allocated goodwill) with the recoverable amount, such as the related asset group or if the recoverable amount of the asset group combination is lower than its book value, the goodwill impairment loss is recognized.

4.29 Long-term deferred expenses

4.29.1Amortization method

Long-term deferred expenses refer to the various expenses that the company has incurred but should be borne by the current and subsequent periods with amortization period of more than one year. The long-term deferred expenses are amortized by the straight-line method during the benefit period.

4.30Employee compensation

Employee compensation refers to various forms of remuneration or compensation provided by the company for obtaining services provided by employees or terminating labor relations. Employee compensation includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits.

4.30.1 Short-term salary

Short-term remuneration refers to the employee remuneration that the company needs to pay in full within twelve months after the end of the annual reporting period in which employees provide related services, excluding post-employment benefits and dismissal benefits. The company recognizes the short-term salary payable as a liability during the accounting period when the employees provide services, and includes them in the relevant asset costs and expenses based on the beneficiaries of the services provided by the employees.

4.30.2 Post-employment benefits

Post-employment benefits refer to the various forms of remuneration and benefits provided by the company after employees retire or terminate labor relations with the company in order to obtain services provided by employees, except for short-term remuneration and dismissal benefits.

The company's post-employment benefit plans are classified into defined contribution plans and defined benefit plans.

The post-employment welfare setting deposit plan is mainly to participate in the social basic pension insurance and unemployment insurance organized and implemented by the labor and social security institutions in various places; during the accounting period when the employees provide services to the company, the payables will be calculated according to the set deposit plan The deposited amount is recognized as a liability and included in the current profit and loss or the cost of related assets.

After the company pays the above payments regularly in accordance with the national standards and annuity plans, there will be no other payment obligations.

4.30.3 Dismissal benefits

Termination benefits refer to the company's termination of the labor relationship with employees before the expiration of the employee's labor contract, or compensation to employees to encourage employees to voluntarily accept reductions, and confirm when the company cannot unilaterally withdraw the labor relationship termination plan or reduction proposal When the costs and expenses related to the restructuring involving the payment of dismissal benefits are paid, whichever is earlier, the liabilities arising from compensation for the termination of the labor relationship with the employees shall be recognized and included in the current profits and losses.

4.30.4 Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term remuneration, post-employment benefits, and dismissal benefits.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period when the employee provides services to the company, the amount of the deposit shall be recognized as a liability and included in the current profit and loss or the cost of related assets.

4.31 Estimated liabilities

4.31.1 Recognition standard of estimated liabilities

When the obligations related to contingencies meet the following conditions at the same time, the company recognizes as estimated liabilities:

This obligation is the current obligation assumed by the company;

Fulfilling this obligation is likely to cause economic benefits to flow out of the company;

The amount of this obligation can be measured reliably.

4.31.2 Measurement method of estimated liabilities

The company's estimated liabilities are initially measured based on the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the company comprehensively considers factors such as risks, uncertainties and time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined after discounting the relevant future cash outflows.

The best estimates are handled in the following situations:

If there is a continuous range (or interval) for the required expenditures, and the probability of occurrence of various results within this range is the same, the best estimate is determined according to the middle value of the range, that is, the average of the upper and lower limits.

There is no continuous range (or interval) for the required expenditure, or although there is a continuous range but the possibility of various results within the range is not the same, if the contingency involves a single item, the best estimate is based on the most The amount that may occur is determined; if the contingency involves multiple items, the best estimate is calculated and determined based on various possible outcomes and related probabilities.

If all or part of the expenditures required by the company to settle the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the confirmed compensation amount shall not exceed the book value of the estimated liability.

4.32 Share payment

4.32.1 Types of share-based payment

The company's share-based payment is divided into equity-settled share-based payment and cash-settled share-based payment.

4.32.2How to determine the fair value of equity instruments

For equity instruments such as options granted in an active market, their fair value is determined based on the quoted prices in the active market. For equity instruments such as options for which there is no active market, the fair value is determined using option pricing models. The selected option pricing model takes into account the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3)) The current price of the underlying stock; (4) The expected volatility of the stock price; (5) The expected dividend of the stock; (6) The risk-free interest rate during the validity period of the option.

When determining the fair value of the equity instrument on the grant date, the influence of market conditions and non-vesting conditions in the vesting conditions stipulated in the share-based payment agreement shall be considered. If there are non-vesting conditions for share-based payment, as long as the employees or other parties meet all the non-market conditions (such as service period, etc.) in the vesting conditions, the costs and expenses corresponding to the services have been confirmed.

4.32.3 Basis for determining the best estimate of exerciseable equity instruments

At each balance sheet date during the waiting period, the best estimate is made based on the latest obtained follow-up information such as the change in the number of vested employees, and the number of equity instruments expected to be vested is revised. On the vesting date, the final estimated number of vesting equity instruments is consistent with the actual vesting number.

4.32.4. Accounting treatment method

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. If the right can be exercised immediately after the grant, the fair value of the equity instrument shall be included in the relevant costs or expenses on the date of grant, and the capital reserve shall be increased accordingly. If the right is only exercised after the completion of the waiting period services or the achievement of the prescribed performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the number of vesting equity instruments, the fair value of the equity instrument grant date Value, including the services obtained in the current period into relevant costs or expenses and capital reserves. No adjustments will be made to the confirmed related costs or expenses and the total owner's equity after the vesting date.

Cash-settled share-based payment shall be measured at the fair value of the liability calculated and determined on the basis of shares or other equity instruments undertaken by the company. If the right can be exercised immediately after the grant, the fair value of the liabilities assumed by the company shall be included in the relevant costs or expenses on the date of grant, and the liabilities shall be increased accordingly. For cash-settled share-based payments that can only be exercised after the completion of the waiting period services or meeting the specified performance conditions, at each balance sheet date during the waiting period, based on the best estimation of the exercise The fair value amount of the company's liabilities, the services obtained in the current period are included in costs or expenses and corresponding liabilities. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is remeasured, and the changes are included in the current profit and loss.

If the granted equity instrument is cancelled during the waiting period, the company will treat the cancellation of the granted equity instrument as an accelerated exercise, and the amount that should be confirmed during the remaining waiting period is immediately included in the current profit and loss, and the capital reserve is confirmed. If employees or other parties can choose to meet the non-exercising conditions but have not met within the waiting period, the company will treat them as cancellation of granted equity instruments.

4.33 Revenue(Applicable before 31 December 2019)

4.33.1 The specific criteria for determining the time of sales of goods revenue

The company has transferred the main risks and rewards of the ownership of the goods to the buyer; the company neither retains the right to continue management related to the ownership, nor does it effectively control the sold goods; the amount of income can be reliably measured; The related economic benefits of the company are likely to flow into the enterprise; when the related costs incurred or to be incurred can be reliably measured, the realization of the sales revenue of the goods is confirmed.

In the confirmation of the company's product sales revenue, domestic sales are based on the sales department obtaining the customer's sales order through bidding. The product delivery department delivers the goods according to the terms agreed in the contract. The technical department provides technical services such as product commissioning, trial operation and acceptance as required. Customer acceptance or after reconciliation without acceptance, the sales department handles product handover procedures with the customer to obtain a product acceptance report or statement. The company confirms revenue after obtaining the user acceptance report or statement. For export, the company has declared the product for export according to the contract (some products have also obtained customer acceptance documents), since the amount of product sales income has been determined, the receipt of payment has been recovered or obtained, the relevant economic interest is likely to flow in, and the product-related costs can be measured reliably.

The company's service business income (except training income) is recognized according to the percentage of completion method: first estimate the total cost (expense) of the service contract, and then confirm the income based on the proportion of the actual contract expenses to the estimated expenses. If the result of the labor service transaction cannot be reliably estimated, the labor service income that has been incurred and is expected to be compensated shall be used to confirm the labor service income provided, and the labor service cost incurred shall be regarded as the current expense. If the labor cost incurred is not expected to be compensated, no revenue will be recognized.

The company's training service business income is recognized in accordance with the straight-line method based on the service period and amount agreed in the training contract. According to the service period and estimated service cost agreed in the training contract, the labor cost shall be carried forward according to the straight-line method. Commissions and other service income are recognized in service and provision, and invoices are issued after the service payment is obtained. Related service costs can be reliably measured.

The collection of the contract or agreement price adopts a deferred method, and if it is of financing nature in essence, the amount of income from the sale of goods shall be determined according to the fair value of the contract or agreement price receivable.

4.33.2 The basis for confirming the income from the transfer of asset use rights

When the economic benefits associated with the transaction are likely to flow into the enterprise, and the amount of income can be reliably measured. Determine the amount of income from the transfer of asset use rights in the following situations:

(1) The amount of interest income is calculated and determined in accordance with the time and actual interest rate of the company's monetary funds used by others.

(2) The amount of royalty income is calculated and determined in accordance with the charging time and method agreed in the relevant contract or agreement.

4.33.3 Recognition basis and method of labor income

If the result of the labor service transaction provided on the balance sheet date can be reliably estimated, the percentage of completion method shall be adopted to confirm the labor service income. The completion progress of the labor service transaction is determined based on the measurement of the completed work.

The result of the labor service transaction can be reliably estimated, which means that the following conditions are met at the same time:

(1) The amount of income can be reliably measured;

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

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

(4) The costs incurred and incurred in the transaction can be reliably measured.

The total amount of income from the provision of labor services shall be determined in accordance with the price of the contract or agreement received or receivable, unless the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total labor service income is multiplied by the completion progress after subtracting the accumulated labor service income in the previous accounting period to confirm the labor service income in the current period; at the same time, the estimated total labor service cost multiplied by the completion progress is deducted from the previous accounting period. The amount after the labor service cost has been confirmed shall be carried forward to the current labor cost.

If the results of labor services provided on the balance sheet date cannot be reliably estimated, the following situations shall be handled respectively:

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

(2) If the labor cost incurred is not expected to be compensated, the labor cost incurred is included in the current profit and loss, and the labor service income is not recognized.

The company's contract or agreement with other companies includes when selling goods and providing labor services, the sales of goods and the provision of labor services can be distinguished and can be measured separately. The sales of goods shall be treated as sales of goods, and the labor services shall be treated as providing labor. If the part of goods sold and the part of labor services cannot be distinguished, or although they can be distinguished but cannot be measured separately, the part of goods sold and the part of labor services are all treated as sales of goods.

4.33.4. Asset transfer with repurchase conditions

When the company sells products or transfers other assets, it signs a repurchase agreement for the sold products or transfer assets with the purchaser, and determines whether the sales of goods meet the income recognition conditions according to the terms of the agreement. If the after-sales repurchase is a financing transaction, the company does not recognize sales revenue when delivering products or assets. For the difference between the repurchase price and the sales price, the interest will be accrued during the repurchase period and included in the financial costs.

4.34 Revenue (applicable since January 1, 2020)

4.34.1 Revenue recognition principles and measurement methods.

The Group has fulfilled its performance obligations in the contract, that is, revenue is recognized when the customer obtains control of the relevant products.

If the contract contains two or more performance obligations, the Group will allocate the transaction price to each individual performance obligation according to promise of each person about the relative proportion of the stand-alone selling price of the goods. And the transaction price of the performance obligation measures revenue.

(1) Determine the transaction price

The transaction price is the amount of consideration that the Group expects to be entitled to receive due to the transfer of goods to customers, excluding payments collected on behalf of third parties.

(a) Stand-alone selling price refers to the price at which the Group sells goods or services separately to customers. If the stand-alone selling price cannot be directly observed, the Group comprehensively considers all the relevant information that can be reasonably obtained, and uses observable input values to the greatest extent to estimate the stand-alone selling price.

(b) Variable consideration: When determining the transaction price, if there is variable consideration in the contract, the Group determines the best estimate of the variable consideration based on the expected value or the most likely amount. The transaction price including the variable consideration shall not exceed the amount at which the accumulated confirmed revenue will most likely not undergo a significant reversal when the relevant uncertainty is eliminated.

(c) Significant financing component: If there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer assumes 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 starting date of the contract, if the Group expects that the customer obtains control of the goods or services and the customer pays the price within one year, the Group does not consider the financing component.

(d) Consideration payable to customers: If there is a consideration payable to customers in the contract, unless the consideration is to obtain other clearly distinguishable goods or services from the customer, the Group will offset the consideration payable against the transaction price and confirm the relevant revenue and payment (or promise to pay) the customer's consideration when the two is later to offset the current income.

(e) Non-cash consideration: If a customer pays a non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the fair value of the non-cash consideration cannot be reasonably estimated, the Group determines the transaction price indirectly with reference to the stand-alone selling price of the goods or services promised to transfer to the customer.

(2) Performance obligations performed within a certain period of time

If the group meets one of the following conditions, it belongs to the performance obligations within a certain period of time, otherwise, it belongs to the performance obligations at a certain point in time:

(A) The customer obtains and consumes the economic benefits brought by the performance of the contract at the same time as the performance of the contract by the group.

(B) Customers are able to control the products under construction during the performance of the Group.

(C) The goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the cumulative performance part that has been completed so far during the entire contract period.

If the performance obligation is performed within a certain period of time, the Group recognizes revenue according to the progress of the performance. Otherwise, the Group recognizes revenue at a certain point when the customer obtains control of the relevant product.

For performance obligations performed within a certain period of time, the Group recognizes revenue in accordance with the performance progress during that period. However, unless the performance progress cannot be reasonably determined, the Group considers the nature of the goods and adopts the output method or the input method to determine the appropriate progress of performance. The output method is mainly to determine the performance progress based on the value of the goods that have been transferred to the customer to the customer. The input method is to determine the progress of the performance by the group's investment in fulfilling the performance obligations. When the information required by the output method may not be directly obtained through observation, or when a high cost is needed to obtain this information, the input method can be used.

When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined.

(3) Performance obligations performed at a certain point in time

For performance obligations performed at a certain point in time, the Group recognizes revenue at the contract price when the customer obtains control of the relevant product. When judging whether the customer has obtained control, the Group will consider the following signs:

(A) The enterprise has the current right to receive payment for the product, that is, the customer has the current payment obligation for the product.

(B) The company has transferred the legal ownership of the product to the customer, that is, the customer has the legal ownership of the product.

(C) The company has transferred the goods to the customer in kind, that is, the customer has taken possession of the goods in kind.

(D) The enterprise has transferred the main risks and rewards of the ownership of the goods to the customers, that is, the customers have obtained the main risks and rewards of the ownership of the goods.

(E) The customer has accepted the product.

(F) Other signs that the customer has obtained control of the product.

4.34.2 Main responsible person and agent

The Group judges whether it is the main responsible person or the agent when it engages in the transaction based on whether it has control over the product before transferring it to the customer.

If the product can be controlled before the transfer of the product to the customer, the group is the main responsible person, and the income is recognized according to the total amount received or the consideration; otherwise, it is the agent, and the revenue is recognized according to the expected commission or handling fee. It is determined according to the net amount of the total consideration received or receivable after deducting the price paid to other related parties, or according to the established commission amount. The circumstances under which the Group judges that it can control the product before transferring it to the customer include:

(A) After the Group obtains the control rights of commodities or other assets from a third party, then transfer them to customers.

(B) The Group can lead a third party to provide services to customers on behalf of the Group.

(C) After the Group obtains control of the product from a third party, it provides significant services and integrates the product with others into a set of outputs and transfers it to customers.

4.34.3 The specific method of revenue recognition

On the premise that revenue and costs can be reliably measured, network optimization and network maintenance businesses will recognize revenue and carry-over costs in accordance with the progress of contract performance, and take the proportion of labor services provided to the total labor services to be provided as the progress of contract performance.

In the confirmation of the company's product sales revenue, domestic sales are based on the sales department obtaining the customer's sales order through bidding. The product delivery department delivers the goods according to the terms agreed in the contract. The technical department provides technical services such as product commissioning, trial operation and acceptance as required. Customer acceptance or after reconciliation without acceptance, the sales department handles product handover procedures with the customer to obtain a product acceptance report or statement. The company confirms revenue after obtaining the user acceptance report or statement. For export, the company has declared the product for export in accordance with the contract (some products have also obtained customer acceptance documents), and the amount of product sales income has been determined, the receipt of payment has been recovered or obtained, and the relevant economic interest is likely to flow in, and the product-related costs can be Measure reliably.

The company's training service business income is recognized in accordance with the straight-line method based on the service period and amount agreed in the training contract. According to the service period and estimated service cost agreed in the training contract, the labor cost shall be carried forward according to the straight-line method. Commissions and other service incomes are recognized in service and provision, and invoices are issued after the service payment is obtained. Related service costs can be reliably measured.

4.35 Government subsidies

4.35.1 Type

Government grants are monetary and non-monetary assets obtained by the company from the government free of charge. According to the subsidies specified in relevant government documents, government subsidies are divided into government subsidies related to assets and government subsidies related to income.

For government grants that are not specified in government documents, the company categorizes government grants related to assets or government grants related to income according to the actual subsidy objects. For the relevant judgment basis, please refer to Note 6 of this financial statement for deferred income/non-operating ,other income Notes for income items.

Government subsidies related to assets refer to government subsidies obtained by the company for purchase and construction or to form long-term assets in other ways. Government subsidies related to income refer to government subsidies other than government subsidies related to assets.

4.35.2 Confirmation of government subsidies

If there is evidence at the end of the period that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy shall be recognized according to the amount receivable. In addition, government subsidies are confirmed when they are actually received.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable. If a government grant is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained reliably, it shall be measured at its nominal amount (RMB 1). Government subsidies measured at their nominal amounts are directly included in the current profits and losses.

4.35.3 Accounting treatment method

The company determines whether a certain type of government subsidy business should adopt the gross method or the net method for accounting treatment based on the essence of economic business. Under normal circumstances, the company only chooses one method for similar or similar government-subsidized businesses, and uses that method consistently for that business.

Government subsidies related to assets should be offset from the book value of related assets or recognized as deferred income. If government subsidies related to assets are recognized as deferred income, they shall be included in profit and loss in installments in accordance with a reasonable and systematic method during the useful life of the constructed or purchased assets.

Government subsidies related to income that are used to compensate the related expenses or losses of the enterprise in the subsequent period are recognized as deferred income, and are included in the current profit and loss during the period when the related expenses or losses are recognized or used to offset related costs; used to compensate the enterprise incurred If the related expenses or losses are obtained, they shall be directly included in the current profit and loss or offset the related costs.

Government subsidies related to the daily activities of the enterprise are included in other income or to offset related costs; government subsidies not related to the daily activities of the enterprise are included in the non-operating income and expenditure.

Receipt of government subsidies related to policy-based preferential loan interest discounts to offset related borrowing costs; for obtaining policy-based preferential interest rate loans provided by the lending bank, the actual received loan amount is used as the entry value of the loan, in accordance with the loan principal and the policy Relevant borrowing costs are calculated with preferential interest rates.

When the confirmed government subsidy needs to be returned, if the book value of the relevant asset is offset at the initial recognition, the book value of the asset is adjusted; if there is a relevant deferred income balance, the book balance of the relevant deferred income is offset, and the excess is included in the current profit and loss; not If there is related deferred income, it shall be directly included in the current profit and loss.

4.36Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and confirmed based on the difference (temporary difference) between the tax base of assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when the asset is expected to be recovered or the liability is settled.

4.36.1 Basis for confirming deferred income tax assets

The company is likely to obtain the taxable income that can be used to offset the deductible temporary differences, the deferred tax assets which come from deductible losses and the tax deductions that can be carried forward in future years, and confirm the deductible temporary differences. Deferred tax assets. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions that also have the following characteristics are not recognized: (1) The transaction is not a business combination; (2) When the transaction occurs, it neither affects accounting profits nor affects Taxable income may be deductible for losses.

For deductible temporary differences related to investment in associates, and the following conditions are met at the same time, the corresponding deferred income tax assets are recognized: temporary differences are likely to be reversed in the foreseeable future, and gain the taxable income that can be deducted for the deductible temporary differences in the future.

4.36.2 Basis for confirming deferred income tax liabilities

The company recognizes the taxable temporary difference between the current period and the previous period as deferred income tax liabilities. But not including:

(1) Temporary differences formed by the initial recognition of goodwill;

(2) A transaction or event that is not formed by a business combination, and when the transaction or event occurs, it neither affects accounting profits, nor does it affect the temporary difference formed by taxable income (or deductible losses);

(3) For taxable temporary differences related to investment in subsidiaries and associates, the time for the reversal of the temporary differences can be controlled and the temporary differences may not be reversed in the foreseeable future.

4.37 Lease

If the lease clause essentially transfers all risks and rewards related to the ownership of the leased asset to the lessee, the lease is a financial lease, and other leases are operating leases。

4.37.1 Operating lease accounting

(1) Operating leased assets

The lease fee paid by the company for rented assets shall be amortized on a straight-line basis during the entire lease period without deducting the rent-free period and included in the current expenses. The initial direct expenses related to the lease transaction paid by the company shall be included in the current expenses.

When the asset lessor bears the lease-related expenses that should be borne by the company, the company deducts this part of the expenses from the total rent, and the deducted rent expenses are amortized during the lease term and included in the current expenses.

(2) Operating leased assets

The lease fee charged by the company for renting assets is amortized on a straight-line basis during the entire lease period without deducting the rent-free period and recognized as lease income. The initial direct expenses paid by the company and related to the lease transaction shall be included in the current expenses; if the amount is large, it shall be capitalized and included in the current income in installments based on the same basis as the recognition of lease income during the entire lease period.

When the company bears the lease-related expenses that should be borne by the lessee, the company deducts this part of the expenses from the total rental income, and distributes the deducted rental expenses during the lease term.

4.37.2 Financial lease accounting

(1) Financially leased assets: The company will take the lower of the fair value of the leased asset and the present value of the minimum lease payment as the entry value of the leased asset on the start date of the lease, and the minimum lease payment as entry value of the long-term payble , and the difference as unrecognized financing expenses. Refer to Note 4/(24) Fixed Assets for the identification basis, valuation and depreciation methods of finance leased assets.

The company uses the effective interest method to amortize unrecognized financing expenses during the asset lease period and include them in financial costs.

(2) Financially leased assets: The company recognizes the financial lease receivables and the difference between the sum of the unguaranteed residual value and its present value as unrealized financing income on the lease start date, and it is recognized as lease income during each period when the rent is received in the future. The company's initial direct expenses related to the lease transaction, are included in the initial measurement of the financial lease receivable and the amount of income recognized during the lease period is reduced.

4.38 Termination of operation

The company will recognize the separately distinguishable components that meet one of the following conditions and the component has been disposed of or classified as held for sale as a discontinued business component:

(1) This component represents an independent main business or a separate main business area.

(2) This component is part of a related plan to dispose of an independent main business or a separate main business area.

(3) This component is a subsidiary acquired exclusively for resale.

Operational gains and losses such as impairment losses and reversal amounts and disposal gains and losses from discontinued operations are listed in the income statement as discontinued operation gains and losses.

4.39 Explanation of changes to items presented in financial statements

On April 30, 2019, the Ministry of Finance issued the "Notice on Revising and Issuing the Format of General Corporate Financial Statements for 2019" (Cai Kuai [2019] No. 6), which revised the format of general corporate financial statements and split some balance sheets items and adjusted income statement items, etc. The company has prepared financial statements in accordance with the requirements of the new corporate financial statement format. And if the presentation items of the financial statements changed due to that, the comparative data during the period would be adjusted according to the "Accounting Standards for Business Enterprises No. 30-Financial Statement Presentation" and other relevant regulations to compare comparable

The impact on the items and amounts presented in the financial statements for the comparable period is as follows:

Listed item	31 December 2018 Amount before reporting change	Impact amount	31 December 2018 Amount after reporting change	Note
Bill receivable	---	42,165,235.27	42,165,235.27	---
Accounts receivables	---	621,841,359.11	621,841,359.11	---
Notes and accounts receivables	664,006,594.38	-664,006,594.38	---	---
Bills payable	---	46,004,181.77	46,004,181.77	---
Accounts payables	---	143,885,422.68	143,885,422.68	---
Notes payables and accounts payables	189,889,604.45	-189,889,604.45	---	---

4.40 Changes in important accounting policies and accounting estimates

4.40.1 Changes in accounting policies

The company will implement the revised "Accounting Standards for Business Enterprises No. 7-Exchange of Non-monetary Assets" from June 10, 2019, and implement the revised "Accounting Standards for Business Enterprises No. 12" from June 17, 2019. -debt reorganization". This accounting policy change is handled by the future application method, and the non-monetary asset exchange and debt restructuring that occurred between 1 January 2019 and the implementation date of the standard are adjusted in accordance with the provisions of the standard. The company's first implementation of this standard has no impact on the financial statements.

The company has implemented the "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets" and "Accounting Standards for Business Enterprises No. 24-Hedging Accounting, "Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments" (the above four items are collectively referred to as the <New Financial Instruments Standards>), and the revised accounting policies are detailed in Note 4.

（1）The impact of the implementation of the new financial instrument standards on the company

Since January 1, 2020, the company has implemented the "Accounting Standards for Business En terprises No. 14-Revenue" revised by the Ministry of Finance in 2017. For the changed accounting pol icies, please refer to Note 4 The impact of the implementation of the new financial instrument standards on the company.

If the recognition and measurement of financial instruments before 1 January 2019 are inconsistent with the requirements of the new financial instrument standards, the company will make adjustments in accordance with the requirements of the new financial instrument standards. In the case of inconsistencies between the previous comparative financial statement data and the new financial instrument standards, the company has not adjusted the comparable period information. The difference between the original book value of the financial instrument and the new book value on the effective date of the new financial instrument standard is included in the retained earnings or other comprehensive income on 1 January 2019.

The impact of the implementation of the new financial instrument standards on the relevant items of the balance sheet at the beginning of the period is listed below:

Item	31 December 2018	Cumulative impact amount			1 January 2019
		Classification and measurement impact	Impact of financial asset impairmen	Subtotal	
Bill receivable	42,165,235.27	---	-2,052,661.17	-2,052,661.17	40,112,574.10

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Item	31 December 2018	Cumulative impact amount			1 January 2019
		Classification and measurement impact	Impact of financial asset impairmen	Subtotal	
Accounts receivables	621,841,359.11	---	---	---	621,841,359.11
Available for sale financial assets	12,000,000.00	-12,000,000.00	---	-12,000,000.00	---
Investment in other equity instruments	---	11,000,000.00	---	11,000,000.00	11,000,000.00
Other non-current financial assets	---	1,000,000.00	---	1,000,000.00	1,000,000.00
Deferred tax assets	39,093,667.64	---	307,899.18	307,899.18	39,401,566.82
Total assets	715,100,262.02	---	-1,744,761.99	-1,744,761.99	713,355,500.03
Total liabilities	---	---	---	---	---
Surplus reserve	61,461,678.97	---	---	---	61,461,678.97
Undistributed profit	557,317,053.09	---	-1,744,761.99	-1,744,761.99	555,572,291.10
Total owners' equity	618,778,732.06	---	-1,744,761.99	-1,744,761.99	617,033,970.07

Note: The above table only presents the affected financial statement items, and the unaffected financial statement items are not included. Therefore, the disclosed subtotals and totals cannot be recalculated based on the figures presented in the above table.

(2)The impact on the implementation of the new revenue standard on the consolidated balance sheet on 31 December 2019,is shown as follows:

Presentation item	31 December 2019 Amount before presentation change ,	Amount Affected	January 1, 2020 Amount after reporting changes Remarks	Notes
Advance payment	82,467,151.27	-82,467,151.27	---	---
Contract liabilities	---	75,542,418.77	75,542,418.77	---
Other current liabilities	---	6,924,732.50	6,924,732.50	---

(3)The impact on the implementation of the new revenue standard on the consolidated balance

sheet on 31 December 2020,is shown as follows:

Presentation item	The amount of financial statements	Assume initial standard is applied	Amount Affected	Notes
Accounts receivables	576,789,749.36	578,022,670.76	-1,232,921.40	---
Contract assets	1,232,921.40	---	1,232,921.40	---
Total assets	578,022,670.76	578,022,670.76	---	---
Advance payment	---	76,984,827.70	-76,984,827.70	---
Contract liabilities	70,715,889.57	---	70,715,889.57	---
Other current liabilities	6,268,938.13	---	6,268,938.13	---
Total liabilities	76,984,827.70	76,984,827.70	---	---

4.40.2 Accounting estimate changes

There was no change in major accounting estimates during the reporting period.

5. TAXTION

5.1 The company's main taxes and tax rates

Tax Type	Tax Calculation Basis	Tax Rate	Notes
Value added tax.	Domestic sales; provide processing, repair and repair services; and import goods; provide tangible movable property leasing services	Before 1st May, 2018, 17% After 1st May, 2018, 16% After 1st April, 2019, 13%	Note 1
	Real estate leasing services, sale of real estate, transfer of land use rights	Before 1st May, 2018, 11% After 1st May, 2018, 10% After 1st April, 2019, 9%	Note 1
	Other taxable sales services	6%	
	Simple tax calculation method	5% or 3%	
Urban maintenance and construction tax	Turnover tax paid	7%, 5%, 1%	
Corporate income tax	Taxable income	15%, 16.5%, 20%, 25%	Note 2
House property tax	70% of the original value of the property (or rental income) as the tax base	1.2% or 12%	

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Note 1: According to the "Notice on Adjusting Value-Added Tax Rates" (Caishui [2018] No. 32) issued by the Ministry of Finance and the State Administration of Taxation, the company happened in VAT taxable sales or imported goods since May 1, 2018. Where the original tax rates of 17% and 11% were applied, the tax rates were adjusted to 16% and 10% respectively.

According to the "Announcement on Deepening the Relevant Policies of Value-added Tax Reform" (Announcement No. 39, 2019) of the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs, the company is effective from April 1, 2019. In the event of VAT taxable sales or imported goods, where the original tax rates of 16% and 10% were applied, the tax rates were adjusted to 13% and 9% respectively.

Note 2: According to the "Notice on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises" (Caishui [2019] No. 13) by the Ministry of Finance and the State Administration of Taxation, in order to implement the decisions and deployments of the Party Central Committee and the State Council and further support the development of small and micro enterprises The relevant matters concerning the implementation of the inclusive tax reduction and exemption policy for small and micro enterprises are hereby notified as follows: (1) Small-scale VAT taxpayers with monthly sales of less than 100,000 yuan (including the amount) are exempted from VAT. (2) For the part of small and low-profit enterprises whose annual taxable income does not exceed 1 million yuan, 25% shall be included in the taxable income, and the corporate income tax shall be paid at the tax rate of 20%; for the annual taxable income exceeding 1 million yuan However, the part not exceeding RMB 3 million shall be included in the taxable income at a reduced rate of 50% and the corporate income tax shall be paid at the tax rate of 20%.

Explanation of income tax rates for different taxpayers：

Tax subject name	Income tax rate
Dingli Corp., Ltd.	15%
Guangzhou Beixun Communication Technology Co., Ltd.	15%
Chengdu ZhiChang information technical development Co.Ltd.	15%

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DingLi communication technology(HongKong) Co.,LTD	16.5%
ESIMTECHNOLOGYLTD	16.5%
Esim Technology Ltd.	15%
Tibet YunZaiXian Information Technology Co.,Ltd.	15%
Jilin Jizhi Factory Information Technology Co., Ltd.	15%
Chengdu ZhiHui Factory Information Technology Co.,Ltd.	15%
Shanghai ShiJiDingLi education Technology Co.,Ltd.	15%
SiChuan ShiJiDingLi education technology Co.,Ltd.	20%
Beijing Shiyuan Xintong Technology Co.,Ltd.	20%
Taxpayers other than the above	25%

5.2Preferential tax policies and basis

1、On December 11, 2017, the company was recognized as a high-tech enterprise by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance, Guangdong Provincial State Taxation Bureau, and Guangdong Provincial Local Taxation Bureau (High-tech Enterprise Certificate Number: GR201744009717). From 2017 to 2019, corporate income tax is calculated and paid at a tax rate of 15%. The company is in the list of high-tech recognized enterprises. As of the audit report date, the high-tech enterprise certificate has not been obtained. In 2020, corporate income tax will be calculated and paid at a tax rate of 15%.

2、On November 9, 2017, Guangzhou Beixun Communication Technology Co., Ltd. (hereinafter referred to as Guangzhou Beixun Company) was recognized as a high-tech by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance, Guangdong Provincial Bureau of Taxation, and Guangdong Provincial Local Taxation Bureau Enterprise (High-tech Enterprise Certificate Number: GR201744000228). From 2017 to 2019, corporate income tax is calculated and paid at a tax rate of 15%. Guangzhou Beixun Company is in the list of high-tech recognized enterprises. As of the audit report date, the high-tech enterprise certificate has not been obtained. In 2020, corporate income tax will be calculated and paid at a tax rate of 15%.

3、On September 14, 2018, Chengdu Zhichang Information Technology Development Co., Ltd. was recognized as a high-tech enterprise by the Sichuan Provincial Department of Science and Technology, the Sichuan Provincial Department of Finance and the Sichuan Provincial State Taxation Bureau (High-tech Enterprise Certificate Number: GR201851000352). From 2018 to 2020, the company pays corporate income tax at a tax rate of 15%

4、On September 23, 2019, Tibet YunZaiXian Information Technology Co.,Ltd. was recognized as a high-tech enterprise by the Tibet Autonomous Region Science and Technology Department, the Tibet Autonomous Region Finance Department and the Tibet Autonomous Region State Taxation Bureau (the high-tech enterprise certificate number is GR201954000004). From 2019 to 2021, its annual corporate income tax is calculated and paid at a tax rate of 15%.

According to the Tibet Autonomous Region People's Government "Notice on Printing and Distributing Several Provisions on Preferential Policies for Investment Promotion in the Tibet Autonomous Region (Trial)" (Zang Zheng Fa [2018] No. 25), Tibet YunZaiXian Information Technology Co.,Ltd. complies with the relevant provisions of Article Six of Zang Zheng Fa [2018]No.25. From 1 January 2018 to December 31, 2021, the local share of corporate income tax is exempted.

5、On November 28, 2019, Chengdu Zhihui Workshop Information Technology Co., Ltd. was recognized as a high-tech enterprise by the Sichuan Provincial Department of Science and Technology, Sichuan Provincial Department of Finance, and Sichuan Provincial Taxation Bureau of the State Administration of Taxation (High-tech Enterprise Certificate Number: GR201951001853). From 2019 to 2021, corporate income tax is calculated and paid at a tax rate of 15%.

6、On September 25, 2017, Jilin Jizhi Workshop Information Technology Co., Ltd. was recognized as a high-tech enterprise by the Jilin Provincial Department of Science and Technology, Jilin Provincial Department of Finance, Jilin Provincial State Taxation Bureau, and Jilin Provincial Local Taxation Bureau (High-tech Enterprise Certificate No.: GR201722000132). From 2017 to 2019, corporate income tax was calculated and paid at a tax rate of 15%.

7、According to the Shanghai Municipality's 2020 second batch of high-tech recognized companies, Shanghai ShiJiDingLi education Technology Co.,Ltd. is on the list of high-tech recognized companies.

As of the audit report date, the high-tech enterprise certificate has not been obtained. In 2020, corporate income tax was calculated and paid at a tax rate of 15%.

8、On November 23, 2017, Esim Technology Ltd.(hereinafter referred to as Esim Company) was recognized as a high-tech enterprise by the Shanghai Municipal Science and Technology Commission, the Shanghai Municipal Finance Bureau, the Shanghai State Taxation Bureau, and the Shanghai Local Taxation Bureau (Certificate number of high-tech enterprise: GR201731002462). From 2017 to 2019, corporate income tax is calculated and paid at a tax rate of 15%.

According to Shanghai's 2020 notification of the first batch of high-tech recognized enterprises, Esim Technology Ltd.is on the list of high-tech recognized companies. As of the audit report date, the high-tech enterprise certificate has not been obtained. In 2020, corporate income tax will be calculated and paid at a tax rate of 15%.

9、According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Value-Added Tax Policy for Software Products" (Caishui (2011) No. 100), the company sells software products and the actual VAT burden exceeds 3%. Part of them have the preferential policy of immediate refund benefits from January 1, 2011.

6.NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in yuan unless otherwise stated)

6.1 · Bank balance and cash

Item	31 December 2020	31 December 2019	31 December 2018
Cash on hand	9,245.81	113,847.36	48,696.02
Bank balances	265,336,871.92	323,716,450.84	360,008,398.56
Other monetary funds	61,460,664.72	55,653,348.82	53,594,893.45
Interest accrued but not due	679,500.00	828,000.00	---
Total	327,486,282.45	380,311,647.02	413,651,988.03
Including: Total amount deposited in foreign countries	25,686,161.99	39,478,107.22	22,011,089.57

During the reporting period, the company does not have frozen or potentially recoverable funds.

The details of the restricted funds are as following listed：

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Item	31 December 2020	31 December 2019	31 December 2018
Bank acceptance deposit	17,926,357.10	9,202,313.98	15,741,915.63
Performance bond	4,531,713.55	2,162,442.96	3,346,632.39
Pledge of Certificate of Deposit	37,891,488.00	46,656,000.00	34,500,000.00
Guarantee deposits	---	8,124,435.46	---
Interest accrued but not due	679,500.00	828,000.00	---
Credit premium	1,107,649.98	---	---
Total	62,136,708.63	66,973,192.40	53,588,548.02

Others:

(1)As of 31 December 2018, CNY3,346,632.39 of other currency funds is the performance bond and CNY15,741,915.63 is the bank acceptance bill bond, all of which are restricted in use. Among other currency funds，CNY34,500,000.00 is pledged by the time deposit certificate, which is the loan of Shanghai Yidu Business Consulting Co., Ltd. from Xuhui Branch of Bank of Shanghai Co., Ltd. and the pledge quarantee of CNY3.0 million borrowings from Shanghai Meidu Management Consulting Co., Ltd. from Xuhui Branch of Bank of Shanghai Co., Ltd. limited use. Among other currency funds, CNY6,345.43 is the funds deposited in the third-party payment platform account, and the use is not restricted.

(2)As of 31 December 2019, the company pledged the time deposit certificate of CNY34,500,000.00 to Bank of Shanghai Co., Ltd. Xuhui Sub-branch in order to provide pledge for the short-term loans of Meidu Company, and provide guarantee for Shanghai Yidu Business Consulting Co., Ltd. The fixed deposit used for guarantee increased by CNY 1,656,000 in the current period, which is the interest settled by the certificate of deposit and is automatically converted into restricted currency funds for guarantee. As of 31 December 2019, the guarantee balance is CNY28,450,000, and the guarantee period is from March 24, 2016 to March 24, 2022.

The company pledged the time deposit certificate of CNY 10,500,000.00 to Guangzhou Rural Commercial Bank Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone to provide pledge guarantee for the company's short-term loan of CNY 10,900,000.00.

(3) As of 31 December 2020, CNY4,531,713.55 of other currency funds is the performance bond, and the use is restricted. Other monetary funds of CNY 17,926,357.10 are deposits for bank

acceptance drafts, and their use is restricted.

The company pledged a time deposit certificate with a face value of CNY 34,500,000.00 to Bank of Shanghai Co., Ltd. Xuhui Branch to provide pledge guarantee for the short-term loan of Meidu Company. The guarantee amount is CNY 3,000,000.00. The guarantee period is from March 27, 2020 to March 26, 2023. At the same time, it provided guarantee for Shanghai Yidu Business Consulting Co., Ltd. The guarantee amount was CNY 28,450,000.00, and the guarantee period was from March 24, 2016 to March 24, 2022. As of 31 December 2020, the fixed deposit used for guarantee, the total amount of interest and principal amount that has arrived is CNY 37,891,488.00, and both principal and interest are guaranteed restricted currency funds. The fixed deposit used for guarantee has newly added interest receivable of CNY 679,500.00 in the current period, which is the restricted currency fund of guarantee.

ESIM TECHNOLOGY LIMITED issued a letter of credit to Emerson Process Management Co., Ltd in April 2020. The amount of the letter of credit is EUR2,263,200.00, included the premium of un used amount EUR138,000.00 has not been paid in the premium account， because Emerson Process Management Co., Ltd failed to complete the follow-up work as required.

6.2. Financial assets held for trading

Item	31 December 2020	31 December 2019	31 December 2018
Financial asset calculated by fair value and included in profit or loss	44,995,277.89	---	---
Performance compensation of Shanghai MeiDu management consulting Co.,LTD	44,995,277.89	---	---
Total	44,995,277.89	---	---

Others:

In September 2017，Dingli Corp., Ltd. and Shanghai Yizheng Business Consulting Management Co., Ltd. jointly signed “Agreement on Share Transfer of Shanghai MeiDu management consulting Co.,Ltd.，hereinafter referred as the "initial agreement" Dingli Corp., Ltd.purchased the 100% shares of Shanghai MeiDu management consulting Co.,Ltd..

According to "Supplementary Agreement for Agreement on Share Transfer of Shanghai MeiDu

Agreement")signed by Dingli Corp., Ltd. and Shanghai MeiDu management consulting Co.,Ltd., which specified Shanghai MeiDu management consulting Co.,Ltd. 's committed achievement from 2017 to 2020 was CNY 133,440,000.00.

The achievements completed by Shanghai MeiDu management consulting Co.,Ltd.. from 2017 to 2020 was CNY 116,761,750.33,accounting for 87.50% of the total performance. According to the Clause 9.4.2 of the initial agreement, the completed achievements of the target company in actual is 90% lower than the committed total amount, the supplementary amount that should be paid by Shanghai Yizheng Business Consulting Management Co., Ltd. is CNY 44,995,277.89， which formula of supplementary amount is (1-the actual amount/committed amount)*purchase fund of total equity.

6.3. Notes receivables

6.3.1. Categories of Notes receivables

Item	31 December 2020	31 December 2019	31 December 2018
Bank acceptances	3,284,250.62	2,355,100.00	1,112,011.95
Commercial acceptances	29,877,874.30	31,515,285.38	41,053,223.32
Total	33,162,124.92	33,870,385.38	42,165,235.27

6.3.2. Disclosed by bad debt provision methods

Category	31 December 2020				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually					
Bad debt provision assessed by groups	34,734,644.62	100.00	1,572,519.70	4.53	33,162,124.92
Including: Bank acceptances	3,284,250.62	9.46	---	---	3,284,250.62
Commercial acceptances	31,450,394.00	90.54	1,572,519.70	5.00	29,877,874.30
Total	34,734,644.62	100.00	1,572,519.70	4.53	33,162,124.92

Continued：

Category	31 December 2019

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	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	---	---	---	---	---
Bad debt provision assessed by groups	35,529,084.61	100.00	1,658,699.23	4.67	33,870,385.38
Including:Bank acceptances	2,355,100.00	6.63	---	---	2,355,100.00
Commercial acceptances	33,173,984.61	93.37	1,658,699.23	5.00	31,515,285.38
Total	35,529,084.61	100.00	1,658,699.23	4.67	33,870,385.38

6.3.3. Bad debt provision assessed by groups

Name	31 December 2020		
	Notes receivables	Bad debt provision	Proportion (%)
Bank acceptances	3,284,250.62	---	---
Commercial acceptances	31,450,394.00	1,572,519.70	5.00
Total	34,734,644.62	1,572,519.70	---

Continued：

Name	31 December 2019		
	Notes receivables	Bad debt provision	Proportion (%)
Bank acceptances	2,355,100.00	---	---
Commercial acceptances	33,173,984.61	1,658,699.23	5.00
Total	35,529,084.61	1,658,699.23	---

6.3.4. Details of bad debt provision

Category	1 January 2020	Changes in the current period				31 December 2020
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision assessed individually	---	---	---	---	---	---
Bad debt provision assessed by groups	1,658,699.23	28,214.70	114,394.23	---	---	1,572,519.70
Including: Bank acceptances	---	---	---	---	---	---
Commercial acceptances	1,658,699.23	28,214.70	114,394.23	---	---	1,572,519.70
Total	1,658,699.23	28,214.70	114,394.23	---	---	1,572,519.70

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Continued：

Category	1 January 2019	Changes in the current period				31 December 2019
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision assessed individually	---	---	---	---	---	---
Bad debt provision assessed by groups	2,052,661.17	112,354.74	506,316.68	---	---	1,658,699.23
Including: Bank acceptances	---	---	---	---	---	---
Commercial acceptances	2,052,661.17	112,354.74	506,316.68	---	---	1,658,699.23
Total	2,052,661.17	112,354.74	506,316.68	---	---	1,658,699.23

6.3.5. The company has pledged as security at the end of the reporting period

Item	31 December 2020	31 December 2019	31 December 2018
Bank acceptances	137,436.44	---	---
Commercial acceptances	---	---	---
Total	137,436.44	---	---

6.3.6. Endorsed or discounted Notes receivables that is not yet matured as at the end of the reporting period

ITEM	31 December 2020		31 December 2019		31 December 2018	
	Amount derecognized as at the end of the reporting period	Amount not derecognized as at the end of the reporting period	Amount derecognized as at the end of the reporting period	Amount not derecognized as at the end of the reporting period	Amount derecognized as at the end of the reporting period	Amount not derecognized as at the end of the reporting period
Bank acceptances	1,970,094.18	537,436.44	52,020,000.00	1,386,600.00	---	---
Commercial acceptances	---	30,886,100.00	---	29,620,337.00	---	---
Total	1,970,094.18	31,423,536.44	52,020,000.00	31,006,937.00	---	---

6.4 · Accounts receivables

6.4.1. Disclosed by aging

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Aging	31 December 2020	31 December 2019	31 December 2018
Within 1 year	319,842,521.93	414,144,643.14	491,868,608.58
1-2 years	154,267,075.81	230,364,811.46	111,022,358.62
2-3 years	138,918,247.31	59,329,931.06	45,530,906.48
3-4 years	37,614,247.08	4,559,565.76	32,508,072.16
4-5 years	1,955,946.05	10,946,566.68	9,472,358.00
More than 5 years	28,239,615.33	17,360,887.57	36,142,511.74
Subtotal	680,837,653.51	736,706,405.67	726,544,815.58
Less：bad debt provision	104,047,904.15	83,551,666.75	104,703,456.47
Total	576,789,749.36	653,154,738.92	621,841,359.11

6.4.2. Disclosed by bad debt provision methods

（1）From 1 January 2019, the company accrued accounts receivables for bad debt provision based on the general ECL model.

Category	31 December 2020				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	11,272,288.60	1.66	11,272,288.60	100.00	---
Bad debt provision assessed by groups	669,565,364.91	98.34	92,775,615.55	13.86	576,789,749.36
Including: Aging analysis method combination	669,565,364.91	98.34	92,775,615.55	13.86	576,789,749.36
Related party portfolio	---	---	---	---	---
Total	680,837,653.51	100.00	104,047,904.15	15.28	576,789,749.36

Continued：

Category	31 December 2019				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	11,272,288.60	1.53	11,272,288.60	100.00	---
Bad debt provision assessed by groups	725,434,117.07	98.47	72,279,378.15	9.96	653,154,738.92
Including: Aging analysis method combination	725,434,117.07	98.47	72,279,378.15	9.96	653,154,738.92
Related party portfolio	---	---	---	---	---
Total	736,706,405.67	100.00	83,551,666.75	11.34	653,154,738.92

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（2）The company's accounts receivables with provision for bad debts based on the incurred loss model before 31 December 2018

Category	31 December 2018				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable which are individually significant and individually withdrawn the provision for bad debts	---	---	---	---	---
Accounts receivable to be prepared according to credit risk characteristics	699,636,215.19	96.30	77,794,856.08	11.12	621,841,359.11
Accounts receivable which are not individually significant but individually withdrawn the provision for bad debts	26,908,600.39	3.70	26,908,600.39	100.00	---
Total	726,544,815.58	100.00	104,703,456.47	14.41	621,841,359.11

6.4.3. Bad debt provision assessed individually

（1） Bad debt provision assessed individually from 1 January 2019

Entity	31 December 2020			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	11,272,288.60	11,272,288.60	100.00	---

Continued：

Entity	31 December 2019			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	11,272,288.60	11,272,288.60	100.00	---

（2）Accounts receivable which are not individually significant but individually withdrawn the provision for bad debts before 31 December 2018

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Entity	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Changchun Vocational and Technical College	8,853,600.00	8,853,600.00	100.00	It cannot be recovered
Sichuan Top Information Technology Vocational College	2,835,111.79	2,835,111.79	100.00	It cannot be recovered
Jilin Electronic Information Vocational and Technical College	2,398,500.00	2,398,500.00	100.00	It cannot be recovered
Guangzhou Tongya Software Co., Ltd.	785,600.00	785,600.00	100.00	It cannot be recovered
Beijing Science and Technology Management Institute	763,500.00	763,500.00	100.00	It cannot be recovered
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	26,908,600.39	26,908,600.39	---	

6.4.4. Bad debt provision assessed by groups

（1）From 1 January 2019, the company accrued accounts receivables for bad debt provision based on the general ECL model.

1)Aging analysis method combination

Aging	31 December 2020		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	319,935,521.93	15,996,776.10	5.00
1-2 years	154,174,075.81	15,417,407.59	10.00
2-3 years	138,918,247.31	27,783,649.46	20.00
3-4 years	37,614,247.08	15,045,698.83	40.00
4-5 years	1,955,946.05	1,564,756.84	80.00
More than 5 years	16,967,326.73	16,967,326.73	100.00
Total	669,565,364.91	92,775,615.55	---

Continued：

Aging	31 December 2019		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	414,144,643.14	20,707,232.18	5.00
1-2 years	230,364,811.46	23,036,481.14	10.00

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2-3 years	59,329,931.06	11,865,986.22	20.00
3-4 years	4,559,565.76	1,823,826.30	40.00
4-5 years	10,946,566.68	8,757,253.34	80.00
More than 5 years	6,088,598.97	6,088,598.97	100.00
Total	725,434,117.07	72,279,378.15	---

（2）The company's accounts receivables with provision for bad debts based on the incurred loss model before 31 December 2018

1)Aging analysis method combination

Aging	31 December 2018		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	491,868,608.58	24,593,429.95	5.00
1-2 years	111,022,358.62	11,102,235.88	10.00
2-3 years	44,318,906.48	8,863,781.29	20.00
3-4 years	29,772,472.16	11,908,988.85	40.00
4-5 years	6,637,246.21	5,309,796.97	80.00
More than 5 years	16,016,623.14	16,016,623.14	100.00
Total	699,636,215.19	77,794,856.08	---

6.4.5. Details of bad debt provision

（1）From January 1, 2019, provision for bad debts based on the general ECL model.

Category	1 January 2020	Changes in the current period				31 December 2020
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision assessed individually	11,272,288.60	---	---	---	---	11,272,288.60
Bad debt provision assessed by groups	72,279,378.15	22,445,771.01	446,059.55	2,032,478.91	-529,004.85	92,775,615.55
Including:Aging analysis method combination	72,279,378.15	22,445,771.01	446,059.55	2,032,478.91	-529,004.85	92,775,615.55

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Category	1 January 2020	Changes in the current period				31 December 2020
		Provision	Recovery or reversal	Write-off	Others	
Related party portfolio	---	---	---	---	---	---
Total	83,551,666.75	22,445,771.01	446,059.55	2,032,478.91	-529,004.85	104,047,904.15

Continued：

Category	1 January 2019	Changes in the current period				31 December 2019
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision assessed individually	26,908,600.39	---	---	15,636,311.79	---	11,272,288.60
Bad debt provision assessed by groups	77,794,856.08	44,659,090.66	1,432,840.76	48,741,727.83	---	72,279,378.15
Including:Aging analysis method combination	77,794,856.08	44,659,090.66	1,432,840.76	48,741,727.83	---	72,279,378.15
Related party portfolio	---	---	---	---	---	---
Total	104,703,456.47	44,659,090.66	1,432,840.76	64,378,039.62	---	83,551,666.75

6.4.6. Accounts receivable written off as at the end of the reporting period

Item	31 December 2020	31 December 2019	31 December 2018
Actual write-off of accounts receivables	2,032,478.91	64,378,039.62	11,545,686.72
Total	2,032,478.91	64,378,039.62	11,545,686.72

Significant write-off of accounts receivables:

Entity	2020				
	Nature of accounts receivables	Amount of write-off	Reason	Procedures performed	Is it arising from related party transactions?
（blank)	---	---	---	---	---
Total	---	---	---	---	---

Continued:

Entity	2019

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	Nature of accounts receivables	Amount of write-off	Reason	Procedures performed	Is it arising from related party transactions?
Xi'an Ser Communication Co., Ltd.	Sales	9,112,442.23	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Changchun Vocational and Technical College	Sales	8,853,600.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Shanghai ZTE Technology Co., Ltd.	Sales	8,764,886.03	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Wuxi National Integrated Circuit Design Base Co., Ltd.	Sales	3,922,000.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Xi'an FuHe Electronic Technology Co., Ltd.	Sales	3,040,000.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Sichuan Top Information Technology Vocational College	Sales	2,835,111.79	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Nantong Shibei Science and Technology City Construction Management Office	Sales	2,757,337.20	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Shenzhen Jianpeng Science & Education Equipment Co., Ltd.	Sales	2,691,890.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Shaanxi Sitai Electronic Technology Co., Ltd.	Sales	2,481,017.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Jilin Electronic Information Vocational and Technical College	Sales	2,398,500.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Jilin Agricultural Science and Technology College	Sales	1,799,300.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No

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Entity	2019				
	Nature of accounts receivables	Amount of write-off	Reason	Procedures performed	Is it arising from related party transactions?
Sichuan Juyuan Technology Co., Ltd.	Sales	1,420,500.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Chengdu Wisdom Technology Co., Ltd.	Sales	1,000,000.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Xi'an Ser Communication Co., Ltd.	Sales	9,112,442.23	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Changchun Vocational and Technical College	Sales	8,853,600.00	The receive payment aging is long and the possibility of recovering payment is less.	The General Manager's meeting approved.	No
Total		69,042,626.48			

Continued:

Entity	2018				
	Nature of accounts receivables	Amount of write-off	Reason	Procedures performed	Is it arising from related party transactions?
Zhongying Chuangxin (Beijing) Trading Co., Ltd.	Sales	4,584,500.00	The possibility of recovering payment is less	Board approved	No
Anhui Vocational College of Defense Technology	Sales	2,100,000.00	The possibility of recovering payment is less	Board approved	No
Changchun Deyu Technology Co., Ltd.	Sales	1,023,960.00	The possibility of recovering payment is less	Board approved	No
Anhui Chaohu College	Sales	900,000.00	The possibility of recovering payment is less	Board approved	No
Total		8,608,460.00			

6.4.7. Top five accounts receivables based on debtors

Entity	31 December 2020

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	Accounts receivable	Proportion (%)	Bad debt provision
The first place	20,407,884.70	3.00	1,020,394.24
The second place	16,191,990.00	2.38	1,964,799.00
The third place	12,902,000.03	1.90	1,871,366.67
The forth place	12,687,499.98	1.86	634,375.00
The fifth place	11,272,288.60	1.66	11,272,288.60
Total	73,461,663.31	10.80	16,763,223.51

Continued:

Entity	31 December 2019		
	Accounts receivable	Proportion (%)	Bad debt provision
The first place	34,143,021.42	4.63	1,707,151.07
The second place	16,944,722.39	2.30	2,297,418.10
The third place	14,017,650.00	1.90	700,882.50
The forth place	13,550,000.00	1.84	677,500.00
The fifth place	13,293,087.33	1.80	664,654.37
Total	91,948,481.14	12.47	6,047,606.04

Continued:

Entity	31 December 2018		
	Accounts receivable	Proportion (%)	Bad debt provision
The first place	34,139,370.58	4.70	1,706,968.53
The second place	20,053,667.36	2.76	1,068,438.92
The third place	18,729,212.97	2.58	1,424,705.50
The forth place	14,519,600.00	2.00	725,980.00
The fifth place	12,849,160.23	1.77	642,458.01
Total	100,291,011.14	13.81	5,568,550.96

6.5. Prepayments

6.5.1. Aging analysis of prepayments

Aging	31 December 2020		31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)

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Within 1 year	84,830,871.00	91.43	163,918,398.52	97.58	55,437,762.14	57.31
1-2 years	7,031,001.81	7.58	3,673,989.96	2.19	38,692,620.96	40.00
2-3 years	664,679.81	0.72	321,858.36	0.19	2,590,889.78	2.68
More than 3 years	248,892.60	0.27	72,502.83	0.04	5,596.00	0.01
Total	92,775,445.22	100.00	167,986,749.67	100.00	96,726,868.88	100.00

6.5.2. Explanations on belated settlement of significant prepayments aged over 1 year:

Entity	31 December 2020	Aging	Reason
CHEMUNION PTE. Ltd.	2,609,960.00	1-2 years	The settlement period is not due
Shanghai Zuntian Cultural Communication Co., Ltd.	1,885,460.00	1-2 years	The settlement period is not due
Total	4,495,420.00	--	--

6.5.3. Top five prepayments based on the payers

Entity	31 December 2020	Proportion (%)	Prepayments time	Reason
The first place	30,908,997.22	33.32	2020	Prepaid computer purchase payment, the settlement period is not due
The second place	5,693,871.37	6.19	2020	Prepaid computer purchase payment, the settlement period is not due
The third place	4,035,465.24	4.35	2020	The settlement period is not due
The forth place	4,000,000.00	4.31	2020	The settlement period is not due
The fifth place	3,993,187.18	4.30	2020	The settlement period is not due
Total	48,631,521.01	52.47	---	

Continued：

Entity	31 December 2019	Proportion (%)	Prepayments time	Reason
The first place	68,736,540.00	40.92	2019	Did not deliver the goods in time
The second place	21,121,429.11	12.57	2019	The settlement period is not due
The third place	11,099,421.00	6.61	2019	The settlement period is not due
The forth place	7,580,000.00	4.51	2018	The settlement period is not due

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The fifth place	5,613,920.00	3.34	2017	The settlement period is not due
Total	114,151,310.11	67.95	---	

Continued：

Entity	31 December 2018	Proportion (%)	Prepayments time	Reason
The first place	18,320,025.01	18.94	2018	In execution of contract
The second place	17,379,231.40	17.97	2018	In execution of contract
The third place	7,898,500.00	8.17	2017	In execution of contract
The forth place	3,613,500.00	3.74	2018	In execution of contract
The fifth place	3,394,907.14	3.51	2016	Project hasn't been checked
Total	50,606,163.55	52.33	---	---

6.6 · Other receivables

Item	31 December 2020	31 December 2019	31 December 2018
Interest receivable	---	40,600.00	1,656,000.00
Dividends receivable	---	---	---
Other receivables	82,394,192.90	182,241,895.12	64,767,506.15
Total	82,394,192.90	182,282,495.12	66,423,506.15

Note：Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

6.6.1 .Interest receivable

6.6.1.1. Classification of interest receivable

Item	31 December 2020	31 December 2019	31 December 2018
Time deposit	---	---	1,656,000.00
Borrowing between non-financial enterprises	---	40,600.00	---
Total	---	40,600.00	1,656,000.00

6.6.2 .Other receivables

6.6.2.1. Aging analysis method combination

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Aging	31 December 2020	31 December 2019	31 December 2018
Within 1 year	6,803,208.16	142,822,570.70	49,971,933.28
1-2 years	70,289,924.79	39,191,608.99	15,448,942.58
2-3 years	9,072,364.82	12,808,372.57	2,217,387.94
3-4 years	9,019,161.75	1,525,598.73	555,469.13
4-5 years	1,203,327.73	629,737.80	829,534.94
More than 5 years	2,093,834.58	1,777,386.35	6,861,068.58
Subtotal	98,481,821.83	198,755,275.14	75,884,336.45
Less：bad debt provision	16,087,628.93	16,513,380.02	11,116,830.30
Total	82,394,192.90	182,241,895.12	64,767,506.15

6.6.2.2. Details of classification by types

types	31 December 2020	31 December 2019	31 December 2018
Cash pledge or premium	15,031,625.21	28,457,484.55	34,967,449.41
Currency circulation between enterprises	80,410,312.97	162,102,660.63	---
Withholding and paying social security	1,068,960.28	1,098,599.10	---
Temporary money	1,382,324.34	4,215,811.09	---
Temporary payment receivable	---	---	32,017,086.91
Others	588,599.03	2,880,719.77	8,899,800.13
Total	98,481,821.83	198,755,275.14	75,884,336.45

6.6.2.3. Disclosed by bad debt provision methods

（1）From 1 January 2019, the company accrued other receivables for bad debt provision based on the general ECL model.

Category	31 December 2020				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	299,802.00	0.30	299,802.00	100.00	---
Bad debt provision assessed by groups	98,182,019.83	99.70	15,787,826.93	16.08	82,394,192.90

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Including: Aging analysis method combination	98,182,019.83	99.70	15,787,826.93	16.08	82,394,192.90
Related party portfolio	---	---	---	---	---
Total	98,481,821.83	100.00	16,087,628.93	16.34	82,394,192.90

Continued：

Category	31 December 2019				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	126,000,000.00	63.39	6,300,000.00	5.00	119,700,000.00
Bad debt provision assessed by groups	72,755,275.14	36.61	10,213,380.02	14.04	62,541,895.12
Including:Aging analysis method combination	72,755,275.14	36.61	10,213,380.02	14.04	62,541,895.12
Related party portfolio	---	---	---	---	---
Total	198,755,275.14	100.00	16,513,380.02	8.31	182,241,895.12

（2）The company's other receivables with provision for bad debts based on the incurred loss model before 31 December 2018

Category	31 December 2018				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables which are individually significant and individually withdrawn the provision for bad debts	24,794,096.64	32.67	---	---	24,794,096.64
Other receivables to be prepared according to credit risk characteristics	51,090,239.81	67.33	11,116,830.30	21.76	39,973,409.51
Other receivables which are not individually significant but individually withdrawn the provision for bad debts	---	---	---	---	---
Total	75,884,336.45	100.00	11,116,830.30	14.65	64,767,506.15

6.6.2.4. Bad debt provision assessed individually

（1）Bad debt provision assessed individually from 1 January 2019

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Entity	31 December 2020			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Shanghai Geshuang Electronic Technology Co., Ltd.	299,802.00	299,802.00	100.00	The possibility of recovering payment is less.
Total	299,802.00	299,802.00	100.00	---

Continued：

Entity	31 December 2019			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Sichuan Institute of Technology	126,000,000.00	6,300,000.00	5.00	The payment commitment has been obtained and the payment is expected to be recovered.
Total	126,000,000.00	6,300,000.00	5.00	---

（1）Other receivables which are individually significant and individually withdrawn the provision for bad debts before 31 December 2018

Entity	31 December 2018			
	Other receivables	Bad debt provision	Proportion (%)	Reason
TANCHINLOKEEUGENE	24,794,096.64	---	---	The present value of future cash flows is higher than the book value
Total	24,794,096.64	---	---	---

6.6.2.5. Bad debt provision assessed by groups

（1）From 1 January 2019, the company accrued other receivables for bad debt provision based on the general ECL model.

1)Aging analysis method combination

Aging	31 December 2020		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	6,803,208.16	340,160.42	5.00
1-2 years	70,289,924.79	7,028,992.49	10.00
2-3 years	8,772,562.82	1,754,512.57	20.00

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Aging	31 December 2020		
	Other receivables	Bad debt provision	Proportion (%)
3-4 years	9,019,161.75	3,607,664.70	40.00
4-5 years	1,203,327.73	962,662.18	80.00
More than 5 years	2,093,834.58	2,093,834.57	100.00
Total	98,182,019.83	15,787,826.93	---

Continued：

Aging	31 December 2019		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	16,822,570.70	841,128.52	5.00
1-2 years	39,191,608.99	3,919,160.90	10.00
2-3 years	12,808,372.57	2,561,674.52	20.00
3-4 years	1,525,598.73	610,239.49	40.00
4-5 years	629,737.80	503,790.24	80.00
More than 5 years	1,777,386.35	1,777,386.35	100.00
Total	72,755,275.14	10,213,380.02	---

（2）The company's other receivable with provision for bad debts based on the incurred loss model before 31 December 2018

1)Aging analysis method combination

Aging	31 December 2018		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	25,465,665.36	1,273,283.28	5.00
1-2 years	14,579,291.03	1,457,929.11	10.00
2-3 years	2,499,546.87	499,909.38	20.00
3-4 years	823,535.03	329,414.01	40.00
4-5 years	829,534.94	663,627.94	80.00
More than 5 years	6,892,666.58	6,892,666.58	100.00
Total	51,090,239.81	11,116,830.30	---

6.6.2.6. Details of bad debt provision

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（1）From 1 January 2019, the company accrued other receivables for bad debt provision based on the general ECL model.

Bad debt provision	2020			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	869,428.10	15,643,951.92	---	16,513,380.02
Changes due to financial instruments Recognized as at 1 January 2020	13,866,565.57	-15,643,951.92	1,777,386.35	---
−−Transfer to stage II	---	---	---	---
−−Transfer to stage III	---	-1,777,386.35	1,777,386.35	---
−−Reverse to stage II	---	---	---	---
−−Reverse to stage I	13,866,565.57	-13,866,565.57	---	---
Provision	5,957,383.31	---	3,092,003.22	9,049,386.53
Reversal	6,708,582.62	---	---	6,708,582.62
Elimination	---	---	---	---
Write-off	---	---	2,775,555.00	2,775,555.00
Other changes	9,000.00	---	---	9,000.00
As at 31 December 2020	13,993,794.36	---	2,093,834.57	16,087,628.93

Continued：

Bad debt provision	2019			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2019	435,591.95	4,507,600.50	6,173,637.85	11,116,830.30
Changes due to financial instruments Recognized as at 1 January 2019	691,626.26	11,144,851.42	1,135,375.65	12,971,853.33

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Provision	---	---	---	---
Reversal	---	---	---	---
Write-off	52.13	8,500.00	7,309,013.50	7,317,565.63
Other changes	257,737.98	---	---	257,737.98
As at 31 December 2019	869,428.10	15,643,951.92	---	16,513,380.02

6.6.2.7. Other receivables written off as at the end of the current period

Item	31 December 2020	31 December 2019	31 December 2018
Actual write-off of accounts receivables	2,775,555.00	7,317,565.63	241,518.11
Total	2,775,555.00	7,317,565.63	241,518.11

Significant write-off of other receivables:

Entity	2020				
	Nature of other receivables	Amount of write-off	Reason for write-off	Procedures performed	Is it arising from related party transactions?
Guizhou Yatong Network Technology Co., Ltd.	Prepaid goods	2,640,220.00	Unrevorable becasue the company has been written off	The General Manager's meeting approved	No
Total	---	2,640,220.00	---	---	---

Continued：

Entity	2019				
	Nature of other receivables	Amount of write-off	Reason for write-off	Procedures performed	Is it arising from related party transactions?
Sichuan Top Information Technology Vocational College	Security bond	4,332,000.00	The receive payment aging is long and the possibility of recovering payment is less	The General Manager's meeting approved	No

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Entity	2019				
	Nature of other receivables	Amount of write-off	Reason for write-off	Procedures performed	Is it arising from related party transactions?
Chengdu Hyatt Business Management Consulting Co., Ltd.	Security bond	600,000.00	The receive payment aging is long and the possibility of recovering payment is less	The General Manager's meeting approved	No
Qingdao Feiyang Vocational and Technical College	Security bond	500,000.00	The receive payment aging is long and the possibility of recovering payment is less	The General Manager's meeting approved	No
Changchun Deyu Technology Co., Ltd.	Security bond	261,240.00	The receive payment aging is long and the possibility of recovering payment is less	The General Manager's meeting approved	No
Total	---	5,693,240.00	---	---	---

6.6.2.8. Top five other receivables based on debtors

Entity	Nature of other receivables	31 December 2020	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Currency circulation between enterprises	53,736,539.80	2-3	54.56	5,373,653.98
The second place	Currency circulation between enterprises	7,580,000.00	2-3	7.70	758,000.00
The third place	Currency circulation between enterprises	5,349,155.01	2-3	5.43	1,069,831.00
The forth place	Cash pledge	3,530,400.00	3-4	3.58	1,412,160.00
The fifth place	Currency circulation between enterprises	2,600,000.00	1-2	2.64	392,332.74
Total		72,796,094.81		73.91	9,005,977.72

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Continued：

Entity	Nature of other receivables	31 December 2019	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Currency circulation between enterprises	126,000,000.00	Within 1 year	63.39	6,300,000.00
The second place	Currency circulation between enterprises	12,592,528.80	1-2 years	6.34	1,259,252.88
The third place	Currency circulation between enterprises	8,349,155.01	1-2 years	4.20	834,915.50
The forth place	Currency circulation between enterprises	7,898,500.00	1-2 years	3.97	789,850.00
The fifth place	Cash pledge	5,530,400.00	2-3 years	2.78	1,106,080.00
Total	---	160,370,583.81	---	80.68	10,290,098.38

Continued：

Entity	Nature of other receivables	31 December 2018	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Temporary payment receivable	24,794,096.64	1-4 years	32.67	---
The second place	Cash pledge or premium	5,530,400.00	1-2 years	7.29	553,040.00
The third place	Cash pledge or premium	4,332,000.00	More than 5 years	5.71	4,332,000.00
The forth place	Cash pledge or premium	3,594,000.00	Within 1 year	4.74	179,700.00
The fifth place	Cash pledge or premium	3,000,000.00	Within 1 year	3.95	150,000.00
Total	---	41,250,496.64	---	54.36	5,214,740.00

Others:

As of 31 December 2019, Chongqing Yagao Trading Co., Ltd. (refer to as Chongqing Yagao Company) still has an outstanding payment towards Esim Company, a subsidiary of Dingli Corp., Ltd., CNY 81,329,068.80 in specific.

Given the fact of Chongqing Yagao Company being under litigation status currently, Chongqing Yagao Company is unable to perform this payment due to the restriction of its bank account. Thus, Ms. Wang Liping, after communicating with Chongqi Yagao Company, agreed to refund Esim Company on behalf of Chongqing Yagao Company through Hubei Huakun New Energy Co., Ltd. (hereinafter referred to as Hubei Huakun), which is nominated by Chongqi Yagao Company.

In March 2020, Esim Company received CNY 7,000,000.00 from Hubei Huakun.

In December 2020, Chongqing Yagao Company repaid CNY 4,030,421.82 to Esim Company. In December 2020, Esim Company received CNY 16,562,107.18 from Hubei Huakun, which is on behalf of Chongqing Yagao Company, to repay Esim Company.

As of 31 December 2020, the outstanding amount owed by Chongqing Yagao Company has been reduced to CNY 53,736,539.80. On December 30 2020, Ms. Wang Liping made a written commitment that she will urge Chongqing Yagao Company to resolve the prepayment problem before 31 March 2021 by shipping or returning the prepayment (including the ones through third-party payment methods), and she also agreed to undertake the responsibility for any balance due after 31 March 2021.

6.7. Inventories

6.7.1. Categories

Item	31 December 2020		
	Book balance	Provision	Carrying amount
Raw materials	23,631,780.04	922,312.04	22,709,468.00
Work in process	1,838,536.63	---	1,838,536.63
Finish goods	61,697,772.74	3,520,148.25	58,177,624.49
Goods sold	18,348,905.88	3,487,239.30	14,861,666.58
Materials in transit	30,225.06	3,373.61	26,851.45
Work in process-outsourced	1,556,603.67	---	1,556,603.67
Total	107,103,824.02	7,933,073.20	99,170,750.82

Continued：

Item	31 December 2019

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	Book balance	Provision	Carrying amount
Raw materials	11,909,749.95	2,545,833.22	9,363,916.73
Work in process	2,578,397.25	---	2,578,397.25
Finish goods	47,563,838.55	7,324,574.38	40,239,264.17
Goods sold	18,720,514.16	5,964,857.53	12,755,656.63
Materials in transit	155,884.84	---	155,884.84
Work in process-outsourced	1,556,603.67	---	1,556,603.67
Materials in transport	32,566.37	---	32,566.37
Total	82,517,554.79	15,835,265.13	66,682,289.66

Continued：

Item	31 December 2018		
	Book balance	Provision	Carrying amount
Raw materials	26,920,768.18	1,890,862.21	25,029,905.97
Work in process	2,842,650.16	---	2,842,650.16
Finish goods	54,086,550.64	3,739,802.12	50,346,748.52
Goods sold	17,132,644.58	5,128,623.62	12,004,020.96
Materials in transit	216,548.28	---	216,548.28
Service costs	1,434,968.01	---	1,434,968.01
Development cost	1,291,791.61	---	1,291,791.61
Total	103,925,921.46	10,759,287.95	93,166,633.51

6.7.2. Provision for inventories

Item	31 December 2019	Increase in the current period		Decrease in the current period			31 December 2020
		Provision	Others	Reversal	elimination	Others	
Raw materials	2,545,833.22	233,080.55	---	---	1,856,601.73	---	922,312.04
Finish goods	7,324,579.38	528,797.67	---	---	4,333,228.80	---	3,520,148.25
Goods sold	5,964,852.53	586,303.92	---	1,721,953.10	1,341,964.05	---	3,487,239.30
Materials in transit	---	3,373.61	---	---	---	---	3,373.61
Total	15,835,265.13	1,351,555.75	---	1,721,953.10	7,531,794.58	---	7,933,073.20

Continued：

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Item	31 December 2018	Increase in the current period		Decrease in the current period			31 December 2019
		Provision	Others	Reversal	elimination	Others	
Raw materials	1,890,862.21	1,094,933.74	---	439,962.73	---	---	2,545,833.22
Finish goods	3,739,802.12	3,584,777.26	---	---	---	---	7,324,579.38
Goods sold	5,128,623.62	836,228.91	---	---	---	---	5,964,852.53
Total	10,759,287.95	5,515,939.91	---	439,962.73	---	---	15,835,265.13

Continued:

Item	1 January 2018	Increase in the current period		Decrease in the current period			31 December 2018
		Provision	Others	Reversal	elimination	Others	
Raw materials	2,045,948.12	---	---	155,085.91	---	---	1,890,862.21
Finish goods	1,138,688.18	2,601,113.94	---	---	---	---	3,739,802.12
Goods sold	---	5,128,623.62	---	---	---	---	5,128,623.62
Total	3,184,636.30	7,729,737.56	---	155,085.91	---	---	10,759,287.95

6.8. Contract assets

Item	31 December 2020		
	Book balance	Provision	Carrying amount
Project Warranty Fund	1,297,812.00	64,890.60	1,232,921.40
Total	1,297,812.00	64,890.60	1,232,921.40

6.9. Current portion of non-current assets

Item	31 December 2020	31 December 2019	31 December 2018
Installment sales of goods	11,300,001.25	2,867,450.00	---
Total	11,300,001.25	2,867,450.00	---

6.10. Other current assets

6.10.1.Presentation of items

Item	31 December 2020	31 December 2019	31 December 2018
The amount of prepaid income tax shown as the net amount after offset	1,765,699.52	830,453.28	---

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Value-added tax credit	14,321,964.82	9,933,436.78	---
Waiting for certification VAT input tax	2,731,526.27	520,330.74	---
Prepaid tax	---	---	16,490,403.85
Others	---	5,968.64	---
Total	18,819,190.61	11,290,189.44	16,490,403.85

6.11. Financial assets available for sale

Item	31 December 2018		
	Book balance	Provision	Carrying amount
Available-for-sale debt instruments	---	---	---
Available-for-sale equity instruments	12,000,000.00	---	12,000,000.00
Measured at fair value	---	---	---
Measured at cost	12,000,000.00	---	12,000,000.00
Others	---	---	---
Total	12,000,000.00	---	12,000,000.00

6.12. Long-term receivables

Item	31 December 2020			Discounted rate interval
	Book balance	Provision	Carrying amount	
Collection by installments – sale of goods	96,815,140.80	8,145,806.25	88,669,334.55	---
Including：Book balance	108,434,575.00	8,145,806.25	100,288,768.75	---
Including: Unrealized financing income	11,619,434.20	---	11,619,434.20	---
Cooperative scholarship fund	5,000,000.00	---	5,000,000.00	---
Less：Long-term receivables due within one year	11,300,001.25	---	11,300,001.25	---
Total	90,515,139.55	8,145,806.25	82,369,333.30	---

Continued：

Item	31 December 2019			Discounted rate interval
	Book balance	Provision	Carrying amount	
Collection by installments – sale of goods	47,528,898.93	2,867,450.00	44,661,448.93	---

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Item	31 December 2019			Discounted rate interval
	Book balance	Provision	Carrying amount	
Including：Book balance	54,639,746.74	2,867,450.00	51,772,296.74	---
Including: Unrealized financing income	7,110,847.81	---	7,110,847.81	---
Receivables from sales of subsidiaries	127,934,943.83	12,793,494.38	115,141,449.45	---
Cooperative investment	---	---	---	---
Including: Original book value of cooperation fund	---	---	---	---
Including: Unrealized financing income	---	---	---	---
Cooperative scholarship fund	5,000,000.00	---	5,000,000.00	---
Less：Long-term receivables due within one year	---	---	---	---
Total	180,463,842.76	15,660,944.38	164,802,898.38	---

Continued：

Item	31 December 2018			Discounted rate interval
	Book balance	Provision	Carrying amount	
Receivables from sales of subsidiaries	127,934,943.83	---	127,934,943.83	---
Cooperative investment	104,906,144.57	---	104,906,144.57	---
Including: Original book value of cooperation fund	126,000,000.00	---	126,000,000.00	---
Including: Unrealized financing income	21,093,855.43	---	21,093,855.43	---
Cooperative scholarship fund	5,000,000.00	---	5,000,000.00	---
Less：Long-term receivables due within one year	---	---	---	---
Total	237,841,088.40	---	237,841,088.40	---

6.12.1. Details of bad debt provision

（1）From 1 January 2019, the company accrued long-term receivables for bad debt provision based on the general ECL model.

Bad debt provision	January-December 2020			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	2,867,450.00	12,793,494.38	---	15,660,944.38

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Provision	5,278,356.25	---	---	5,278,356.25
Reversal	---	---	---	---
Elimination	---	12,793,494.38	---	12,793,494.38
Write-off	---	---	---	---
Other changes	---	---	---	---
As at 31 December 2020	8,145,806.25	---	---	8,145,806.25

Continued：

Bad debt provision	January-December 2019			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2019	---	---	---	---
Provision	2,867,450.00	12,793,494.38	---	15,660,944.38
Reversal	---	---	---	---
Elimination	---	---	---	---
Write-off	---	---	---	---
As at 31 December 2019	2,867,450.00	12,793,494.38	---	15,660,944.38

（2）The company's long-term receivables with provision for bad debts based on the incurred loss model before 31 December 2018

Category	1 January 2018	Changes in the current period				31 December 2018
		Provision	Recovery or reversal	Write-off	Others	
Long-term receivables	---	---	---	---	---	---

6.12.2. Others

Subsidiary company Shanghai Zhixiang Information Technology Development Co., Ltd.and Shanxi Vocational and Technical College jointly signed "Shanghai Zhixiang Innovation and Entrepreneurship Fund Investment Agreement"（hereinafter referred as The Agreement），ShangHai ZhiXiang will pay CNY5,000,000.00 and one time for the establishment of new fund. Meanwhile, the agreement says,Only the profit part of this fund shall be manipulated, this fund is not allowed to be used for charity, the fund should be managed by both parties, and Shanxi Vocational and Technical

College is not permitted to used it on its own.

The company and Henan Dinghua Education Technology Co., Ltd.（Hereinafter referred to as: Dinghua Education Technology Company） jointly signed the selling contract with installment payment method. The total price including the installment amount CNY 71,373,042.19, trading tax CNY10,790,348.01, unconfirmed financing profit CNY11,629,634.80, total CNY93,793,025.00, the finance charge of confirmation is CNY1,786,214.42. The contract says that CNY2,517,000.00 must be repaid before December 2020. As of December 31, 2020, CNY 2,517,000.00 had been repaid.

The company and Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.（hereinafter referred to as Dingli Zhuoyuan Company）signed the spare selling contract with installment payment method. The total price including the installment amount CNY13,214,199.65, trading tax CNY2,014,309.73, unconfirmed financing profit CNY2,280,490.61, total CNY17,509,000.00, the finance charge of confirmation is CNY346,280.06. The contract says that CNY350,450.00. As of December 31, 2020,CNY350,450.00 had been repaid.

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6.13 · Long-term equity investments

Investee	1 January 2018	Changes for the current period								31 December 2018	Closing balance of provision for impairment
		Additional investment	Decrease in investment	Investment income or losses Recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declared cash dividend or profit	Provision for impairment	Others		
I. Joint ventures											
Beijing Dingxing Zhongcheng Technology Co., Ltd.	2,005,314.43	---	2,033,760.21	28,445.78	---	---	---	---	---	---	---
Subtotal	2,005,314.43	---	2,033,760.21	28,445.78	---	---	---	---	---	---	---
II. Associates											
Shanghai Qidao Zhineng Technology Co., Ltd.	16,685,797.10	---	---	40,325.40	---	---	---	---	---	16,726,122.50	---
Subtotal	16,685,797.10	---	---	40,325.40	---	---	---	---	---	16,726,122.50	---
Total	18,691,111.53	---	2,005,314.43	68,771.18	---	---	---	---	---	16,726,122.50	---

Continued:

Investee	31 December 2018	Changes for the current period								31 December 2019	Closing balance of provision for impairment
		Additional investment	Decrease in investment	Investment income or losses Recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declared cash dividend or profit	Provision for impairment	Others		

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II. Joint ventures											
Henan Dinghua Education Technology Co., Ltd.	---	1,750,000.00	---	-21,109.19	---	---	---	---	---	1,728,890.81	---
Subtotal	---	1,750,000.00	---	-21,109.19	---	---	---	---	---	1,728,890.81	---
II. Associates											
Shanghai Qidao Zhineng Technology Co., Ltd.	16,726,122.50	---	---	63,609.06	---	---	---	---	---	16,789,731.56	---
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	---	1,000,000.00	---	---	---	---	---	---	---	1,000,000.00	---
Subtotal	16,726,122.50	1,000,000.00	---	63,609.06	---	---	---	---	---	17,789,731.56	---
Total	16,726,122.50	2,750,000.00	---	42,499.87	---	---	---	---	---	19,518,622.37	---

Continued:

Investee	31 December 2019	Changes for the current period								31 December 2020	Closing balance of provision for impairment
		Additional investment	Decrease in investment	Investment income or losses Recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declared cash dividend or profit	Provision for impairment	Others		
I. Joint ventures											

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Henan Dinghua Education Technology Co., Ltd.	1,728,890.81	---	---	-1,728,890.81	---	---	---	---	---	---	---
Subtotal	1,728,890.81	---	---	-1,728,890.81	---	---	---	---	---	---	---
II. Associates											
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	1,000,000.00	500,000.00	---	-373,418.44	---	---	---	---	---	1,126,581.56	---
Shanghai Qidao Zhineng Technology Co., Ltd.	16,789,731.56	---	---	17,531.16	---	---	---	---	---	16,807,262.72	---
Chengdu Voids Education Technology Co., Ltd.		4,086,528.00	---	-147,501.66	---	---	---	---	---	3,939,026.34	---
Subtotal	17,789,731.56	4,586,528.00	---	-503,388.94	---	---	---	---	---	21,872,870.62	---
Total	19,518,622.37	4,586,528.00	---	-2,232,279.75	---	---	---	---	---	21,872,870.62	---

6.14 · Other equity instruments investments

6.14.1.1 Details of other equity instruments investments

Item	31 December 2020	31 December 2019	31 December 2018
Beijing Yinshi Technology Co., Ltd.	3,000,000.00	3,000,000.00	---
Beijing Youxian Online Technology Co., Ltd.	2,000,000.00	2,000,000.00	---
Beijing Leijia Technology Co., Ltd.	---	5,000,000.00	---
Infinite Capital Holding Company	1,000,000.00	1,000,000.00	---
Total	6,000,000.00	11,000,000.00	---

6.15 · Other non-current financial assets

Item	31 December 2020	31 December 2019	31 December 2018
Hangzhou Saixue Investment Partnership (Limited Partnership)	---	1,000,000.00	---
Total	---	1,000,000.00	---

6.16 · Investment properties

6.16.1. Investment properties measured at cost

Item	Plant and buildings	Total
Cost		
1. 1 January 2018	13,056,584.57	13,056,584.57
2. Increase in the current period	---	---
Purchase	---	---
3. Decrease in the current period	11,772,708.29	11,772,708.29
Converted to fixed assets	11,772,708.29	11,772,708.29
4. 31 December 2018	1,283,876.28	1,283,876.28
Accumulated depreciation and amortization		
1. 1 January 2018	5,038,026.57	5,038,026.57
2. Increase in the current period	60,978.96	60,978.96
Depreciation or amortization	60,978.96	60,978.96
3. Decrease in the current period	4,286,498.87	4,286,498.87
Converted to fixed assets	4,286,498.87	4,286,498.87

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Item	Plant and buildings	Total
4．31 December 2018	812,506.66	812,506.66
Provision for impairment		
1．1 January 2018	---	---
2．Increase in the current period	---	---
Provision	---	---
3．Decrease in the current period	---	---
Disposal	---	---
4．31 December 2018	---	---
Carrying amount		
1．31 December 2018	471,369.62	471,369.62
2．1 January 2018	8,018,558.00	8,018,558.00

Continued：

Item	Plant and buildings	Total
Cost		
1．31 December 2018	1,283,876.28	1,283,876.28
2．Increase in the current period	---	---
Purchase	---	---
3．Decrease in the current period	1,283,876.28	1,283,876.28
Disposal	1,283,876.28	1,283,876.28
4．31 December 2019	---	---
Accumulated depreciation and amortization		
1．31 December 2018	812,506.66	812,506.66
2．Increase in the current period	25,407.90	25,407.90
Depreciation or amortization	25,407.90	25,407.90
3．Decrease in the current period	837,914.56	837,914.56
Disposal	837,914.56	837,914.56

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Item	Plant and buildings	Total
4．31 December 2019	---	---
Provision for impairment		
1．31 December 2018	---	---
2．Increase in the current period	---	---
Provision	---	---
3．Decrease in the current period	---	---
Other transfer-out	---	---
4．31 December 2019	---	---
Carrying amount		
1．31 December 2019	---	---
2．31 December 2018	471,369.62	471,369.62

Continued：

Item	Plant and buildings	Total
Cost		
1．31 December 2019	---	---
2．Increase in the current period	11,596,045.23	11,596,045.23
Transfer from fixed assets	11,596,045.23	11,596,045.23
3．Decrease in the current period	---	---
Disposal	---	---
4．31 December 2020	11,596,045.23	11,596,045.23
Accumulated depreciation and amortization		
1．31 December 2019		
2．Increase in the current period	6,211,479.15	6,211,479.15
Depreciation or amortization	367,177.20	367,177.20
Transfer from fixed assets	5,844,301.95	5,844,301.95
3．Decrease in the current period	---	---
Disposal	---	---

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Item	Plant and buildings	Total
4．31 December 2020	6,211,479.15	6,211,479.15
Provision for impairment		
1．31 December 2019	---	---
2．Increase in the current period	---	---
Provision	---	---
3．Decrease in the current period	---	---
Disposal	---	---
4．31 December 2020	---	---
Carrying amount		
1．31 December 2020	5,384,566.08	5,384,566.08
2．31 December 2019	---	---

6.16.2. As of 31 December 2020, investment property of which certificates of title have been obtained.

6.17· Fixed assets

Item	31 December 2020	31 December 2019	31 December 2018
Fixed assets	256,256,606.37	119,109,206.14	99,427,176.07
Disposal of fixed assets	---	---	---
Total	256,256,606.37	119,109,206.14	99,427,176.07

Note：The fixed assets in the above table refer to the fixed assets after deducting disposal of fixed assets.

6.17.1. Fixed assets

6.17.1.1. Details of fixed assets

Item	Plant and buildings	Machinery and equipment	Equipment	Vehicles	Office equipment and others	Total
Cost						

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1．1 January 2018	87,626,967.18	12,766,971.57	6,980,060.34	102,611,962.61	33,215,487.31	243,201,449.01
2．Increase in the current period	11,772,708.29	2,957,569.33	189,572.65	2,292,497.79	5,043,034.94	22,255,383.00
Reclassification adjustment	---	---	---	---	---	---
Additions	---	2,957,569.33	189,572.65	805,574.93	3,242,603.36	7,195,320.27
Transfer from construction in progress	---	---	---	---	32,584.75	32,584.75
Others	11,772,708.29	---	---	1,486,922.86	1,767,846.83	15,027,477.98
3．Decrease in the current period	---	---	1,286,262.89	7,163,861.77	964,432.69	9,414,557.35
Disposal or retirement	---	---	1,035,500.00	6,992,994.72	734,926.13	8,763,420.85
Disposal of subsidiary	---	---	250,762.89	---	---	250,762.89
Others	---	---	---	170,867.05	229,506.56	400,373.61
4．31 December 2018	99,399,675.47	15,724,540.90	5,883,370.10	97,740,598.63	37,294,089.56	256,042,274.66
Accumulated depreciation						
1．1 January 2018	24,910,648.87	4,587,842.40	3,370,759.85	91,818,271.39	19,940,078.23	144,627,600.74
2．Increase in the current period	8,751,504.54	3,290,669.81	1,071,437.18	4,605,483.52	2,162,761.18	19,881,856.23
Reclassification adjustment	---	---	---	---	---	---
Charge for the current period	8,751,504.54	3,290,669.81	1,071,437.18	4,605,483.52	2,162,761.18	19,881,856.23
3．Decrease in the current period	---	---	3,181,074.25	4,103,592.17	609,691.96	7,894,358.38
Disposal or retirement	---	---	3,027,816.44	4,071,567.15	609,691.96	7,709,075.55
Disposal of subsidiary	---	---	153,257.81	---	---	153,257.81
Others	---	---	---	32,025.02	---	32,025.02
4．31 December 2018	33,662,153.41	7,878,512.21	1,261,122.78	92,320,162.74	21,493,147.45	156,615,098.59
Provision for impairment						
1．1 January 2018	---	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---	---
Provision	---	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---	---
Disposal or retirement	---	---	---	---	---	---
4．31 December 2018	---	---	---	---	---	---
Carrying amount						
1．31 December 2018	65,737,522.06	7,846,028.69	4,622,247.32	5,420,435.89	15,800,942.11	99,427,176.07
2．1 January 2018	62,716,318.31	8,179,129.17	3,609,300.49	10,793,691.22	13,275,409.08	98,573,848.27

Continued：

Item	Plant and buildings	Machinery and equipment	Equipment	Vehicles	Office equipment and others	Total
Cost						

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1．31 December 2018	99,399,675.47	15,724,540.90	5,883,370.10	97,740,598.63	37,294,089.56	256,042,274.66
2．Increase in the current period	6,751,286.44	11,568,894.87	---	17,193,882.92	6,115,395.45	41,629,459.68
Reclassification adjustment	---	---	---	3,706,333.99	---	3,706,333.99
Additions	6,751,286.44	11,568,894.87	---	11,658,761.15	5,728,025.17	35,706,967.63
Transfer from construction in progress	---	---	---	1,445,980.81	---	1,445,980.81
Others	---	---	---	382,806.97	387,370.28	770,177.25
3．Decrease in the current period	3,808,424.46	291,080.92	967,627.99	33,374,547.30	3,302,140.28	41,743,820.95
Reclassification adjustment	2,951,369.46	291,080.92	307,551.59	---	156,332.02	3,706,333.99
Disposal or retirement	857,055.00		660,076.40	32,662,842.80	2,530,151.91	36,710,126.11
Disposal of subsidiary	---	---	---	509,500.08	443,736.11	953,236.19
Others	---	---	---	202,204.42	171,920.24	374,124.66
4．31 December 2019	102,342,537.45	27,002,354.85	4,915,742.11	81,559,934.25	40,107,344.73	255,927,913.39
Accumulated depreciation						
1．31 December 2018	33,662,153.41	7,878,512.21	1,261,122.78	92,320,162.74	21,493,147.45	156,615,098.59
2．Increase in the current period	4,332,620.95	3,147,235.01	3,074,902.56	1,721,257.80	5,549,755.63	17,825,771.95
Reclassification adjustment	---	---	2,326,796.79	---	476,564.24	2,803,361.03
Charge for the current period	4,332,620.95	3,147,235.01	748,105.77	1,721,257.80	5,073,191.39	15,022,410.92
3．Decrease in the current period	489,046.17	906,463.77	627,072.19	33,069,105.51	2,530,475.65	37,622,163.29
Reclassification adjustment	101,705.80	906,463.77	---	1,795,191.46	---	2,803,361.03
Disposal or retirement	387,340.37	---	627,072.19	30,971,969.21	2,383,465.01	34,369,846.78
Disposal of subsidiary	---	---	---	301,944.84	147,010.64	448,955.48
4．31 December 2019	37,505,728.19	10,119,283.45	3,708,953.15	60,972,315.03	24,512,427.43	136,818,707.25
Provision for impairment						
1．31 December 2018	---	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---	---
Provision	---	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---	---
Disposal or retirement	---	---	---	---	---	---
4．31 December 2019	---	---	---	---	---	---
Carrying amount						
1．31 December 2019	64,836,809.26	16,883,071.40	1,206,788.96	20,587,619.22	15,594,917.30	119,109,206.14
2．31 December 2018	65,737,522.06	7,846,028.69	4,622,247.32	5,420,435.89	15,800,942.11	99,427,176.07

Continued：

Item	Plant and buildings	Machinery and equipment	Equipment	Vehicles	Office equipment and others	Total
Cost						

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1．31 December 2019	102,342,537.45	27,002,354.85	4,915,742.11	81,559,934.25	40,107,344.73	255,927,913.39
2．Increase in the current period	175,698,793.98	4,200,885.10	1,692,413.90	4,048,231.30	452,478.51	186,092,802.79
Reclassification adjustment	---	---	---	---	---	---
Additions	---	4,200,885.10	1,692,413.90	3,176,258.31	452,478.51	9,522,035.82
Additions of the merger under different control	57,965,788.43	---	---	---	---	57,965,788.43
Others	117,733,005.55	---	---	871,972.99	---	118,604,978.54
3．Decrease in the current period	27,421,349.31	5,239,491.00	816,794.62	9,557,236.96	2,240,085.31	45,274,957.20
Disposal or retirement	15,825,304.08	5,239,491.00	816,794.62	9,099,441.34	2,187,043.14	33,168,074.18
transfer out investment properties	11,596,045.23	---	---	---	---	11,596,045.23
Others	---	---	---	457,795.62	53,042.17	510,837.79
4．31 December 2020	250,619,982.12	25,963,748.95	5,791,361.39	76,050,928.59	38,319,737.93	396,745,758.98
Accumulated depreciation						
1．31 December 2019	37,505,728.19	10,119,283.45	3,708,953.15	60,972,315.03	24,512,427.43	136,818,707.25
2．Increase in the current period	12,605,666.74	3,342,225.33	583,511.06	8,528,934.03	3,914,376.44	28,974,713.60
Charge for the current period	7,503,131.20	3,342,225.33	583,511.06	8,528,934.03	3,914,376.44	23,872,178.06
Additions of the merger under different control	5,102,535.54	---	---	---	---	5,102,535.54
3．Decrease in the current period	12,979,577.12	746,658.90	775,954.89	8,735,005.06	2,067,072.27	25,304,268.24
Disposal or retirement	7,181,172.32	746,658.90	775,954.89	8,634,690.83	2,036,636.84	19,375,113.78
transfer out investment properties	5,798,404.80	---	---	---	---	5,798,404.80
Others	---	---	---	100,314.23	30,435.43	130,749.66
4．31 December 2020	37,131,817.81	12,714,849.88	3,516,509.32	60,766,244.00	26,359,731.60	140,489,152.61
Provision for impairment						
1．31 December 2019	---	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---	---
Provision	---	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---	---
Disposal or retirement	---	---	---	---	---	---
4．31 December 2020	---	---	---	---	---	---
Carrying amount						
1．31 December 2020	213,488,164.31	13,248,899.07	2,274,852.07	15,284,684.59	11,960,006.33	256,256,606.37
2．31 December 2019	64,836,809.26	16,883,071.40	1,206,788.96	20,587,619.22	15,594,917.30	119,109,206.14

6.17.1.2. Fixed assets that have not completed the title certificate yet

As of May 25, 2020, Nantong Zhixiang Information Technology Co., Ltd. (refer to as "Nantong Zhixiang Company") and Mr.Ying Yusheng still owed money to Shanghai Zhixiang Information

Technology Development Co., Ltd. (refer to as "Shanghai Zhixiang Company") CNY127,934,943.83. After negotiation between them and Shanghai Zhixiang Company, the "Supplementary Agreement to the Equity Transfer Agreement (2)" was signed on May 25, 2020. The agreement stipulates:

(1)Nantong Zhixiang Company and Yingyusheng will offset part of the debt CNY127,030,254.40 theiur owed by transferring the ownership of 15,644.12 square meters of housing assets in the Zhihui Science and Technology Park, Gangzha District, Nantong City . In addition, the remaining CNY 904,645.60 was repaid in cash. On the 18th April, 2020, the third-party appraisal agency Shanghai Dahua Assets Appraisal Co., Ltd. assessed and issued an appraisal report numbered Shanghai Dahua Assets Appraisal Co.,Ltd. ZiPingbao Zi (2020) No. 116 to evaluate the price of the house with an appraisal value of CNY127,030,254.40，

(2)As the above-mentioned real estate for repayment of debts is currently restricted by government policies and does not yet have the conditions for transfer, Nantong Zhixiang Company and Mr.Ying Yusheng promised to issue a "Receipt Notice" to Shanghai Zhixiang Company within 15 days after the signing of this agreement and unconditionally cooperate with Shanghai Zhixiang Company or its designated third party handles the delivery of the compensation real estate, and at the same time delivers the original real estate certificate to Shanghai Zhixiang Company for guaranteeing.

(3)After the real estate for debt repayment is delivered to Shanghai Zhixiang Company, all rights and interests related to the real estate (including but not limited to ownership, possession, use, income, disposal, etc.) belong to Shanghai Zhixiang Company, and it has the right to The aforementioned rights and interests of the real estate are transferred to any third party according to the law. Nantong Zhixiang Company and Mr.Ying Yusheng have no any objection to this (it shall cooperate unconditionally at that time). Without the consent of Shanghai Zhixiang Company, Nantong Zhixiang Company and Mr.Ying Yusheng shall not agree to dispose of the property in any form or set any other rights restrictions.

(4)Nantong Zhixiang Company and Mr.Ying Yusheng unconditional promise cooperate with Shanghai Zhixiang Company or its designated third party to handle the transfer procedures when the real estate for debt repayment meets the transfer conditions.

In June 2020, according to the above agreement, Nantong Zhixiang Company and Mr.Ying Yusheng had handed over the original real estate certificates of the above real estate to Shanghai Zhixiang Company; Moreover, in June 2020, Shanghai Zhixiang Company received Mr.Ying

Yusheng to repay the remaining debts CNY 904,645.60.

6.18 · Construction in progress

Item	31 December 2020	31 December 2019	31 December 2018
Construction in progress	5,176,630.20	---	3,897,355.22
Engineer material	---	---	---
Total	5,176,630.20	---	3,897,355.22

6.18.1. Details of construction in progress

Item	31 December 2020		
	Book balance	Provision for impairment	Carrying amount
Nanhui factory decoration	5,176,630.20	---	5,176,630.20
Total	5,176,630.20	---	5,176,630.20

Continued:

Item	31 December 2019		
	Book balance	Provision for impairment	Carrying amount
(Blank)	---	---	---
Total	---	---	---

Continued:

Item	31 December 2018		
	Book balance	Provision for impairment	Carrying amount
Nantong Base Project	---	---	---
Shanghai Zhixiang Decoration Project	1,129,741.47	---	1,129,741.47
Construction works	421,687.39	---	421,687.39
Installation work	2,345,926.36	---	2,345,926.36
Total	3,897,355.22	---	3,897,355.22

6.18.2. Changes in significant construction in progress

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Item	1 January 2018	Increase in the current period	Transfer to fixed assets	Other decreases	31 December 2018
Nantong Base Project	147,406,220.03	---	---	147,406,220.03	---
Shanghai Zhixiang Decoration Project	---	1,129,741.47	---	---	1,129,741.47
Construction works	---	421,687.39	---	---	421,687.39
Installation work	---	2,345,926.36	---	---	2,345,926.36
Total	147,406,220.03	3,897,355.22	---	147,406,220.03	3,897,355.22

Continued:

Item	31 December 2018	Increase in the current period	Transfer to fixed assets	Other decreases	31 December 2019
Shanghai Zhixiang Decoration Project	1,129,741.47	316,239.34	1,445,980.81	---	---
Construction works	421,687.39	---	---	421,687.39	---
Installation work	2,345,926.36	15,029.13	---	2,360,955.49	---
Total	3,897,355.22	331,268.47	1,445,980.81	2,782,642.88	---

Continued:

Item	31 December 2019	Increase in the current period	Transfer to fixed assets	Other decreases	31 December 2020
Nanhui factory decoration	---	5,176,630.20	---	---	5,176,630.20
Total	---	5,176,630.20	---	---	5,176,630.20

6.19. Intangible assets

6.19.1. Intangible assets

Item	Land use rights	Technology concession	Software copyright	Financial software and others	Total
Cost					
1. 1 January 2018	39,701,431.76	47,101,805.90	206,764,986.24	10,940,025.06	304,508,248.96
2. Increase in the current period	---	96,973.18	1,997,438.00	1,252,425.85	3,346,837.03
Additions	---	96,973.18	20,318.30	1,252,425.85	1,369,717.33

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Internal R&D	---	---	1,977,119.70	---	1,977,119.70
3．Decrease in the current period	38,459,840.36	---	3,076.92	---	38,462,917.28
Disposal	---	---	3,076.92	---	3,076.92
Disposal of subsidiary	38,459,840.36	---	---	---	38,459,840.36
4．31 December 2018	1,241,591.40	47,198,779.08	208,759,347.32	12,192,450.91	269,392,168.71
Accumulated amortization					
1．1 January 2018	4,828,797.96	32,192,021.05	116,986,369.83	7,179,172.86	161,186,361.70
2．Increase in the current period	238,892.72	7,628,519.44	26,519,972.90	548,755.00	34,936,140.06
Charge for the current period	238,892.72	7,628,519.44	26,519,972.90	548,755.00	34,936,140.06
3．Decrease in the current period	4,678,688.14	---	102.54	---	4,678,790.68
Disposal	---	---	102.54	---	102.54
Disposal of subsidiary	4,678,688.14	---	---	---	4,678,688.14
4．31 December 2018	389,002.54	39,820,540.49	143,506,240.19	7,727,927.86	191,443,711.08
Provision for impairment					
1．1 January 2018	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---
Provision	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---
Disposalof subsidiary	---	---	---	---	---
4．31 December 2018	---	---	---	---	---
Carrying amount					
1．31 December 2018	852,588.86	7,378,238.59	65,253,107.13	4,464,523.05	77,948,457.63
2．1 January 2018	34,872,633.80	14,909,784.85	89,778,616.41	3,760,852.20	143,321,887.26

Continued：

Item	Land use rights	Technology concession	Software copyright	Financial software and others	Total
Cost					
1．31 December 2018	1,241,591.40	39,998,610.12	218,863,681.43	9,288,285.76	269,392,168.71
2．Increase in the current period	---	61,878.73	1,596,104.96	284,562.65	1,942,546.34

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Additions	---	61,878.73	46,104.96	284,562.65	392,546.34
Internal R&D	---	---	1,550,000.00	---	1,550,000.00
3．Decrease in the current period	---	28,337,857.55	49,294,666.45	61,132.08	77,693,656.08
Disposal	---	28,337,857.55	49,294,666.45	61,132.08	77,693,656.08
4．31 December 2019	1,241,591.40	11,722,631.30	171,165,119.94	9,511,716.33	193,641,058.97
Accumulated amortization					
1．31 December 2018	389,002.54	33,703,773.60	151,239,166.85	6,111,768.09	191,443,711.08
2．Increase in the current period	24,836.76	1,154,957.36	20,555,191.10	1,828,234.12	23,563,219.34
Charge for the current period	24,836.76	1,154,957.36	20,555,191.10	1,828,234.12	23,563,219.34
3．Decrease in the current period	---	23,811,543.35	36,937,260.23	20,377.36	60,769,180.94
Disposal	---	23,811,543.35	36,937,260.23	20,377.36	60,769,180.94
4．31 December 2019	413,839.30	11,047,187.61	134,857,097.72	7,919,624.85	154,237,749.48
Provision for impairment					
1．31 December 2018	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---
Provision	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---
Disposal of subsidiary	---	---	---	---	---
4．31 December 2019	---	---	---	---	---
Carrying amount					
1．31 December 2019	827,752.10	675,443.69	36,308,022.22	1,592,091.48	39,403,309.49
2．31 December 2018	852,588.86	7,378,238.59	65,253,107.13	4,464,523.05	77,948,457.63

Continued：

Item	Land use rights	Technology concession	Software copyright	Financial software and others	Total
Cost					
1．31 December 2019	1,241,591.40	11,722,631.30	171,165,119.94	9,511,716.33	193,641,058.97
2．Increase in the current period	---	-4,177.20	75,216.92	---	71,039.72

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Additions	---	---	79,646.02	---	79,646.02
Foreign currency statement translation difference	---	-4,177.20	-4,429.10	---	-8,606.30
3．Decrease in the current period	---	---	---	---	---
Disposal	---	---	---	---	---
4．31 December 2020	1,241,591.40	11,718,454.10	171,240,336.86	9,511,716.33	193,712,098.69
Accumulated amortization					
1．31 December 2019	413,839.30	11,047,187.61	134,857,097.72	7,919,624.85	154,237,749.48
2．Increase in the current period	24,836.76	383,874.32	8,885,868.94	866,395.14	10,160,975.16
Charge for the current period	24,836.76	388,051.52	8,885,868.94	870,824.24	10,169,581.46
Foreign currency statement translation difference	---	-4,177.20	---	-4,429.10	-8,606.30
3．Decrease in the current period	---	---	---	---	---
Disposal	---	---	---	---	---
4．31 December 2020	438,676.06	11,431,061.93	143,742,966.66	8,786,019.99	164,398,724.64
Provision for impairment					
1．31 December 2019	---	---	---	---	---
2．Increase in the current period	---	---	---	---	---
Provision	---	---	---	---	---
3．Decrease in the current period	---	---	---	---	---
Disposal	---	---	---	---	---
4．31 December 2020	---	---	---	---	---
Carrying amount					
1．31 December 2020	802,915.34	287,392.17	27,497,370.20	725,696.34	29,313,374.05
2．31 December 2019	827,752.10	675,443.69	36,308,022.22	1,592,091.48	39,403,309.49

6.19.2．As of 31 December 2020，land use rights of which certificates of title have been obtained

6.20・Development expenditures

Item	1 January 2018	Increase in the current period		Decrease in the current period		31 December 2018
		Internal development	Others	Transfer to profit or loss for	Recognized as intangible	

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		expenditures		the current period	assets	
Course development platform based on UBL project-driven mode	679,245.27	867,945.88	---	---	---	1,547,191.15
Indoor special scene wireless network test system	---	11,863,352.71	---	11,863,352.71	---	---
Group Information System Construction Project	1,412,362.63	791,019.10	---	---	---	2,203,381.73
VR education 2018	---	1,851,079.86	---	1,851,079.86	---	---
Know new dots 2018	---	1,356,972.52	---	---	---	1,356,972.52
Knowledge platform 2018	---	760,331.11	---	---	---	760,331.11
Zhixin Big Data 2018	---	395,861.22	---	---	395,861.22	---
Zhixinshu Content Development 2018	---	269,724.66	---	149,862.09	---	119,862.57
The intelligent academic analysis system	---	33,484.44	---	9,893.94	---	23,590.50
Unbooking, school products	826,617.15	---	---	---	826,617.15	---
Diandian, smart eye products	754,641.33	---	---	---	754,641.33	---
VR engine	735,199.54	720,318.47	---	---	---	1,455,518.01
Motion function detection system	---	281,512.35	---	281,512.35	---	---
Intelligent warehouse management system for hazardous chemicals based on the Internet of Things	110,000.00	-	---	110,000.00	---	---
Industrial Intelligent Gateway System V1.0	---	1,887,358.04	---	94,339.62	---	1,793,018.42
Intelligent quality control ERP training management system V1.0	---	1,450,000.00	---	72,500.00	---	1,377,500.00
Research and development of Zhijie Weixin Liupanshui Phase II Project	---	4,032,000.00	---	67,200.00	---	3,964,800.00
Chengdu Zhichangsoft HiG0 e-commerce website system	---	1,684,000.00	---	84,200.00	---	1,599,800.00
Intelligent manufacturing virtual factory teaching software	---	2,700,000.00	---	135,000.00	---	2,565,000.00
data collection system	---	283,018.80	---	14,150.94	---	268,867.86
Digital Factory Manufacturing Execution Training Management System V1.0	---	480,000.00	---	24,000.00	---	456,000.00
IoT Smart Home Training System (Smart Quality Control ERP)	---	1,550,000.00	---	77,500.00	---	1,472,500.00
Total	4,518,065.92	33,257,979.16	---	14,834,591.51	1,977,119.70	20,964,333.87

Continued：

Item	31 December 2018	Increase in the current period		Decrease in the current period		31 December 2019
		Internal development	Others	Transfer to profit or loss for	Recognized as intangible	

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		expenditures		the current period	assets	
Group information system construction project	2,203,381.73	376,051.52	---	---	---	2,579,433.25
Curriculum development platform project based on ubl project-driven mode	1,547,191.15	---	---	1,547,191.15	---	---
Industrial intelligent gateway system v1.0	1,793,018.42	-566.04	---	1,792,452.38	---	---
Intelligent quality control erp training management system v1.0	1,377,500.00	---	---	1,377,500.00	---	---
Research and development of zhijie weixin liupanshui phase ii project	3,964,800.00	-228,226.39	---	3,736,573.61	---	---
Chengdu zhichangsoft hig0 e-commerce website system	1,599,800.00	---	---	1,599,800.00	---	---
Intelligent manufacturing virtual factory teaching software	2,565,000.00	-152,830.28	---	2,412,169.72	---	---
Data collection system	268,867.86	---	---	268,867.86	---	---
Digital factory manufacturing execution training management system v1.0	456,000.00	---	---	456,000.00	---	---
Iot smart home training system (smart quality control erp)	1,472,500.00	---	---	---	1,472,500.00	---
Know new dots 2018	1,356,972.52	1,822.00	---	1,358,794.52	---	---
Knowledge platform 2018	760,331.11	65,023.53	---	825,354.64	---	---
Zhixinshu content development 2018	119,862.57	---	---	119,862.57	---	---
The intelligent academic analysis system	23,590.50	---	---	23,590.50	---	---
Vr engine	1,455,518.01	1,567,592.86	---	3,023,110.87	---	---
Big data, communications, ai, and soft engineering professional subject research and development projects	---	9,075,671.51	---	3,547,258.09	---	5,528,413.42
Total	20,964,333.87	10,704,538.71	---	22,088,525.91	1,472,500.00	8,107,846.67

Continued：

Item	31 December 2019	Increase in the current period	Decrease in the current period	31 December 2020

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		Internal development expenditures	Others	Transfer to profit or loss for the current period	Recognized as long-term prepaid expenses	
Group Information System Construction Project	2,579,433.25	58,480.19	---	---	---	2,637,913.44
The fifth generation mobile communication network large-capacity automated test system project	---	9,987,280.41	---	---	---	9,987,280.41
Information System Development Service Contract-DL Supply Chain Information System	---	516,138.61	---	---	---	516,138.61
Capsule beverage smart terminal project	---	1,707,414.58	---	1,671,915.28	---	35,499.30
Straw processing intelligent terminal project	---	8,968,082.45	---	---	---	8,968,082.45
Big data, communications, AI and soft engineering professional subject research and development projects	5,528,413.42	---	---	---	5,528,413.42	---
Four professional subject research and development	---	1,013,562.77	---	1,013,562.77	---	---
Big data (undergraduate and higher vocational) content development	---	338,884.32	---	---	---	338,884.32
Industrial IoT training product series research and development project	---	842,062.25	---	---	---	842,062.25
Artificial intelligence (undergraduate and higher vocational) content research and development	---	460,241.81	---	---	---	460,241.81
Communication (higher vocational) content research and development	---	1,098,232.69	---	---	---	1,098,232.69
Internet of Things (undergraduate and higher vocational) content development	---	539,276.14	---	---	---	539,276.14
Research and Development Project of Xuean System	---	811,298.55	---	---	---	811,298.55
Zhixin Cloud Classroom System	---	527,829.25	---	---	---	527,829.25
"Xue An" Project Teaching Management System	---	311,713.26	---	---	---	311,713.26

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Item	31 December 2019	Increase in the current period		Decrease in the current period		31 December 2020
		Internal development expenditures	Others	Transfer to profit or loss for the current period	Recognized as long-term prepaid expenses	
Online and offline live broadcast intelligent teaching evaluation system	---	3,463,100.63	---	---	---	3,463,100.63
Other development expenditure included in profit and loss	---	73,405,061.90		73,405,061.90	---	---
Total	8,107,846.67	104,048,659.81	---	76,090,539.95	5,528,413.42	30,537,553.11

6.21. Goodwill

6.21.1. Cost of goodwill

Name of the investee or item resulting in goodwill	1 January 2018	Increase in the current period		Decrease in the current period		31 December 2018
		Arising from business combination	Others	Disposal	Others	
Guangzhou Beixun Communication Technology Co., Ltd.	26,634,380.77	---	---	---	---	26,634,380.77
GuangZhou BeiRuan electronic technology Co.,Ltd	5,364,268.29	---	---	---	---	5,364,268.29
Shanghai Zhixiang Information Technology Development Co., Ltd	315,720,920.91	---	---	---	---	315,720,920.91
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	15,722,243.98	---	---	---	---	15,722,243.98
Esim Technology Ltd.	526,993,764.13	---	---	---	---	526,993,764.13
Shanghai MeiDu management consulting Co.,Ltd.	162,924,401.44	170,558,447.40	---	---	---	333,482,848.84
Total	1,053,359,979.52	170,558,447.40	---	---	---	1,223,918,426.92

Continued：

Name of the investee or item resulting in goodwill	31 December 2018	Increase in the current period		Decrease in the current period		31 December 2019
		Arising from business combination	Others	Disposal	Others	
Guangzhou Beixun Communication Technology	26,634,380.77	---	---	---	---	26,634,380.77

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Co., Ltd.						
GuangZhou BeiRuan electronic technology Co.,Ltd	5,364,268.29	---	---	---	---	5,364,268.29
Shanghai Zhixiang Information Technology Development Co., Ltd.	315,720,920.91	---	---	---	---	315,720,920.91
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	15,722,243.98	---	---	15,722,243.98	---	---
Esim Technology Ltd.	526,993,764.13	---	---	---	---	526,993,764.13
Shanghai MeiDu management consulting Co.,Ltd.	333,482,848.84	---	---	---	---	333,482,848.84
Total	1,223,918,426.92	---	---	15,722,243.98	---	1,208,196,182.94

Continued：

Name of the investee or item resulting in goodwill	31 December 2019	Increase in the current period		Decrease in the current period		31 December 2020
		Arising from business combination	Others	Disposal	Others	
Guangzhou Beixun Communication Technology Co., Ltd.	26,634,380.77	---	---	---	---	26,634,380.77
GuangZhou BeiRuan electronic technology Co.,Ltd.	5,364,268.29	---	---	5,364,268.29	---	---
Shanghai Zhixiang Information Technology Development Co., Ltd.	315,720,920.91	---	---	---	---	315,720,920.91
Esim Technology Ltd.	526,993,764.13	---	---	---	---	526,993,764.13
Shanghai MeiDu management consulting Co.,Ltd.	333,482,848.84	---	---	---	---	333,482,848.84
Total	1,208,196,182.94			5,364,268.29		1,202,831,914.65

6.21.2. Provision for impairment of goodwill

Name of the investee and item resulting in goodwill	1 January 2018	Increase in the current period		Decrease in the current period		31 December 2018
		Provision	Others	Disposal	Others	
Guangzhou Beixun Communication Technology Co., Ltd.	---	---	---	---	---	---
GuangZhou BeiRuan electronic technology Co.,Ltd	---	5,364,268.29	---	---	---	5,364,268.29

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Shanghai Zhixiang Information Technology Development Co., Ltd.	---	1,286,069.43	---	---	---	1,286,069.43
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	15,722,243.98	---	---	---	---	15,722,243.98
Esim Technology Ltd.	---	---	---	---	---	---
Shanghai MeiDu management consulting Co,.Ltd.	---	---	---	---	---	---
Total	15,722,243.98	6,650,337.72	---	---	---	22,372,581.70

Continued：

Name of the investee and item resulting in goodwill	31 December 2018	Increase in the current period		Decrease in the current period		31 December 2019
		Provision	Others	Disposal	Others	
Guangzhou Beixun Communication Technology Co., Ltd.	---	26,634,380.77	---	---	---	26,634,380.77
GuangZhou BeiRuan electronic technology Co.,Ltd	5,364,268.29	---	---	---	---	5,364,268.29
Shanghai Zhixiang Information Technology Development Co., Ltd.	1,286,069.43	314,434,851.48	---	---	---	315,720,920.91
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	15,722,243.98	---	---	15,722,243.98	---	---
Esim Technology Ltd.	---	---	---	---	---	---
Shanghai MeiDu management consulting Co.,Ltd.	---	---	---	---	---	---
Total	22,372,581.70	341,069,232.25	---	15,722,243.98	---	347,719,569.97

Continued：

Name of the investee and item resulting in goodwill	31 December 2019	Increase in the current period		Decrease in the current period		31 December 2020
		Provision	Others	Disposal	Others	
Guangzhou Beixun Communication Technology Co., Ltd.	26,634,380.77	---	---	---	---	26,634,380.77
GuangZhou BeiRuan electronic technology Co.,Ltd	5,364,268.29	---	---	5,364,268.29	---	---
Shanghai Zhixiang Information Technology Development Co., Ltd.	315,720,920.91	---	---	---	---	315,720,920.91
Beijing JiaNuoMingDe educational consulting	---	---	---	---	---	---

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Co.,Ltd.						
Esim Technology Ltd.	---	---	---	---	---	---
Shanghai MeiDu management consulting Co.,Ltd.	---	38,344,241.46	---	---	---	38,344,241.46
Total	347,719,569.97	38,344,241.46	---	5,364,268.29	---	380,699,543.14

6.21.3. Relevant information of asset groups or portfolios of asset groups of which the goodwill forms a part

Guang Dong ZGX Assets Appraisal Co., LTD evaluated the price of Esim Technology Ltd.and its asset group, and issued ZGX Evaluation Report [2020] No. 398 Evaluation Report. After evaluation, it was determined that the book value of Esim Technology Ltd including the goodwill asset group was CNY 585,895,300.00 , and the recoverable amount was CNY 599,700,000.00 Esim Technology Ltd and its asset group did not experience any impairment. The asset group of Esim Technology Ltd.'s goodwill is composed of Esim Technology Ltd (including its subsidiaries) and its assets, and the book amount of goodwill is CNY 526,993,764.13. This asset group consists with the asset group determined during the goodwill impairment test on the purchase date and previous years.

Shanghai Meidu Management Consulting Co., Ltd. (refer to as Shanghai Meidu Company) and its asset group has been evaluated by Guang Dong ZGX Assets Appraisal Co., LTD for the company's value, and Guang Dong ZGX Assets Appraisal Co., LTD issued ZGX Evaluation Report [2020] No. 397 Evaluation Report.As of October 31, 2020 , it was determined that the book value of Shanghai Meidu Company including the goodwill asset group was CNY 340,256,900.00, and the recoverable amount was CNY 356,200,000.00. Shanghai Meidu Company and its asset group had no impairment after evaluation.. The asset group of Shanghai Meidu Company is composed of Shanghai Meidu Company and its assets, and the book value of goodwill is CNY 333,482,848.84. The asset group consists with the asset group determined during the goodwill impairment test on the purchase date and previous years.

According to the calculations based on the operating conditions of Shanghai Meidu Company from November 2020 to December 2020, the goodwill of Shanghai Meidu Company has been impaired by CNY 38,344,241.46 .

6.21.4. Explanations on impairment testing process of goodwill, key parameters and recognition method of impairment losses

The main assumptions of the company's future cash flow discount method:

Name of the investee and item resulting in goodwill	31 December 2020			31 December 2019			31 December 2018		
	Growth rate (%)	Gross margin (%)	Discount rate (%)	Growth rate (%)	Gross margin (%)	Discount rate (%)	Growth rate (%)	Gross margin (%)	Discount rate (%)
Acquired Beixun Company	---	---	---	-16.74	39.00	15.90	1.41	48.00	15.10
Acquired Zhixiang Company	---	---	---	6.00	38.00	12.62	9.70	40.00	12.81
Acquired Esim Company	24.16	46.39	14.04	13.62	17.00	13.60	4.45	37.00	13.99
Acquired Meidu Company	11.49	75.70	13.99	2.14	81.00	15.19	4.45	87.00	15.31

6.22. Long-term deferred expenses

Item	1 January 2018	Increase in the current period	Amortization for the current period	Other reductions	31 December 2018
Renovation costs	8,597,376.30	5,810,887.02	4,932,449.34	---	9,475,813.98
Cooperative school rights	497,378,452.76	110,443,187.09	33,345,405.27	396,226.42	574,080,008.16
Research project	---	8,207,214.93	116,271.68	---	8,090,943.25
Total	505,975,829.06	124,461,289.04	38,394,126.29	396,226.42	591,646,765.39

Continued：

Item	31 December 2018	Increase in the current period	Amortization for the current period	Other reductions	31 December 2019
Renovation costs	11,302,794.75	6,079,165.72	5,070,477.36	---	12,311,483.11
Cooperative school rights	571,177,329.31	12,036,060.00	76,578,146.05	51,804,241.15	454,831,002.11

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Others	9,166,641.33	3,972,911.42	3,642,621.87	---	9,496,930.88
Total	591,646,765.39	22,088,137.14	85,291,245.28	51,804,241.15	476,639,416.10

Continued：

Item	31 December 2019	Increase in the current period	Amortization for the current period	Other reductions	31 December 2020
Renovation costs	12,311,483.11	9,003,457.22	4,664,507.71		16,650,432.62
Cooperative school rights	454,831,002.11	11,640,100.00	33,893,089.28	4,802,500.00	427,775,512.83
Others	9,496,930.88	9,992,810.81	5,200,973.58		14,288,768.11
Total	476,639,416.10	30,636,368.03	43,758,570.57	4,802,500.00	458,714,713.56

Others:

On 8 June 2020, Heze Vocational College and Tibet, YunZaiXian information technology Co,.LTD (refer to as Yunzaixian company) signed the Heze Vocational College project termination statement. Due to the poor enrollment of Heze Vocational College, the two parties terminated the cooperation. Heze Vocational College agreed to return the CNY 4.40 million of equipment invested by Yunzaixian company in 2018; for the CNY 600,000 .00 in cash investment, the two parties agreed that the recruitment cost has been CNY 197,500.00, and the remaining CNY 402,500.00was returned to Yunzaixian company.

6.23. Deferred tax assets

6.23.1. Deferred tax assets before offset

Item	31 December 2020		31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	118,711,311.55	17,731,265.28	102,495,482.76	15,823,632.05	119,536,707.80	18,430,237.37
Unrealized profit of internal transactions	21,582,571.53	3,237,385.73	23,874,903.07	3,581,235.46	5,762,431.19	1,432,167.63

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Item	31 December 2020		31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	296,790,910.99	44,458,859.31	282,152,847.21	43,101,118.62	110,216,673.36	17,713,098.38
Accrued fees	796,070.16	119,410.53	3,660,768.26	549,115.24	9,160,230.38	1,374,034.63
Equity incentive	19,160,133.40	2,925,949.35	---	---	---	---
Charity donations that can be deducted from subsequent years	---	---	158,500.00	23,775.00	---	---
Estimated liabilities	---	---	---	---	960,864.19	144,129.63
Changes in fair value of investments in other equity instruments	5,000,000.00	750,000.00	---	---	---	---
Total	462,040,997.63	69,222,870.20	412,342,501.30	63,078,876.37	245,636,906.92	39,093,667.64

6.23.2. Unrecognized deferred tax assets

Item	31 December 2020	31 December 2019	31 December 2018
Deductible temporary differences	19,646,749.19	30,724,472.75	7,983,247.38
Deductible losses(Domestic part)	116,453,289.54	123,148,296.32	43,981,670.82
Total	136,100,038.73	153,872,769.07	51,964,918.20

6.23.3. Deductible losses for which deferred tax assets are not Recognized will be expired in the following year

Item	31 December 2020			Remark
	Book balance	Provision	Carrying amount	
2019	---	---	3,261,371.94	---
2020	---	1,712,619.81	3,075,972.45	---
2021	325,707.45	1,405,780.10	4,216,530.36	---
2022	16,834,718.40	18,262,705.34	25,698,625.28	---
2023	27,205,599.73	28,891,487.58	7,729,170.79	---
2024	54,170,316.83	72,875,703.49	---	---
2025	17,916,947.13	---	---	---

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Total	116,453,289.54	123,148,296.32	43,981,670.82	---

6.24. Other non-current assets

Item	31 December 2020	31 December 2019	31 December 2018
Prepaid cooperative school funds	---	---	---
Prepaid engineering equipment	1,981,470.61	3,993,734.04	3,717,500.00
Prepaid housing purchase	---	---	4,500,000.00
Prepaid equity purchase	---	30,000,000.00	---
Total	1,981,470.61	33,993,734.04	8,217,500.00

6.25. Short-term borrowings

6.25.1.Classification of short-term borrowings

Item	31 December 2020	31 December 2019	31 December 2018
Pledges	60,000,000.00	---	3,000,000.00
Mortgages	---	10,000,000.00	---
Guarantees	46,000,000.00	50,000,000.00	15,000,000.00
Credit	10,000,000.00	100,000,000.00	179,500,000.00
Bill discount	---	27,046,465.00	---
Mortgages and Guarantees	74,000,000.00	59,000,000.00	---
Pledges and Guarantees	3,000,000.00	3,000,000.00	---
Interest payable not yet due	131,414.28	---	---
Other short-term borrowings	---	150,900,000.00	---
Total	193,131,414.28	399,946,465.00	197,500,000.00

6.25.2.Explanation of short-term borrowing:

（1）Mortgages and Guarantees

The company and Zhuhai Branch of Bank of China Limited jointly signed the pledge contract with maximum amount, and the company ownership is pledged for the guarantee of repayment, the company has approved for the maximum amount, which is CNY5,452.0478 ten thousand yuan, and it is from August 19, 2019 to August 18, 2021. On March 9,2020,the company and Zhuhai Branch of Bank of China Limited jointly signed the cash flow contract, and has get the loan with amount of CNY5,000.00 ten thousand yuan. The term is from March 17, 2020 to March 16, 2021. On November 25, 2020， the company and Zhuhai Branch of Bank of China Limited jointly signed the cash flow contract, and has get the loan with amount of CNY15,00.00 ten thousand yuan. The term is from December 8, 2020 to December 7, 2021.

Esim Technology Ltd.and Nanhui branch of Shanghai Rural Commercial Bank jointly signed the cash flow contract, and has get the loan with amount of CNY 900 ten thousand yuan. The term is from April 30, 2020 to April 29, 2021.Esim Technology Ltd.and Nanhui branch of Shanghai Rural Commercial Bankjointly signed the pledge contract with maximum amount, and the company ownership is pledged for the guarantee of repayment, the company has approved for the maximum amount, which is CNY1,315.00 ten thousand yuan, guaranteed by Ms. Wang Liping, the term of guarantee is from April 18, 2019 to April 17, 2024. The object pledged was initially valued at CNY2,538,239.86 as of December 31, 2020, the net value of which is CNY1,423,010.78.

（2）Credit

1）On September 15, 2020, the company and Zhuhai branch of China Resources Bank Of Zhuhai Co.,Ltd. jointly signed the cash flow contract, and got the loan with amount of CNY1,000.00 ten thousand yuan, the term is from September 15, 2020 to September 15, 2021.

（3）Guarantees

1） Esim Technology Ltd.and China Resources Bank Of Zhuhai Co.,Ltd. jointly signed the guarantee contract with maximum amount of CNY2,000.00 ten thousand yuan guaranteed by the company, and the term of which is from November 9, 2020 to November9, 2025. Esim Technology Ltd.and China Resources Bank Of Zhuhai Co.,Ltd. jointly signed the cash flow contract with amount of CNY one million, and the term of which is from December 11, 2020 to December 11, 2021.

Esim Technology Ltd. and Nanhui Branch of SPD Bank jointly signed the guarantee contract with maximum amount of CNY5,000.00 ten thousand yuan guaranteed by the company and also guaranteed by Ms. Wang Liping, the term of guarantee is from June 17, 2019 to June 16 ,2024. The total loan amount borrowed by this year is CNY3,500.00 ten thousand yuan.

Esim Technology Ltd. and Bank of Shanghai Co., Ltd. Pudong Branch jointly signed the "Puhuiji loan guarantee contract" guaranteed by the company with its term from November 12, 2020 to November 12, 2024, Esim Technology Ltd. and Bank of Shanghai Co., Ltd. Pudong Branch jointly signed the loan contract for small business, and the amount of which is CNY1,000.00 ten thousand yuan with term form November 12, 2020 to November 12, 2021.

（3）Pledges

1） On April 8, 2020, the company and Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone jointly signed the commencing contract, applying for withdrawing one cheque which amount is CNY18,900,000.00. The cheque term is from April 8, 2020 to April 7, 2021.Offers,Shanghai Yizheng Business Consulting Co., Ltd.and Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone jointly signed the deposit receipt pledge contract of deposit receipt which amount is CNY18,900,000.00 and use which as the pledge for the loan of Dingli Corp., Ltd

2） On April 20, 2020, the company and Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone jointly signed the commencing contract, applying for withdrawing two cheques which amount is CNY20,000,000.00. The cheque term is from April 20, 2020 to April 20, 2021, Offers,Shanghai Yizheng Business Consulting Co., Ltd. jointly sighed the pledged contract of deposit receipt which amount is CNY20,000,000.00 and use which as the pledge for the loan of Dingli Corp., Ltd.with Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone.

3） On May 27, 2020, the company and Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone jointly signed the commencing contract, applying for withdrawing one cheque which amount is CNY21,100,000.00. The cheque term is from May 27, 2020, to May 27, 2021. Offers,Shanghai Yizheng Business Consulting Co., Ltd.jointly sighed the pledged contract of deposit receipt which amount is CNY21,100,000.00 and use which as the pledge for the loan of Dingli

Corp., Ltd.with Bank of Guangzhou Co., Ltd. Hengqin Branch of Guangdong Pilot Free Trade Zone.

（4）Pledges and Guarantees

1） Shanghai MeiDu management consulting Co.,Ltd. and Bank of Shanghai Co., Ltd. Xuhui Branch jointly signed a loan contract and got the short-tem loan CNY 3 million with the term for March 27, 2020 to March 26, 2021. The guarantee method is the combination of pledge and assurance. The company pledges its deposit receipt which amount is CNY3,450.00 to Bank of Shanghai Co., Ltd. Xuhui Branch as the guarantee of this loan, which is also guarantee by TAN CHIN LOKE EUGENE, with term of which is March 27, 2020 to March 26, 2023.

6.26. Notes payables

Item	31 December 2020	31 December 2019	31 December 2018
Bank acceptances	17,970,310.22	29,458,330.17	46,004,181.77
Commercial acceptances	---	45,982,309.83	---
Total	17,970,310.22	75,440,640.00	46,004,181.77

6.27. Accounts payables

Item	31 December 2020	31 December 2019	31 December 2018
Fund of goods	164,961,527.66	193,072,007.47	143,885,422.68
Total	164,961,527.66	193,072,007.47	143,885,422.68

6.27.1.Significant Accounts payables aged over 1 year

Name of company	31 December 2020	Outstanding or transfer
Sichuan Vocational College of Science and Technology	5,236,922.41	Settlement date not yet due
Hangzhou Eastcom Network Technology Co., Ltd.	11,140,220.73	Settlement date not yet due
Nanjing Huasu Technology Co., Ltd.	2,895,652.25	Settlement date not yet due

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Shandong Engineering Vocational and Technical University	1,247,780.20	Settlement date not yet due
Anhui Hejia Communication Technology Co., Ltd.	1,210,602.03	Settlement date not yet due
Beijing Zhijie Weixun Technology Co., Ltd.	1,555,263.29	Settlement date not yet due
City College of Southwest University of Science and Technology	4,570,135.05	Settlement date not yet due
Beijing Haowei High-Tech Communication Technology Co., Ltd.	1,116,792.52	Settlement date not yet due
Zhejiang Haisheng Communication Technology Co., Ltd.	4,319,387.99	Settlement date not yet due
Shanxi Hongrui Human Resources Co., Ltd.	1,022,876.12	Settlement date not yet due
Total	34,315,632.59	---

6.28 · Receipts in advance

6.28.1. List of receipts in advance

Item	31 December 2020	31 December 2019	31 December 2018
Fund of goods and Service charge	---	42,953,430.68	64,638,678.79
School cooperation	---	39,513,720.59	---
Total	---	82,467,151.27	64,638,678.79

6.28.2. There are no significant receipts in advance aged over 1 year.

6.29 · Contract liabilities

Item	31 December 2020	1 January 2020	31 December 2018
Fund of goods and Service charge	43,617,663.64	38,265,323.88	---
School cooperation	27,098,225.93	37,277,094.89	---

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Total	70,715,889.57	75,542,418.77	---

6.30 · Salary payables

6.30.1. List of salary payables

Item	1 January 2018	Increment this phase	Decrease this phase	31 December 2018
Short-term employee benefits	47,189,721.68	245,674,584.97	254,765,022.86	38,099,283.79
Post-employment benefits – Defined contribution plan	264,682.19	16,591,548.37	16,561,892.34	294,338.22
Termination benefits	---	1,452,085.30	1,452,085.30	---
Total	47,454,403.87	263,718,218.64	272,779,000.50	38,393,622.01

Continued

Item	31 December 2018	Increment this phase	Decrease this phase	31 December 2019
Short-term employee benefits	38,134,917.81	226,143,145.21	227,609,294.21	36,668,768.81
Post-employment benefits – Defined contribution plan	258,704.20	13,885,084.58	13,495,185.34	648,603.44
Termination benefits	---	5,180,630.67	1,802,130.67	3,378,500.00
Total	38,393,622.01	245,208,860.46	242,906,610.22	40,695,872.25

Continued:

Item	31 December 2019	Increment this phase	Decrease this phase	31 December 2020
Short-term employee benefits	36,668,768.81	201,618,160.59	198,665,549.34	39,621,380.06
Post-employment benefits – Defined contribution plan	648,603.44	4,361,413.15	4,717,648.07	292,368.52
Termination benefits	3,378,500.00	1,616,681.30	4,995,181.30	---
Total	40,695,872.25	207,596,255.04	208,378,378.71	39,913,748.58

6.30.2. List of Short-term benefits

Item	1 January 2018	Increment this phase	Decrease this phase	31 December 2018
Wages or salaries, bonuses, allowances and subsidies	46,904,010.29	221,238,502.62	230,658,818.77	37,483,694.14

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Staff welfare	---	6,528,324.29	6,528,324.29	---
Social security contributions	158,850.73	8,981,198.48	8,837,941.17	302,108.04
Including: Medical insurance	142,408.37	7,987,089.82	7,862,606.94	266,891.25
Maternity insurance	11,106.36	672,311.27	658,884.56	24,533.07
Other		150,512.95	150,611.55	-98.60
Housing funds	126,860.66	7,235,519.88	7,048,898.93	313,481.61
.Labor union and employee education costs	---	1,691,039.70	1,691,039.70	---
Total	47,189,721.68	245,674,584.97	254,765,022.86	38,099,283.79

Continued:

Item	31 December 2018	Increment this phase	Decrease this phase	31 December 2019
Wages or salaries, bonuses, allowances and subsidies	37,564,756.36	200,221,324.07	202,011,903.96	35,774,176.47
Staff welfare	---	11,230,418.36	11,230,418.36	---
Social security contributions	279,814.84	7,125,997.05	6,923,538.11	482,273.78
Including: Medical insurance	246,526.41	6,373,413.57	6,193,199.93	426,740.05
Work injury insurance	10,223.78	137,372.93	131,592.71	16,004.00
Maternity insurance	23,064.65	615,210.55	598,745.47	39,529.73
Housing funds	290,346.61	6,335,292.86	6,294,978.56	330,660.91
Labor union and employee education costs	---	1,230,112.87	1,148,455.22	81,657.65
Total	38,134,917.81	226,143,145.21	227,609,294.21	36,668,768.81

Continued:

Item	31 December 2019	Increment this phase	Decrease this phase	31 December 2020
Wages or salaries, bonuses, allowances and subsidies	35,775,205.35	178,449,540.83	175,403,337.31	38,821,408.87
Staff welfare	---	11,549,149.84	11,549,149.84	---
Social security contributions	481,244.90	4,913,162.01	5,010,017.73	384,389.18
Including: Medical insurance	425,847.01	4,525,691.58	4,592,670.79	358,867.80
Work injury insurance	15,041.78	24,776.35	34,614.79	5,203.34

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Maternity insurance	40,356.11	362,694.08	382,732.15	20,318.04
Housing funds	330,660.91	5,577,504.17	5,574,317.88	333,847.20
Labor union and employee education costs	81,657.65	1,128,803.74	1,128,726.58	81,734.81
Total	36,668,768.81	201,618,160.59	198,665,549.34	39,621,380.06

6.30.3. List of defined contribution plan

Item	1 January 2018	Increment this phase	Decrease this phase	31 December 2018
Basic pension insurance	253,973.75	16,159,479.84	16,131,359.26	282,094.33
Unemployment insurance	10,708.44	432,068.53	430,533.08	12,243.89
Total	264,682.19	16,591,548.37	16,561,892.34	294,338.22

Continued

Item	31 December 2018	Increment this phase	Decrease this phase	31 December 2019
Basic pension insurance	247,749.10	13,426,464.22	13,052,725.12	621,488.20
Unemployment insurance	10,955.10	458,620.36	442,460.22	27,115.24
Total	258,704.20	13,885,084.58	13,495,185.34	648,603.44

Continued

Item	31 December 2019	Increment this phase	Decrease this phase	31 December 2020
Basic pension insurance	621,488.20	4,208,530.70	4,549,553.39	280,465.51
Unemployment insurance	27,115.24	152,882.45	168,094.68	11,903.01
Total	648,603.44	4,361,413.15	4,717,648.07	292,368.52

6.31 · Taxes payable

Item	31 December 2020	31 December 2019	31 December 2018
Value added tax	24,973,772.75	25,761,969.32	22,571,046.93
Enterprise income tax	20,950,029.11	38,983,433.29	30,876,593.75
Individual income tax	491,703.03	524,692.99	1,037,454.58
City construction and maintenance tax	1,255,038.40	1,911,683.54	1,321,850.75
House property tax	544,817.21	11,883.43	---
Education fund tax	1,343,291.75	1,935,718.52	1,136,286.72
Deed tax	3,496,245.53	---	---

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Others	199,349.33	204,261.63	201,419.23
Total	53,254,247.11	69,333,642.72	57,144,651.96

6.32 · Other payables

Item	31 December 2020	31 December 2019	31 December 2018
Interest payable	---	---	291,215.67
Dividends payable	---	---	---
Other payables	94,423,954.74	39,266,453.52	237,944,153.76
Total	94,423,954.74	39,266,453.52	238,235,369.43

Note: The deductible fund in above table is the after-tax interest and dividend

6.32.1. Interest payable

Item	31 December 2020	31 December 2019	31 December 2018
Interest payable on short-term borrowings	---	---	92,244.67
Other interest payable	---	---	198,971.00
Total	---	---	291,215.67

6.32.2. Other payable

6.32.2.1. Other payable fund listed by its nature

Nature of fund	31 December 2020	31 December 2019	31 December 2018
Temporary fund payable	11,666,840.02	20,892,532.72	10,395,737.37
Fund of business and project Payable	359,245.18	905,658.89	1,525,981.47
Deposit or bond	728,396.03	3,025,964.52	5,354,021.88
Company current	1,625,036.71	6,824,423.78	---
Purchase fund of equity	---	---	216,000,000.00
Pre-withdrawn fee	1,681,082.87	2,333,311.95	1,850,797.20
Rent payable	1,151,973.45	1,764,616.29	---
Other	3,381,380.48	3,519,945.37	2,817,615.84
Subscription fund of stock Unlocked	73,830,000.00	---	---
Total	94,423,954.74	39,266,453.52	237,944,153.76

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6.32.2.2. Significant other payables aged over 1 year

Name of company	31 December 2020	Reason of outstanding
Jilin High-tech Entrepreneurship Service Center	1,151,973.45	Rent in Hi-Tech Park, the fund hasn't been settled,the the debtor is the shareholder of Jilin Jizhi Factory Information Technology Co., Ltd., ,the company is written of, currently under delisting process, will be settled together when delisting.
Total	1,151,973.45	---

6.33 · Current portion of non-current liabilities

Item	31 December 2020	31 December 2019	31 December 2018
Performance Commitment Reward of Esim Company	496,536.26	---	---
Total	496,536.26	---	---

6.34 · Other current liabilities

Classification of borrowings	31 December 2020	1 January 2020	31 December 2018
Output tax corresponding to contract liabilities	6,268,938.13	6,924,732.50	---
Total	6,268,938.13	6,924,732.50	---

6.35 · Long-term salary payables

Item	31 December 2020	31 December 2019	31 December 2018
Performance Commitment Reward of Esim Company	496,536.26	3,660,768.26	9,160,230.38
Less: Undiscounted long-term employee compensation due within one year	496,536.26	---	---
Total	---	3,660,768.26	9,160,230.38

Other long-term employee benefits

According to the "Agreement on Issuing Shares and Payment of Cash to Purchase Assets" signed by the company with Ms. Wang Liping, Wang Junfeng, Su Aimin and Shanghai Zhaoxin Investment Center (Limited Partnership), "Earnings Forecast Compensation Agreement" and "Supplementary Agreement to Earnings Forecast Compensation Agreement", After the shanghai Esim company finished the three-year performance commitment period, the company will reward Ms. Wang Liping, Mr.Wang Junfeng, Mr.Su Aimin and Shanghai Zhaoxin Investment Center (Limited Partnership) based on the completion of the excess performance.

6.36 · Deferred income

Item	1 January 2018	Increment in this phase	Decrease in this phase	31 December 2018	Reason
Government grants relevant to income	13,946,660.00	---	4,994,400.00	8,952,260.00	Table 1 for details
Total	13,946,660.00	—	4,994,400.00	8,952,260.00	

Continued:

Item	31 December 2018	Increment in this phase	Decrease in this phase	31 December 2019	Reason
Government grants relevant to income	8,952,260.00	---	5,782,000.00	3,170,260.00	Table 1 for details
Total	8,952,260.00	—	—	3,170,260.00	

Continued:

Item	31 December 2019	Increment in this phase	Decrease in this phase	31 December 2020	Reason
Government grants relevant to income	3,170,260.00	---	---	3,170,260.00	Table 1 for details
Other	---	997,614.68		997,614.68	
Total	3,170,260.00	997,614.68	---	4,167,874.68	

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6.36.1. Deferred income related to government grants

Liabilities item	1 January 2018	New subsidy amount for the current period	Amount included in non-operating income in the current period	The amount of other income included in the current period	The amount of cost reduction in the current period	Add: other changes	31 December 2018	Relevant to assets/ income
National special project for the development of LET air interface monitor	3,218,460.00	---	---	---			3,218,460.00	Relevant to income
New Generation Broadband Wireless Mobile Communication Network Project	3,520,300.00	---	3,520,300.00	---			---	Relevant to income
LET R&D and industrialization project	2,000,000.00	---	---	---			2,000,000.00	Relevant to income
Portable Intelligent Perception System	1,000,000.00	---	---	---			1,000,000.00	Relevant to income
R&D and industrialization of LET air interface monitor	2,000,000.00	---	---	---			2,000,000.00	Relevant to income
TD---SCDMA Enhanced Technology Drive Tester Research and Industrialization Project	300,000.00	---	---	---			300,000.00	Relevant to income
Facing TD---LET international testing and verification platform	433,800.00	---	---	---			433,800.00	Relevant to income
LET---advanced public test platform construction	1,074,100.00	---	---	1,074,100.00			---	Relevant to income
Received 2017 provincial government subsidy	400,000.00	---	400,000.00	---			---	Relevant to income
Total	13,946,660.00	---	3,920,300.00	1,074,100.00			8,952,260.00	

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Liabilities item	31 December 2018	New subsidy amount for the current period	Amount included in non-operating income in the current period	The amount of other income included in the current period	The amount of cost reduction in the current period	Add: other changes	31 December 2019	Relevant to assets/ Rincome
National special project for the development of LET air interface monitor	3,170,260.00	---	---	---	---	---	3,170,260.00	Relevant to income
LET R&D and industrialization project	2,000,000.00	---	---	2,000,000.00	---	---	---	Relevant to income
Portable Intelligent Perception System	1,000,000.00	---	---	1,000,000.00	---	---	---	Relevant to income
R&D and industrialization of LET air interface monitor	2,000,000.00	---	---	2,000,000.00	---	---	---	Relevant to income
TD-SCDMA enhanced technology drive tester research and industrialization project	300,000.00	---	---	300,000.00	---	---	---	Relevant to income
Facing TD-LET international testing and verification platform	482,000.00	---	---	-260,000.00	---	742,000.00	---	Relevant to income
Total	8,952,260.00	---	---	5,040,000.00	---	742,000.00	3,170,260.00	---

Continued:

Liabilities item	31 December 2019	New subsidy amount for the current period	Amount included in non-operating income in the current period	The amount of other income included in the current period	The amount of cost reduction in the current period	Add: other	31 December 2020	Relevant to assets/ income
National special project for the development of LET air interface monitor	3,170,260.00	---	---	---	---	---	3,170,260.00	Relevant to income
Total	3,170,260.00	---	---	---	---	---	3,170,260.00	

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6.37. Deferred tax liabilities

Item	31 December 2020		31 December 2019		31 December 2018	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset valuation appreciation of Enterprise Merging under Semi-control	14,040,263.52	2,106,039.53	---	---	---	---
Fair value changes	44,995,277.89	6,749,291.68				
Total	59,035,541.41	8,855,331.21	---	---	---	---

6.38. Share capital

Item	1 January 2018	Changes in the current period (+, -)					31 December 2018
		New shares issued	Share donation	Capitalization of capital reserve	Other	Total	
Number of shares	560,861,718.00	---	---	---	-16,015,000.00	-16,015,000.00	544,846,718.00
Total	560,861,718.00	---	---	---	-16,015,000.00	-16,015,000.00	544,846,718.00

Continued:

Item	31 December 2018	Changes in the current period (+, -)					31 December 2019
		New shares issued	Share donation	Capitalization of capital reserve	Other	Total	
Number of shares	544,846,718.00	---	---	---	---	---	544,846,718.00
Total	544,846,718.00	---	---	---	---	---	544,846,718.00

Continued:

Item	31 December 2019	Changes in the current period (+, -)					31 December 2020
		New shares issued	Share donation	Capitalization of capital reserve	Other	Total	

Number of shares	544,846,718.00	26,750,000.00	---	---	---	26,750,000.00	571,596,718.00
Total	544,846,718.00	26,750,000.00	---	---	---	26,750,000.00	571,596,718.00

Explanation of changes in equity:

(1) Please refer to Note 12 for details of changes in treasury stocks in 2018. (1) Modification and termination of share-based payment.

(2) The changes in share capital in 2020 are explained as follows:

The change in share capital in 2020 has been verified by Dahua Certified Public Accountants (Special General Partnership) Capital Verification Report (Dahua Yanzi [2020] No. 000043). As of January 20, 2020, The Company has received a total of CNY 26,750,000.00 from equity incentive objects in the form of monetary funds. Each shareholder contributed CNY 73,830,000.00 in currency, of which CNY 26,750,000.00 was included in the share capital and CNY 47,080,000.00 was included in the capital reserve.

6.39. Capital reserve

Item	1 January 2018	Increase during current period	Decrease during current period	31 December 2018
Capital premium (share premium)	1,738,229,711.98	---	68,254,498.18	1,669,975,213.80
Other capital reserves	3,171,000.00	18,871,327.44	---	22,042,327.44
Total	1,741,400,711.98	18,871,327.44	68,254,498.18	1,692,017,541.24

Continued:

Item	31 December 2018	Increase during current period	Decrease during current period	31 December 2019
Capital premium (share premium)	1,669,975,213.80	19,348,523.36	---	1,689,323,737.16
Other capital reserves	22,042,327.44	---	---	22,042,327.44
Total	1,692,017,541.24	19,348,523.36	---	1,711,366,064.60

Continued:

Item	31 December 2019	Increase during current period	Decrease during current period	31 December 2020

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Capital premium (share premium)	1,689,323,737.16	47,080,000.00	---	1,736,403,737.16
Other capital reserves	22,042,327.44	19,428,733.40	2,695,343.57	38,775,717.27
Total	1,711,366,064.60	66,508,733.40	2,695,343.57	1,775,179,454.43

Explanation of capital reserves

(1) Capital reserve in 2018-the share premium decreased by CNY 68,254,498.18, of which CNY 64,540,450.00 was caused by the termination of the employee equity incentive plan and the cancellation of the repurchased stocks. In October 2018, the company paid 4,300,000.00 to purchase of Beijing Zhixinshu Technology Co., Ltd. (refer to as Zhixinshu Company) minority shareholders' equity (43%). It purchased the net assets of Zhixinshu Company for CNY 1,362,678.67 and adjusted the difference between the payment of the consideration and the net asset share calculated, which is CNY 3,714,048.18, according to newly increase shareholding ratio and decrease the company's capital reserve.

As stated in Note 12, Share Payment (1) Modification and Termination of Share Payment, the company terminated the company's 2017 restricted stock incentive plan in 2018, confirmed that the accrued share-based payment fee was CNY 18,871,327.44,and Increased the capital Accumulation-other capital reserves of CNY 18,871,327.44.

(2) The capital reserve in 2019 increased by CNY 19,348,523.36, mainly due to Mr. Chen Hao's commitment as of 31 December 2018. The book amount of accounts receivable of net value still has balance during the audited performance commitment period of Shanghai Zhixiang Jing Company (2014-2016) and Mr. Chen Hao would make up for the balance. When Shanghai Zhixiang Company subsequently recovered the corresponding accounts receivable, it would return it to Mr. Chen Hao himself without interest. As of 31 December 2018, the net book value of accounts receivable from operations of Shanghai Zhixiang Company during the performance commitment period (2014-2016) was CNY 36,212,654.19. Mr. Chen actively collected CNY 16,864,130.83 and he made up the remaining CNY 19,348,523.36 in cash.

(3) For details of the changes in the capital reserve (share capital premium) in 2020, please refer to Note 6.38. The reason of increase of 19,428,733.40 in other capital reserves is the share of expenses should be allocated in 2020 according to the equity incentive plan. The decrease in other capital

reserves of CNY 2,211,065.12 was due to the confirmation that Shanghai Xincong Company assessed the value-added real estate deferred income tax expense.

Included other capital reserves reduced by CNY484,278.45 recovered from Mr. Chen Hao, that is the repayment obligations for other companies committed by Mr. Chen Hao, which should be returne d to Mr. Chen Hao.

6.40. Treasury shares

Item	1 January 2018	Increase during current period	Decrease during current period	31 December 2018
Share Capital	16,015,000.00	---	16,015,000.00	---
Capital reserve-Other capital reserves	64,540,450.00	---	64,540,450.00	---
Total	80,555,450.00	---	80,555,450.00	---

Continued:

Item	31 December 2018	Increase during current period	Decrease during current period	31 December 2019
Share Capital	---	---	---	---
Capital reserve-Other capital reserves	---	---	---	---
Total	---	---	---	---

Continued

Item	31 December 2019	\Increase during current period	Decrease during current period	31 December 2020
Share Capital	---	26,750,000.00	---	26,750,000.00
Capital reserve-Other capital reserves	---	47,080,000.00	---	47,080,000.00
Total	---	73,830,000.00	---	73,830,000.00

Explanation of treasury shares:

(1) In 2018, treasury shares decreased by 80,555,450.00. For details, please refer to Note 12, Share Payment (1) Modification and termination of share payment.

(2) Treasury stocks in 2020 increased by CNY 73,830,000.00, which was based on the audit of the company's first extraordinary general meeting of shareholders held on December 18, 2019 ,which passed the Share Incentive Plan (Draft) and its summary proposal", the company issued 26,750,000.00 shares to 70 equity incentive targets, increasing the registered capital by CNY 26,750,000.00. As of January 21, 2020, the company has received the exercise of 26,750,000.00 shares from 70 equity incentive objects. The total amount is CNY 73,830,000.00, of which CNY 26,750,000.00 is included in the share capital and CNY 47,080,000.00 is included in the capital reserve (share premium).

6.41. Other comprehensive income

Item	1 January 2018	Amount incurred during current period						31 December 2018
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority interests after tax	Less:remeasurement of changes in defined benefit plan	
I.Other comprehensive income to be reclassified to profit or loss								
1.Other comprehensive income that may be transferred to profit or loss under equity method	---	---	---	---	---	---	---	---
2.Translation differences of financial statements denominated in foreign currencies	-2,444,173.25	461,733.21	-200,995.14	---	662,728.35	---	---	-1,781,444.90
Total other comprehensive income	-2,444,173.25	461,733.21	-200,995.14	---	662,728.35	---	---	-1,781,444.90

Continued:

Item	1 January 2019	Amount incurred during current period							31 December 2019
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority interests after tax	Less: remeasurement of changes in defined benefit plan	Less: Amount included in other comprehensive income in the prior periods that is transferred to retained earnings for the current period	
I.Other comprehensive income to be reclassified to profit or loss									
1.Other comprehensive income that may be transferred to profit or loss under equity method	---	---	---	---	---	---	---	---	---
2.Translation differences of financial statements denominated in foreign currencies	-1,781,444.90	-1,781,444.90	768,296.48	---	768,296.48	---	---	---	-1,013,148.42

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Total other comprehensive income	-1,781,444.90	-1,781,444.90	768,296.48	---	768,296.48	---	---	---	-1,013,148.42

Continued:

Item	31 December 2019	Amount incurred during current period							31 December 2020
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority interests after tax	Less: remeasurement of changes in defined benefit plan	Less: Amount included in other comprehensive income in the prior periods that is transferred to retained earnings for the current period	
I. Other comprehensive income that cannot be reclassified to profit or loss									
1.Changes in fair value of investments in other equity instruments	---	-4,250,000.00			-4,250,000.00				-4,250,000.00
I.Other comprehensive income to be reclassified to profit or loss									
1.Other comprehensive income that may be transferred to profit or loss under equity method	---	---	---	---	---	---	---	---	---
2.Translation differences of financial statements denominated in foreign currencies	-1,013,148.42	-2,439,329.14	---	---	-2,439,329.14	---	---	---	-3,452,477.56
Total other comprehensive income	-1,013,148.42	-6,689,329.14	---	---	-6,689,329.14	---	---	---	-7,702,477.56

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6.42. Surplus reserve

Item	1 January 2018	Increase during current period	Decrease during current period	31 December 2018
Statutory surplus reserve	60,784,754.85	676,924.12	---	61,461,678.97
Total	60,784,754.85	676,924.12	---	61,461,678.97

Continued:

Item	31 December 2018	Increase during current period	Decrease during current period	31 December 2019
Statutory surplus reserve	61,461,678.97	---	---	61,461,678.97
Total	61,461,678.97	---	---	61,461,678.97

Continued:

Item	31 December 2019	Increase during current period	Decrease during current period	31 December 2020
Statutory surplus reserve	61,461,678.97	---	---	61,461,678.97
Total	61,461,678.97	---	---	61,461,678.97

Explanation of surplus reserve

In 2018, the statutory surplus reserve increased by CNY 676,924.12, which was accrued based on 10% of the parent company's net profit.

6.43. Retained earnings

Item	31 December 2020	31 December 2019	31 December 2018
Before adjustment: retained earnings of the prior period	72,789,800.49	557,317,053.09	512,197,327.49

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Item	31 December 2020	31 December 2019	31 December 2018
Adjustment: Total retained earnings at the beginning of the reporting period (increase "+", decrease "-")	---	-1,744,761.99	---
After adjustment: retained earnings at the beginning of the reporting period	72,789,800.49	555,572,291.10	512,197,327.49
Add: Net profit attributable to owners of the Company for the current period	25,922,974.59	-482,782,490.61	56,693,357.26
Less: Transfer to statutory surplus reserve	---	---	676,924.12
Declaration of dividends on ordinary shares	---	---	11,217,007.54
Other internal transfers of owners' equity	---	---	320,300.00
Retained earnings at the end of the reporting period	98,712,775.08	72,789,800.49	557,317,053.09

Explanation of retained earnings

(1)Due to changes in accounting policies in 2019, the undistributed profits at the beginning of the period were affected by CNY 1,744,761.99 (for details, please refer to Note 4.40 Important Accountin g Policies and Changes in Accounting Estimates;

(2)The 2018 undistributed profit decreased by CNY 676,924.12, which was caused by the provisi on of statutory surplus reserve;

(3)The undistributed profit in 2018 decreased by CNY 11,217,007.54, which was based on the pr ofit distribution plan in the 2017 annual general meeting of shareholders with accrued ordinary share d ividends;

(4)Other internal carry-over of owners' equity in 2018 was adjusted to dividends corresponding e quity incentives in current period.

6.44. Operating revenue and costs of sales

6.44.1. Operating revenue and costs of sales

Item	2020		2019		2018	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal operating activities	672,505,225.39	393,602,511.66	1,239,640,027.66	923,773,436.24	981,702,751.91	585,098,262.09
Others	2,668,962.36	1,033,777.89	4,710,119.27	937,544.88	1,530,484.49	544,779.34
Total	675,174,187.75	394,636,289.55	1,244,350,146.93	924,710,981.12	983,233,236.40	585,643,041.43

6.44.2. The category of principal operating activities are as listed:

Item	2020		2019		2018	
	Principal operating revenue	Operating costs	Principal operating revenue	Operating costs	Principal operating revenue	Operating costs
Communication products and others	300,293,353.04	176,906,624.89	289,819,181.51	212,031,998.95	331,419,027.37	229,279,897.30
IT vocational education and training	126,216,607.35	99,349,802.60	196,604,555.07	164,196,743.64	233,624,133.42	140,115,939.20
IoT products and services	161,745,776.62	94,794,360.09	635,077,292.33	527,420,584.14	309,836,326.32	202,484,242.07
Education consulting and training	84,249,488.38	22,551,724.08	118,138,998.75	20,124,109.51	106,823,264.80	13,218,183.52
Total	672,505,225.39	393,602,511.66	1,239,640,027.66	923,773,436.24	981,702,751.91	585,098,262.09

6.45. Taxes and surcharges

Item	2020	2019	2018
City construction and maintenance tax	897,343.87	2,847,172.49	3,402,599.01

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Education surcharges	1,129,926.97	2,842,576.37	2,887,706.85
House property tax	1,358,374.62	809,039.85	772,430.01
Stamp duty	522,292.61	641,950.01	538,903.78
Others	33,254.00	173,097.02	34,797.11
Total	3,941,192.07	7,313,835.74	7,636,436.76

6.46 · Selling expenses

Item	2020	2019	2018
Wages and benefits	38,780,834.27	49,901,914.64	52,535,973.54
Office travel expenses	3,921,784.99	8,984,398.32	13,148,224.78
Fees for property water and electricity maintenance	---	---	82,890.15
Business promotion fee	12,547,838.21	10,984,362.37	11,080,160.38
Technical Services	4,014,018.97	10,725,594.57	2,776,204.12
Business Hospitality	8,961,840.51	9,738,726.50	10,275,980.45
Pre-sales support fee	2,449,478.78	9,096,420.75	1,588,371.32
Other	9,178,391.99	5,117,954.19	6,253,593.63
Total	79,854,187.72	104,549,371.34	97,741,398.37

6.47 · General and administrative expenses

Item	2020	2019	2018
Salary	38,494,648.37	44,020,911.83	49,603,613.28
Office expenses	13,246,152.97	13,788,444.74	18,701,769.34
Rent, water, electricity and property fees	1,314,921.98	4,538,145.94	2,746,009.81
Business Hospitality	1,728,401.11	2,304,192.07	2,762,437.26
Intermediary consultation meeting fee	7,391,723.52	11,479,001.12	12,712,531.54
Depreciation and amortization	17,503,403.18	77,034,461.83	47,364,934.66
Share payment	19,428,733.40	---	18,871,327.44
Other	2,030,267.62	2,774,243.65	3,689,913.30
Total	101,138,252.15	155,939,401.18	156,452,536.63

6.48 · Research and development expenses

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Item	2020	2019	2018
Employee's salary	38,645,150.11	56,166,557.86	28,813,674.19
Direct input expenditure	23,125,651.03	20,399,967.19	10,466,699.65
Depreciation and amortization	9,467,124.68	8,900,172.37	11,915,563.77
Other	4,852,614.13	16,599,669.23	10,701,831.90
Total	76,090,539.95	102,066,366.65	61,897,769.51

6.49. Financial costs

Item	2020	2019	2018
Interest expense	12,088,106.77	9,622,686.54	3,900,197.09
Less: interest income	7,057,080.28	3,046,771.86	4,623,790.75
Exchange gains and losses	297,190.65	-1,099,133.27	-1,556,077.16
Bank fees	428,464.37	401,155.79	439,642.77
other	-2,129,702.22	3,742,163.68	---
Bill discount fee	1,812,577.14	6,530,935.20	---
Total	5,439,556.43	16,151,036.08	-1,840,028.05

6.50. Other income

6.50.1. Details of the other income

Item	2020	2019	2018
Government subsidy	24,687,342.00	25,768,653.13	32,050,795.98
Handling fee refund	259,721.32	69,162.05	242,576.81
Input tax plus deduction	1,274,970.31	1,144,186.92	---
Additional tax refund	599,063.10	---	---
Gains on debt restructuring	5,660,377.36		
Total	32,481,474.09	26,982,002.10	32,293,372.79

6.50.2. Government subsidies included in other income

Item	2020	2019	2018	Related to assets/ Related to income
Special funds for "TD-LTE internationalized	---	-260,000.00	---	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
test and verification platform"				
2015 Provincial Enterprise Research Subsidy Project (Second Batch)	---	---	67,100.00	Relevant to income
2016 Zhuhai Science and Technology Award Bonus	---	---	40,000.00	Relevant to income
2017 Jilin City Science and Technology Award	---	---	100,000.00	Relevant to income
2017 Provincial Talent Development Fund	---	---	400,000.00	Relevant to income
2017 High-Tech Enterprise Subsidies	350,000.00	---	---	Relevant to income
Employment Subsidies for Disabled Persons in High-tech Zones in 2017	---	25,500.00	---	Relevant to income
2017 Corporate R&D Institution Reward Funds	---	---	500,000.00	Relevant to income
2017 Provincial Entrepreneurship and Employment Promotion Special Subsidy Fund	---	---	400,000.00	Relevant to income
2017 Provincial Research and Development Subsidy Fund	---	---	1,984,300.00	Relevant to income
Special funds for Zhuhai Foreign Trade and Economic Public Service Platform in the first half of 2018	---	---	29,000.00	Relevant to income
2018 Provincial Human Resources and Social Security Innovation Base Government Subsidies	---	---	300,000.00	Relevant to income
Online Innovation Training Subsidy in The First Half of 2018	---	---	87,056.65	Relevant to income
2019 Invention Patent Award	28,000.00	---	---	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
Employers Arrange Subsidies for Disabled Jobs(2019)	20,500.00	---	---	Relevant to income
2020 High-quality Development Project Subsidies	1,700,000.00	---	---	Relevant to income
ISO System Certification Subsidy	---	---	5,250.00	Relevant to income
LTE air interface monitor R&D and industrialization project	---	2,000,000.00	---	Relevant to income
LTE R&D and industrialization project acceptance	---	2,000,000.00	---	Relevant to income
TD-SCDMA enhanced multimedia terminal baseband chip research and industrialization project acceptance completed	---	300,000.00	---	Relevant to income
Portable Intelligent Perception System Project Acceptance	---	1,000,000.00	---	Relevant to income
Chongming District Enterprise Support Fund	---	137,000.00	---	Relevant to income
Special funds for promoting quality development	---	100,000.00	50,000.00	Relevant to income
To be reported budget income	---	58.84	47,374.16	Relevant to income
The unit arranges employment for the disabled	---	40,800.00	21,435.00	Relevant to income
The third batch of social security subsidies for people with employment difficulties	---	---	18,241.00	Relevant to income
The fifth batch of social security subsidies for college graduates	---	---	13,108.20	Relevant to income
Invention patent rewards	---	84,000.00	---	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
High Enterprise Grant	---	150,000.00	1,610,000.00	Relevant to income
High Enterprise Reward	205,000.00	---	---	Relevant to income
High-tech Enterprise incentive funds	500,000.00	---	---	Relevant to income
Gazelle Enterprise Certification Support Subsidy in Guangzhou Development Zone	---	---	500,000.00	Relevant to income
Intellectual Property Special Fund of Huangpu District, Guangzhou Development Zone	---	---	59,080.00	Relevant to income
Patent funding from Guangzhou Municipal Administration of Market Supervision	5,000.00	---	---	Relevant to income
Overseas market development subsidy	---	27,500.00	15,000.00	Relevant to income
Torch report filling bonus	5,000.00	5,000.00	---	Relevant to income
Jilin City High-tech Finance Bureau (conventional storage project) government subsidy	---	80,000.00	---	Relevant to income
The second batch of government project subsidies for the Jilin City Treasury Center in 18 years	---	200,000.00	---	Relevant to income
Computer software copyright subsidy	1,800.00	---	---	Relevant to income
Tax deduction	---	1,304.85	---	Relevant to income
Development support funds	260,000.00	2,923,800.00	1,290,000.00	Relevant to income
Science and Technology Innovation Policy Project	---	---	1,500,000.00	Relevant to income
Technology Development Fund	12,800.00	10,200.00	2,400.00	Relevant to income
Lhasa Science and Technology Bureau 0A Remittance	---	---	100,000.00	Relevant to income
Interest subsidy	560,128.00	259,900.00	390,000.00	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
Incentives for pilot enterprises of industrialization	---	---	300,000.00	Relevant to income
Rural labor social security subsidies	---	---	1,890.00	Relevant to income
Special funds for brand economic development	---	500,000.00	---	Relevant to income
Corporate growth subsidies	140,000.00	---	---	Relevant to income
Enterprise employee training subsidy	452,080.00	---	---	Relevant to income
Special funds for human resources training projects	---	---	150,000.00	Relevant to income
Shanghai Famous Brand	---	---	200,000.00	Relevant to income
Subsidy for Shanghai Software Industry Association "Mobile Application Development High-Skilled Talent Training Project"	---	1,143,849.06	---	Relevant to income
Software development subsidy from the Finance Bureau of Chongming District, Shanghai	---	65,000.00	---	Relevant to income
Technology transfer subsidy for modern service industry in Chongming District, Shanghai	1,040,000.00	---	---	Relevant to income
Jing'an District Finance Bureau, Shanghai 2013 National Service Industry Support Subsidies	---	---	470,000.00	Relevant to income
2018 Financial Support Subsidies of the Finance Bureau of Jing'an District, Shanghai	---	---	1,151,000.00	Relevant to income
Annual financial support subsidy from the	490,000.00	2,620,000.00	---	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
Finance Bureau of Jing'an District, Shanghai				
Special funds for the World Expo in Pudong New Area, Shanghai	1,144,400.00	---	---	Relevant to income
Social Security Return	35,006.77	---	---	Relevant to income
Unemployment insurance fund agent pays special account funds	56,692.00	41,169.00	---	Relevant to income
Municipal Bureau of Commerce 2017-2018 Zhuhai City Expanded Import and Export Projects	---	14,707.00	---	Relevant to income
Received Hong Kong government epidemic subsidy	97,442.30	---	---	Relevant to income
Receive the eighth batch of subsidies for delayed resumption of work from the Development and Reform and Finance Bureau of Zhuhai (National) High-tech Industrial Development Zone Management Committee	209,920.00	---	---	Relevant to income
Receipt of the Development and Reform and Finance Bureau of Zhuhai (National) High-tech Industrial Development Zone Management Committee	406,687.50	---	---	Relevant to income
Job stabilization subsidy	227,402.58	17,161.55	149,439.29	Relevant to income
Special Award Fund for Industry Guidance of the Management Committee of Tibet Lhasa Economic and Technological Development Zone	1,046,681.91	2,641,136.94	---	Relevant to income

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Item	2020	2019	2018	Related to assets/ Related to income
Subsidies for small and micro enterprises to improve their innovation capabilities	2,000,000.00	---	---	Relevant to income
National Project of New Generation Broadband Wireless Mobile Communication Network	---	---	3,520,300.00	Relevant to income
R&D subsidy	800,000.00	1,256,650.00	2,000,000.00	Relevant to income
Work-for-training subsidy	207,500.00	---	---	Relevant to income
VAT is collected and refunded	12,308,938.94	6,742,377.39	14,574,321.68	Relevant to income
Zhangjiang Special Fund	---	1,000,000.00	---	Relevant to income
Intellectual property subsidies	211,500.00	571,353.50	4,500.00	Relevant to income
Staff training subsidy	164,862.00	---	---	Relevant to income
Zhongguancun booth subsidy	---	70,185.00	---	Relevant to income
Total	24,687,342.00	25,768,653.13	32,050,795.98	

6.51 · Investment income

6.51.1. The details of the Investment income

Item	2020	2019	2018
Income from long-term equity investments under equity method	-760,307.09	42,499.87	68,771.18
Income from long-term equity investments under cost method	---	---	---
Investment income on disposal of long-term equity investments	---	1,976,430.88	-9,949,832.84
Investment income from disposal of available-for-sale financial assets	---	---	---
Investment income from purchasing wealth management products	---	---	---
Dividend income from other equity instruments derecognized in the current period	4,703.68		
Other investment income	---	-7,993.84	---

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Total	-755,603.41	2,010,936.91	-9,881,061.66

6.52. Gains from changes in fair value

Source resulting in gains from changes in fair values	2020	2019	2018
Held-for-trading financial assets	44,995,277.89	—	—
Total	44,995,277.89	—	—

6.53. Credit impairment losses

Item	2020	2019	2018
Bad debt provision	-29,630,636.26	-71,465,085.67	—
Total	-29,630,636.26	-71,465,085.67	—

6.54. Assets impairment losses

Item	2020	2019	2018
Bad debt provision	—	—	-28,567,590.54
Written-down of inventories	370,397.35	-5,075,977.18	-7,574,651.65
Impairment on goodwill	-38,344,241.46	-341,069,232.25	-6,650,337.72
Total	-37,973,844.11	-346,145,209.43	-42,792,579.91

6.55. Gains from disposal of assets

Item	2020	2019	2018
Gains or Losses on disposal of fixed assets	5,437,977.60	1,070,051.78	427,263.01
Total	5,437,977.60	1,070,051.78	427,263.01

6.56. Non-operating income

Item	2020	2019	2018
Unpaid liabilities	1,314,532.71	1,583,396.80	847,769.24
Liquidated damages	---	---	47,000.00
Excess assets	8,612.01	35,814.31	---
Total gains on disposal of non-current assets	29,543.11	229,007.47	---
Recover the investment funds that have been written off	8,000,000.00	---	---

Others	18,378.73	206,140.79	1,109,871.12
Total	9,371,066.56	2,054,359.37	2,004,640.36

6.56.1. Amount included in non-recurring gains and losses in each period

Item	2020	2019	2018
Unpaid liabilities	1,314,532.71	1,583,396.80	847,769.24
Liquidated damages	---	---	47,000.00
Excess assets	8,612.01	35,814.31	---
Total gains on disposal of non-current assets	29,543.11	229,007.47	---
Recover the investment funds that have been written off	8,000,000.00	---	---
Others	18,378.73	206,140.79	1,109,871.12
Total	9,371,066.56	2,054,359.37	2,004,640.36

6.57. Non-operating expenses

Item	2020	2019	2018
Fine expenditure	150.00	---	302,179.88
Donations to third parties	89,000.00	167,500.00	1,085,758.57
Total losses on disposal of non-current assets	461,166.31	22,783,873.38	278,852.23
Others	774,103.05	226,351.07	993,489.25
Total	1,324,419.36	23,177,724.45	2,660,279.93

The amounts included in the non-recurring gains and losses of each period are listed as follow:

Item	2020	2019	2018
Fine expenditure	150.00	---	302,179.88
Donations to third parties	89,000.00	167,500.00	1,085,758.57
Total losses on disposal of non-current assets	461,166.31	22,783,873.38	278,852.23
Others	774,103.05	226,351.07	993,489.25
Total	1,324,419.36	23,177,724.45	2,660,279.93

6.58. Income tax expenses

6.58.1. Income tax expenses

Item	2020	2019	2018

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Current tax expenses	11,077,019.71	34,500,777.76	27,131,962.62
Deferred tax expenses	1,237,187.12	-23,677,309.55	-23,854,345.63
Total	12,314,206.83	10,823,468.21	3,277,616.99

6.58.2. Reconciliation of income tax expenses to the accounting profit

Item	2020	2019	2018
Profit before tax	36,675,462.88	-475,051,514.57	55,093,436.41
Income tax expenses calculated at statutory/applicable tax rate	3,850,900.54	-88,075,056.53	8,264,015.46
Effect of different tax rates applicable to subsidiaries	28,346,409.65	16,013,643.21	27,989,689.49
Effect of adjustment to income tax of prior periods	-1,571,148.59	4,658,005.03	-2,429,143.30
Effect of non-taxable income	---	-84,600.00	-871,113.32
Effect of non-deductible costs, expenses and losses	3,322,631.30	18,199,646.82	6,390,299.43
Effect of using deductible losses for which deferred tax assets were previously not Recognized	-3,222,436.16	-925,471.83	-5,388,233.49
Effect of deductible temporary differences or deductible losses unrecognized in the current period	460,342.18	60,679,035.84	2,508,383.95
Effect of investment income	-20,131,410.06	-15,106,277.28	-22,946,266.33
Effect of R&D deduction	-6,173,398.33	-8,830,083.53	-10,240,014.90
Others	7,432,316.30	24,294,626.48	---
Total	12,314,206.83	10,823,468.21	3,277,616.99

6.59. Items of the cash flow statement

6.59.1. Cash received relating to other operating activities

Item	2020	2019	2018
Receive interest income	7,057,080.28	3,834,154.39	4,377,406.03
Receive government subsidies	12,378,403.06	13,991,606.99	27,298,972.79
Recover current payments and employee travel expenses loans, etc.	47,960,010.36	140,381,045.60	62,419,110.08
Total	67,395,493.70	158,206,806.98	94,095,488.90

6.59.2. Cash paid relating to other operating activities

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Item	2020	2019	2018
Period expenses paid in the current period	60,347,252.06	77,038,556.47	94,003,583.56
Bank fees, etc.	428,464.37	777,183.93	2,470,068.54
Non-operating expenses	183,863.10	185,499.23	3,154,770.01
Payments and employee travel expenses, etc.	39,599,531.40	34,966,195.62	127,354,516.60
Total	100,559,110.93	112,967,435.25	226,982,938.71

6.59.3. Cash received relating to other investing activities

Item	2020	2019	2018
Recovery of time deposit	10,500,000.00	---	---
Other	3,169,795.09		
Total	13,669,795.09	---	---

6.59.4. Cash paid relating to other investing activities

Item	2020	2019	2018
Pay time deposit	1,735,488.00	---	---
Prepaid equity purchase	---	30,000,000.00	---
Others	893,712.61	1,733,198.99	---
Total	2,629,200.61	31,733,198.99	---

6.59.5. Cash receipts relating to other financing activities

Item	2020	2019	2018
Receipt of the principal and margin of the financial lease	---	50,800,000.00	---
Shareholders are responsible for paying the current accounts pay able if debtors have not ability to pay	---	19,348,523.36	---
Recovery of notes and bond	16,135,017.77		
Others	---	177,439,601.65	---
Total	16,135,017.77	247,588,125.01	---

6.59.6. Cash payments relating to other financing activities

Item	2020	2019	2018

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Share incentive repurchase	---	---	80,233,035.47
Pay for the principal, deposit and interest of the financial lease	---	56,338,409.70	---
Cash paid for notes and bond	17,842,275.41		
Total	17,842,275.41	56,338,409.70	80,233,035.47

6.60. Supplementary information to the cash flow statement

6.60.1. Supplementary information to the cash flow statement

Item	2020	2019	2018
1.Reconciliation of net profit to cash flow from operating activities:			
Net profit	24,361,256.05	-485,874,982.78	51,815,819.42
Add: Credit impairment losses	29,630,636.26	71,465,085.67	---
Provision for impairment losses of assets	37,973,844.11	346,145,209.43	42,792,579.91
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	28,974,713.60	15,022,410.92	19,942,835.19
Amortization of intangible assets	10,169,581.46	23,557,319.08	34,936,140.06
Amortization of long-term prepaid expenses	43,758,570.57	85,291,245.28	38,394,126.29
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "—")	-5,437,977.60	-1,070,051.78	-427,263.01
Losses on retirement of fixed assets (gains are indicated by "—")	431,623.20	22,554,865.91	278,852.23
Losses on changes in fair values (gains are indicated by "—")	-44,995,277.89	---	---
Financial costs (income is indicated by "—")	12,088,106.77	9,622,686.54	3,900,197.09
Losses arising from investments (gains are indicated by "—")	755,603.41	-2,010,936.91	9,881,061.66
Decrease in deferred tax assets (increase is indicated by "—")	-5,393,993.83	-23,985,208.73	-21,224,840.86
Increase in deferred tax liabilities (decrease is indicated by "—")	8,855,331.21	---	---
Decrease in inventories (increase is indicated by "—")	-24,586,269.23	21,408,366.67	-51,344,302.63
Decrease in receivables from operating activities (increase is indicated by "—")	-92,654,797.16	-93,596,654.11	-106,689,555.54
Increase in payables from operating activities (decrease is	-16,496,936.69	31,490,310.63	-100,943,542.45

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indicated by "—")			
Others	19,428,733.40	---	---
Net cash flow from operating activities	26,862,747.64	20,019,665.82	-78,687,892.64
2.Significant investing and financing activities that do not involve cash receipts and payments	---	---	---
Conversion of debt into capital	---	---	---
Convertible bonds due within one year	---	---	---
Fixed assets acquired under finance leases	---	---	---
3.Net changes in cash and cash equivalents:	---	---	---
Closing balance of cash	265,349,573.82	313,168,316.73	360,063,440.01
Less: Opening balance of cash	313,168,316.73	360,063,440.01	528,918,623.77
Add: Closing balance of cash equivalents	---	170,137.89	---
Less: Opening balance of cash	170,137.89	---	---
Net increase in cash and cash equivalents	-47,988,880.80	-46,724,985.39	-168,855,183.76

6.60.2. Net cash paid to acquire subsidiaries in the current period

Item	2020	2019	2018
Cash or cash equivalents paid in the current period for business combinations occurred in the current period	15,626,316.91	---	---
Including:Shanghai Xin Cong technology Co,.LTD	15,626,316.91	---	---
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	1,391,881.78	---	---
Including:Shanghai Xin Cong technology Co,.LTD	1,391,881.78	---	---
Add: Cash or cash equivalents paid in the current period for business combinations occurred in prior periods	---	216,000,000.00	---
Including:Shanghai MeiDu management consulting Co,.LTD	---	216,000,000.00	---
Shangha Xin Cong technology Co,.LTD	---	---	---
Net cash paid to acquire subsidiaries	14,234,435.13	216,000,000.00	---

6.60.3. Net cash received for disposal of subsidiaries in the current period

Item	2020	2019	2018

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Cash or cash equivalents received for disposal of subsidiaries in the current period	---	1,800,000.00	35,200,000.00
Including：Jianuo Mingde Co., Ltd.	---	1,800,000.00	---
Nantong Zhixiang Information Technology Co., Ltd.	---	---	35,200,000.00
Less: Cash and cash equivalents held by subsidiaries at the date of loss of control	---	22,785.56	9,754,272.71
Including：Jianuo Mingde Co., Ltd.	---	22,785.56	---
Nantong Zhixiang Information Technology Co., Ltd.	---		9,754,272.71
Add: Cash or cash equivalents received in the current period for disposal of subsidiaries in prior periods	904,645.60	---	---
Including：Jianuo Mingde Co., Ltd.	---	---	---
Nantong Zhixiang Information Technology Co., Ltd.	904,645.60	---	---
Net Cash received for disposal of subsidiaries	904,645.60	1,777,214.44	25,445,727.29

6.60.4. Composition of cash and cash equivalents

Item	2020	2019	2018
I. Cash	265,349,573.82	313,168,316.73	360,063,440.01
Including: Cash on hand	9,245.70	113,847.36	48,696.02
Bank deposits	265,336,872.03	313,054,469.37	360,008,398.56
Other monetary funds	3,456.09	---	6,345.43
II. Cash equivalents	---	170,137.89	---
Including: Investments in debt securities due within three months	---	---	---
III. Closing balance of cash and cash equivalents	265,349,573.82	313,338,454.62	360,063,440.01
Including: Restricted cash and cash equivalents of the Company and subsidiaries within the Group	---	---	---

6.61 · Assets with restricted ownership or right-of-use

Item	31 December 2020	Reasons of restriction
Cash and Cash equivalents	62,136,708.63	More details refer to note 6.1
Notes receivables	137,436.44	More details refer to note 6.3

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Fixed assets	22,405,305.28	More details refer to note 6.25
Total	84,679,450.35	

Others:

Mortgage asset name	Title Certificate Number	Original value	Carrying amount at the end of the reporting period	Has the mortgage been fulfilled?
Chenggong Homes Room 301 Property	Shanghai (2017) Puzi Real Estate Property No. 110553	824,129.86	462,031.05	No
Chenggong Homes Room 401 Property	Shanghai (2017) Puzi Real Estate Property No. 110552	830,343.00	465,514.33	No
Room 601 Property of Chenggong Home	Shanghai (2017) Puzi Real Estate Property No. 110550	883,767.00	495,465.40	No
R&D and production office building	Guangdong (2016) Zhuhai City Real Estate Property No. 0008535	6,979,925.20	2,271,887.06	No
Dingli Corp.,Ltd,Zhuhai Headquarters Phase II Building	Guangdong (2016) Zhuhai City Real Estate Property No. 0008532	31,324,267.31	18,710,407.44	No
Total		40,842,432.37	22,405,305.28	

6.62 · Foreign currency monetary items

6.62.1. As of 31 December 2020, foreign currency monetary items

Item	31 December 2020		
	Foreign currencies	Exchange rates for translation	Closing balance of CNY
Cash and Cash equivalents			
Including: USD	3,057,235.28	6.5249	19,948,154.45
EUR	2,051,034.29	8.0250	16,459,550.93
HKD	95,206.02	0.8416	80,129.13
Accounts receivable			
Including: USD	3,320,221.76	6.5249	21,664,114.94
HKD	3,449,193.96	0.8416	2,902,979.60
Other receivables			

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Item	31 December 2020		
	Foreign currencies	Exchange rates for translation	Closing balance of CNY
Including: HKD	7,800.00	0.8416	6,564.79
Accounts payables			
Including: HKD	26,497,969.05	0.8416	22,301,750.67
Other payables			
Including: HKD	2,402.84	0.8416	2,022.33

6.62.2. Description of foreign operations

Subsidiary DingLi communication technology (HongKong) Co,.LTD, and its grandson company ESIMTECHNOLOGYLTD operate in Hong Kong, and the bookkeeping currency is Hong Kong dollars. There was no change in the bookkeeping currency during the reporting period.

6.63 · Government grants

6.63.1. Basic information of government grants

Category	2020		
	Amount	Amount included in profit or loss	Remark
Government subsidies included in deferred income	---	---	More details refer to note6.36
Government subsidies included in other income	24,687,342.00	24,687,342.00	More details refer to note 6.50
Less：Return of government grants	---	---	
Total	24,687,342.00	24,687,342.00	

Continued：

Category	2019		
	Amount	Amount included in profit or loss	Reason
Government subsidies included in deferred income	---	---	More details refer to note6.36
Government subsidies included in other income	20,733,984.38	20,733,984.38	More details refer to note 6.50
Less：Return of government grants	742,000.00	260,000.00	More details refer to note6.63.2
Total	21,475,984.38	20,993,984.38	

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6.63.2. Return of government grants

Item	Category	2020	2019	Reason
Special national funds allocated for "TD-LTE Internationalized Testing and Verification Platform"	Related to income	---	742,000.00	The company failed to provide the central fund budget implementation materials according to the special requirements
Total		---	742,000.00	

7. CHANGES IN THE SCOPE OF CONSOLIDATION

7.1. Enterprise Merging under Semi-control

7.1.1. Enterprise Merging under Semi-control that occurred during the reporting period

Name of the buyer	Time point of equity acquisition	Cost of Equity acquisition	Shareholding ratio (%)	Method of obtaining equity	Purchase date	The basis for determining the purchase date	The income of the purchased party from the purchase date to the end of the purchase date	Net profit of the purchased party from the purchase date to the end of the purchase date
MeiDu educational technology (ShangHai) Co., LTD	9 October 2018	---	100.00%	Acquisitions	9 October 2018	Transfer of control	---	-2,110.78
Shanghai, Xin Cong technology Co., LTD	7 January 2020	45,626,316.91	100.00%	Acquisitions	7 January 2020	Substantial control	---	282,168.61

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7.1.2.Cost of consolidated and goodwill

Cost of consolidated	MeiDu educational technology (ShangHai) Co,. LTd	Shanghai Xin Cong technology Co,.Ltd.
Cash	---	45,626,316.91
Fair value of non-cash assets	---	---
Fair value of debt issued or debt	---	---
Fair value of equity securities issued	---	---
Fair value of contingent consideration	---	---
The fair value of the equity held before the purchase date on the purchase date	---	---
Other	---	---
Total cost of consolidates	---	45,626,316.91
Less: the fair value share of identifiable net assets obtained	585.00	45,626,316.91
Goodwill/consolidation cost is less than the amount of the fair value share of identifiable net assets obtained	585.00	---

7.1.3. The identifiable assets and liabilities on the purchase date

Item	MeiDu educational technology (ShangHai) Co,. LTd		Shanghai Xin Cong technology Co,.Ltd.	
	Fair value on purchase date	Book value on purchase date	Fair value on purchase date	Book value on purchase date
Assets				
Cash and Cash equivalents	10,023.63	10,023.63	1,391,881.78	1,391,881.78
Accounts receivable	---	---	6,350,000.00	6,350,000.00
Inventories	---	---	---	---
Fixed assets	---	---	52,863,252.89	38,122,818.75
Intangible assets	---	---	---	---
Prepayments	---	---	146,479.00	146,479.00
Other receivables	---	---	85,480.00	85,480.00
Other assets	820.00	820.00	7,765,322.92	7,765,322.92

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Less: Liabilities				
Borrowing	---	---	20,300,000.00	20,300,000.00
Accounts payables	---	---	50,000.00	50,000.00
Other liabilities	12,369.41	12,369.41	2,626,099.68	2,626,099.68
Net assets	-1,525.78	-1,525.78	45,626,316.91	30,885,882.77
Non-controlling interests	---	---	---	---
Net assets acquired	-1,525.78	-1,525.78	45,626,316.91	30,885,882.77

7.1.4. Gains or losses arising from the re-measurement of equity held before the purchase date at fair value

7.2 Disposal of subsidiaries during the reporting period

7.2.1. Single disposal of investment in subsidiaries and loss of control

Subsidiary name	Equity disposal price	Equity disposal ratio(%)	Equity disposal method	Time of loss of control	The basis for determining the point of loss of control	The difference between the disposal price and the disposal investment corresponding to the consolidated financial statement level of the subsidiary's net asset share
NanTong ZhiXiang information technology Co.,Ltd.	69,200,000.00	100.00	Sell	2018-3-13	Transfer of control	-8,916,298.03
Beijing Jianuo Mingde Education Consulting Co.,Ltd.	2,000,000.00	55.74	Sell	2019-5-1	Transfer of control	-8,193,548.58
MeiDu educational technology (ShangHai) Co., LTd	---	100.00	Sell	2019-1-1	Transfer of control	612,576.09

Continued:

Name of subsidiary	Percentage of remaining equity on the date of loss of control(%)	Book value of remaining equity on the date of loss of control	The fair value of the remaining equity on the date of loss of control	Re-measure the gains or losses from the remaining equity at fair value	The method and main assumptions for determining the fair value of the remaining equity on the date of loss of control	The amount of other comprehensive income related to the equity investment of the atomic company transferred to the investment profit and loss
NanTong ZhiXiang information technology Co.,LTD	---	---	---	---	---	---
Beijing Jianuo MingDe Education Consulting Co.,Ltd.	---	---	---	---	---	---
MeiDu educational technology (ShangHai) Co., LTd	---	---	---	---	---	---

Other instructions:

On August 9, 2018, the company held the twenty-fifth meeting of the fourth board of directors and the twentieth meeting of the fourth board of supervisors. The "Proposal on the Sale of Equity in Holding Subsidiaries" was reviewed and approved. Mingde Education Consulting Co., Ltd. (hereinafter referred to as Jianuo Mingde) 55.74% of the equity was transferred to the original shareholder of Jianuo Mingde, Mr. Xu Yongjin, for CNY 2 million. On the same day, the company and Mr. Xu Yongjin signed the "Equity Transfer Agreement."

Jia Nuo Mingde completed the industrial and commercial change on December 26, 2018. 31 December 2019, the company received 2 million yuan (100%) for the equity transfer, and the transaction has been substantially completed.

7.3. Changes in the scope of consolidation due to other reasons

1. The company established a subsidiary, Shanghai ShiJiDingLi education Technology Co.,Ltd. on 3 November 2018, with a registered capital of CNY 100 million. The company subscribed for CNY 100 million.

2. Tibet Huiding Information Technology Development Co., Ltd., a subsidiary of the company, was cancelled and liquidated on 15 November 2018.

3. The company established a subsidiary Chongqing Xinkun Intelligent Technology Co., Ltd. on 22 March 2019, with a registered capital of CNY 10 million. The company has subscribed CNY 7 million and actually contributed CNY 0.00.

4. The company established a subsidiary, Shanghai Wujimao Intelligent Technology Co., Ltd. on 20 March 2019, with a registered capital of CNY 10 million. The company has subscribed to CNY 9 million and the actual capital contribution is CNY 0.00.

5. The company established a subsidiary Sichuan Century Dingli Education Technology Co., Ltd. on 1 July 2019, with a registered capital of CNY 10 million. The company subscribed for CNY 10 million and actually contributed CNY 0.00.

6. The subsidiary Beijing Yuanda Zhixiang Education Technology Development Co., Ltd. has been cancelled and liquidated on 21 January 2019.

7 The subsidiary Beijing Xibidi Zhixiang Education Technology Co., Ltd. has been cancelled and liquidated on 28 May 2019.

8. The subsidiary Zhuhai Dinglian Information Technology Co., Ltd. has completed the cancellation and liquidation on 10 February 2020.

9. The subsidiary Guangzhou Beiruan Electronic Technology Co., Ltd. has completed its cancellation and liquidation on 21 July 2020.

10.The company established it's subsidiary HuBei DingLi educational technology Co.,Ltd. on 10 September 2020, the registered capital is CNY 5 million, and subscribed in full amount, the actual contribution is CNY 0.00.

8. INTERESTS IN OTHER ENTITIES

8.1. Rights and interests in subsidiaries

8.1.1. The composition of enterprise groups

Name of subsidiary	Principal place of business	Registration	Business nature	Shareholding proportion(%)		Way of obtain
				direct	indirect	
Dingli Communications Inc.	ZhuHai	ZhuHai	Software industry	100.00%	---	Enterise Merging under Semi-control

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Name of subsidiary	Principal place of business	Registration	Business nature	Shareholding proportion(%)		Way of obtain
				direct	indirect	
Guangzhou BeiXun Communication Technology Co., Ltd.	GuangZhou	GuangZhou	Software industry	100.00%	---	Enterise Merging under Semi-control
GuangZhou BeiRuan electronic technology Co.,Ltd.	GuangZhou	GuangZhou	Software industry	100.00%	---	Enterise Merging under Semi-control
BeiJing ShiYuan XinTong technology Co.,Ltd.	BeiJing	BeiJing	Software industry	100.00%	---	Enterise Merging under Semi-control
BeiJing ZhiXinshu TechnologyCo,.Ltd.	BeiJing	BeiJing	Software industry	100.00%	---	Enterise Merging under Semi-control
BeiJing DongXi health technology Co.,Ltd.	BeiJing	BeiJing	Software industry	30.00%	---	Enterise Merging under Semi-control
Dingli Communications (H.K.) Company Limited	HongKong	HongKong	Software industry	100.00%	---	Set up
ZhuHai DingLian information technology Co.,Ltd.	ZhuHai	ZhuHai	Software industry	100.00%	---	Enterise Merging under Semi-control
Shanghai Zhixiang Information Technology Development Co., Ltd	ShangHai	ShangHai	Education Consulting Industry	100.00%	---	Enterise Merging under Semi-control
Shanghai MeiDu management consulting Co.,Ltd.	ShangHai	ShangHai	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Esim Technology Ltd.	ShangHai	ShangHai	Software industry	100.00%	---	Enterise Merging under Semi-control
ShangHai DongHui information technology Co.,Ltd.	ShangHai	ShangHai	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Shanghai ShiJiDingLi education Technology Co.,Ltd.	ShangHai	ShangHai	Education Consulting Industry	---	100.00%	Set up
Chengdu ZhiChang information technical development Co.,Ltd.	Chengdu	Chengdu	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Shenzhen Zhixiang Melody Information Technology Co., Ltd.	ShenZhen	ShenZhen	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Chengdu ZhiHui Factory Information Technology Co.,Ltd.	Chengdu	Chengdu	Education Consulting Industry	---	51.00%	Enterise Merging under Semi-control
JiLin Jizhi factory information Technology Co.,Ltd.	JiLin	JiLin	Education Consulting Industry	---	51.00%	Enterise Merging under Semi-control

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Name of subsidiary	Principal place of business	Registration	Business nature	Shareholding proportion(%)		Way of obtain
				direct	indirect	
ESIMTECHNOLOGYLTD	HongKong	HongKong	Software industry	---	100.00%	Enterise Merging under Semi-control
Tibet YunZaiXian information technology Co.,Ltd.	LaSa	LaSa	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Soarsky Telecommunication Co., Ltd.	ShenZhen	ShenZhen	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Jilin Boyu Vocational Skills Training School	JiLin	JiLin	Education Consulting Industry	---	51.00%	Enterise Merging under Semi-control
ShangHai WuJiMao intelligent technology Co.,Ltd.	ShangHai	ShangHai	Technique promotion and applied hospitality	---	90.00%	Set up
ChongQing XinKun intelligent technology Co.,Ltd.	ChongQing	ChongQing	Technique promotion and applied hospitality	---	70.00%	Set up
SiChuan ShiJiDingLi education technology Co.,Ltd.	MianYang	MianYang	Software and Information Technology Service Industry	---	100.00%	Set up
Beijing JiaNuoMingDe educational consulting Co.,Ltd.	BeiJing	BeiJing	Education Consulting Industry	55.74%	---	Enterise Merging under Semi-control
BeiJing XiBiDi ZhiXiang educational technology Co.,Ltd.	BeiJing	BeiJing	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Beijing Yuanda Zhixiang Education Technology Development Co., Ltd.	BeiJing	BeiJing	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control
Beijing JiaNuoMingDe technology Co.,Ltd.	BeiJing	BeiJing	Education Consulting Industry	---	55.74%	Enterise Merging under Semi-control
Beijing Jia NuoMingDe human resource Co, Ltd.	BeiJing	BeiJing	Education Consulting Industry	---	55.74%	Enterise Merging under Semi-control
MeiDu educational technology (ShangHai) Co., Ltd.	ShangHai	ShangHai	Education Consulting Industry	---	100.00%	Enterise Merging under Semi-control

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Name of subsidiary	Principal place of business	Registration	Business nature	Shareholding proportion(%)		Way of obtain
				direct	indirect	
Zhengzhou JiaNuoMingDe technology Co.,Ltd.	Zhengzhou	Zhengzhou	Education Consulting Industry	---	55.74%	Enterise Merging under Semi-control
ShenZhen JiaNuoMingDe technology Co.,Ltd.	ShenZhen	ShenZhen	Education Consulting Industry	---	55.74%	Enterise Merging under Semi-control
JiaNuoMingDe(TianJin City) human source service Co.,Ltd.	TianJin	TianJin	Education Consulting Industry	---	55.74%	Enterise Merging under Semi-control
HuBei DingLi educational technology Co.,Ltd.	HuangShi	HuangShi	Software and Information Technology Service Industry		100.00%	Set up
Shanghai Xin Cong technology Co.,Ltd.	ShangHai	ShangHai	Technique promotion and applied hospitality		100.00%	Enterise Merging under Semi-control

(1) Basis for holding half or less of the voting rights but still controlling the investee

On January 1, 2017, the company and Mr.Ren Liang, Beijing Hengxiang Technology Co., Ltd. (hereinafter referred to as Beijing Hengxiang Company) and Zhuhai Bauhinia Investment Management Partnership (Limited Partnership) jointly invested and established Beijing Dongxi Health Technology Co., Ltd. (refer to as Dongxi Company), the registered capital of Dongxi Company is CNY 2.0 million. In December 2018, the company held a shareholders meeting. With the consent of all shareholders, it was decided to transfer the 10% equity of the company held by the company to Mr. Ren Liang with the share capital contribution, such as CNY 200,000; Zhuhai Bauhinia Investment The 10% equity of the management partnership is transferred to Mr. Ren Liang with the share capital contribution (ie CNY 200,000); the 5% equity of Beijing Hengxiang Company is transferred to Mr. Ren Liang with the paid-up capital (ie CNY 100,000). After the change, the company holds 30% of the shares of Dongxi Company, Mr. Ren Liang holds 40% of the shares of Dongxi Company, and Beijing Hengxiang Company holds 30% of the shares of Dongxi Company. Moreover, Beijing Hengxiang Company holds 100.00% of the shares of Ms.Chen Hong.

The supervisor of the company,Ms.Chen Hong, is the deputy general manager of the company's subsidiary Shanghai Zhixiang Company. The legal representative and executive director Mr.Ren Liang was originally an employee of the company. As the company's management needs to adjust his position to the general manager of company, and moved to understand that the company's daily activities and business decisions are controlled by the company. In view of the relationship between the company and the company and the principle that the substance is more important than the form, the company is regarded as holding less than half of the voting rights but still controlled by the company.

8.2. Rights and interests in joint venture arrangements or joint ventures

8.2.1.Unimportant joint ventures or associates

Name of joint venture or associates	Major business address	Registration	Business nature	Shareholding proportion(%)		Accounting treatment method
				Direct	Indirect	
Shanghai Qidao Intelligent Technology Co., Ltd.	ShangHai	ShangHai	Information Industry	25.00	---	Equity method accounting
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	JiNan	JiNan	Software and Information Technology Service Industry	30.00	---	Equity method accounting
Henan Dinghua Education Technology Co., Ltd.	Zheng Zhou	ZhengZhou	Business Service Industry	35.00	---	Equity method accounting
Beijing Dingxing Zhongcheng Technology Co., Ltd.	BeiJing	BeiJing	Software Industry	50.00	---	Equity method accounting
Chengdu Voids Education Technology Co., Ltd.	Chengdu	Chengdu	Software and Information Technology Service Industry	49.00	---	Equity method accounting

8.2.2. Summary financial information of unimportant joint ventures and associates

Item	Dec 2020/2020	Dec 2019/2019	Dec 2018/2018
Total book value of joint venture investment	1,728,890.81	1,728,890.81	---
The total of the following items calculated according to the shareholding proportion	-1,728,890.81	-21,109.19	—
Net Profit	-1,728,890.81	-21,109.19	---
Other comprehensive income	---	---	---

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Total comprehensive income	-1,728,890.81	-21,109.19	---
Total book value of investment in associates	21,872,870.62	17,789,731.56	16,726,122.50
The total of the following items calculated according to the shareholding proportion	-503,388.94	63,609.06	40,325.40
Net Profit	-503,388.94	63,609.06	40,325.40
Other comprehensive income	---	---	---
Total comprehensive income	-503,388.94	63,609.06	40,325.40

9. RISK DISCLOSURE RELATED TO FINANCIAL INSTRUMENTS

The company's main financial instruments include monetary funds, loans, receivables, payables and other equity instruments. Face the risks of various financial instruments in daily activities, mainly including credit risk, liquidity risk, and market risk. The risks associated with these financial instruments and the risk management policies adopted by the company to reduce these risks are as follows:

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

9.1. Credit risk

Credit risk refers to the risk of the company's financial losses due to the failure of the counterparty to perform its contractual obligations. The management has formulated appropriate credit policies and continuously monitors these credit risk exposures.

The company has adopted a policy to only trade with creditworthy counterparties. In addition, the company evaluates the customer's credit qualifications and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The company continuously monitors the bills receivable, the balance of accounts receivables and the recovery. The company will keep our eye on the recovery situation of notes receivable and accounts receivable the company will take actions on those clients with low credit marks to make sure no significant credit loss would be taken place by urging them in written letters, shortening or cancelling credit terms.

The company's other financial assets include monetary funds, payables and other equity instruments. The credit risk of these financial assets originates from the counterparty's default. The maximum credit risk exposure is the book value of each financial asset in the balance sheet.

The monetary funds held by the company are mainly deposited in financial institutions such as state-controlled banks and other large and medium-sized commercial banks. The management believes that these commercial banks have high reputation and asset status, and there is no major credit risk. Any major losses caused by breach of contract. The company's policy is to control the amount of deposits in deposits based on the market reputation, business scale and financial background of various well-known financial institutions, so as to limit the amount of credit risk to any single financial institution.

As part of the company's credit risk asset management, the company uses aging to evaluate the impairment losses of accounts receivables and other receivables. The company's accounts receivables and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for the accounts receivables and other receivables. The company calculates the historical actual bad debt rate for different aging periods based on historical data, and considers current and future economic forecasts, such as the country's GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust the expected loss rate. For long-term receivables, the company comprehensively considers the settlement period, the contractual payment period, the debtor's financial status and the economic situation of the debtor's industry, and considers the foregoing forward-looking information to make a reasonable assessment of expected credit losses after adjustment.

The book balance and expected credit impairment losses of the company's relevant assets at the end of the reporting period are as follows:

Aging	31 December 2020	Provision for impairment
Notes receivables	34,734,644.62	1,572,519.70
Accounts receivable	680,837,653.51	104,047,904.15
Other receivables	98,481,821.83	16,087,628.93
Long-term receivables (including payments due within one year)	101,815,140.80	8,145,806.25
Total	915,869,260.76	129,853,859.03

As of 31 December 2020, the amount of financial guarantee provided by the company to external parties was CNY 28,450,000.00. For details of the financial guarantee contract, please refer to Note 11, Related Party and Related Party Transactions (5) Related Party Transactions. The management of the company assessed the overdue status of the relevant borrowings under the guarantee, the financial status of the relevant borrowers and the economic situation of the industry in which they operate, and believed that since the initial confirmation of the part of the financial guarantee contract, the relevant The credit risk has not increased significantly. Therefore, the company measures its provision for impairment at an amount equivalent to the expected credit loss in the next 12 months of the aforementioned financial guarantee contract. From January 2018 to December 2020, the company's assessment methods and major assumptions did not change.According to the evaluation conducted by the management, No impairment preparation is needed for financial guarantees related

The company's main customers are China Mobile Communications Group Zhejiang Co., Ltd., China Mobile Communications Group Guangdong Co., Ltd., Shanghai International Studies University Xianda School of Economics and Humanities, Sichuan Changjiang Vocational College, etc.

These customers have Reliable and good reputation, therefore, the company believes that these customers have no significant credit risk. As the company has a wide range of customers, there is no significant credit concentration risk.

As of 31 December 2020, the accounts receivables of the company's top five customers accounted for 10.80% of the company's total accounts receivables (12.47% on 31 December 2019, and 13.81% on 31 December 2018).

9.2. Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when the company fulfills its obligations to settle settlement by means of cash or other financial assets. The member companies of the company are responsible for their cash flow forecasts. Based on the cash flow forecast results of each member company, the company's financial department continuously monitors the company's short-term and long-term funding needs at the company level to ensure that sufficient cash reserves are maintained; at the same time, it continuously monitors compliance with the provisions of the loan agreement and obtains from a commitment of major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the company has entered into a financing line credit agreement with major business banks to provide support for the company to perform its obligations related to commercial paper. As of 31 December 2020, the company has a bank line of credit provided by many domestic banks, amounting to CNY 232.0 million, of which: the used credit amount is CNY 193.0 million.

As of 31 December 2020, the undiscounted contractual cash flows of the company's financial liabilities and off-balance sheet guarantee projects are listed as follow according to the remaining period of the contract:

Item	31 December 2020				
	Immediate repayment	Within 1 year	1-5years	More than 5 years	Total
Short-term borrowings	193,131,414.28		---	---	193,131,414.28
Notes payables	17,970,310.22	---	---	---	17,970,310.22
Accounts payables	164,961,527.66	---	---	---	164,961,527.66

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Other payables	94,423,954.74	---	---	---	94,423,954.74
Total non-derivative financial liabilities	470,487,206.90	---	---	---	470,487,206.90
In total of non-derivative and derivative financial liabilities	470,487,206.90	---	---	---	470,487,206.90

9.3. Market risk

9.3.1. Currency risk

The company's main business is located in China, and its main business is settled in CNY. However, the company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in Hong Kong dollars and US dollars) still have exchange rate risks. The company's financial department is responsible for monitoring the company's foreign currency transactions and the scale of foreign currency assets and liabilities to minimize exchange rate risks.

(1) During the reporting period, the company did not sign any forward foreign exchange contracts or currency swap contracts.

(2) As of 31 December 2020, the amount of foreign currency financial assets and foreign currency financial liabilities held by the company converted into CNY is listed below:

Item	31 December 2020			
	Dollar	Euro	Hong Kong dollar	Total
Foreign currency financial assets:				
Cash and Cash equivalents	19,948,154.45	16,459,550.93	80,129.13	36,487,834.51
Accounts receivable	21,664,114.94	---	2,902,979.60	24,567,094.54
Other receivables	---	---	6,564.79	6,564.79
Total	41,612,269.39	16,459,550.93	2,990,908.73	61,061,493.84
Foreign currency financial liabilities:				
Accounts payables	---	---	22,301,750.67	22,301,750.67
Other payables	---	---	2,022.33	2,022.33

Total	---	---	22,303,773.00	22,303,773.00

9.3.2. Interest Rate Risk

The company's interest rate risk mainly arises from bank loans. Floating interest rate financial liabilities expose the company to cash flow interest rate risk, and fixed interest rate financial liabilities expose the company to fair value interest rate risk. The company determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market environment.

The company's financial department continuously monitors the company's interest rate level. Rising interest rates will increase the cost of new interest-bearing debts and the company's unpaid interest payments on interest-bearing debts with floating interest rates, and will have a significant adverse impact on the company's financial performance. The management will follow the latest market situation and adjusted in time.

(1)The company has no interest rate swap arrangements during the reporting period.

(2)As of 31 December 2020, the company's long-term interest-bearing debts were mainly CNY-denominated floating-rate contracts with an amount of CNY 193 million. For details, please refer to Note6.25(Short-term borrowings) .

(3) Sensitivity analysis:

As of 31 December 2020, if the borrowing rate calculated at floating interest rates rises or falls by 50 basis points, while other factors remain unchanged, it will not have a significant impact on the company's total profits and shareholders' equity.

The above sensitivity analysis assumes that interest rate changes have occurred on the balance sheet date and have been applied to all the company's borrowings obtained at floating interest rates.

9.3.3. Price risk

Price risk refers to the risk of fluctuations in market prices other than exchange rate risk and interest rate risk, mainly from changes in commodity prices, stock market indexes, equity instrument prices and other risk variables.

10. FAIR VALUE

10.1. Financial instruments measured at fair value

As of December 31, 2020, other equity instruments and financial assets held for trading of the company are financial instruments measured by fair value

10.2. The fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value mainly include: receivables, debt investments, short-term borrowings, payables, non-current liabilities and long-term borrowings due within one year, no quotation in an active market and their fair value cannot be Reliable measurement of equity instrument investment.

The book value of the financial assets and liabilities that are not measured at fair value differs very little from the fair value.

11. RELATED PARTIES AND RELATED TRANSACTIONS

11.1. The parent company of the company

Name of natural person	Registration	Identity number	Relationship with the company	Proportion of shareholding in the company(%)	Proportion of voting rights to the company(%)
Ye Bin	Chaoyang District, Beijing	420106196628****	Shareholders of the company	16.75	16.75

The company's ultimate controlling party is Mr.Ye Bin.

11.2.For details of the company’s subsidiaries, please refer to Note 8.1 Rights and interests in subsidiaries

11.3.The company’s joint ventures and associates

For details of the company’s important joint ventures or associates, see Note 8.2 Rights and interests in joint venture arrangements or joint ventures

The status of other joint ventures or associates that have related party transactions with the company during the reporting period, or the balance of the related party transactions with the company in the previous period are as follows:

Name of joint venture or associates	Relationship with the company
Shanghai Qidao Intelligent Technology Co., Ltd.	Associates

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Name of joint venture or associates	Relationship with the company
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	Associates
Henan Dinghua Education Technology Co., Ltd.	Joint ventures
Beijing Dingxing Zhongcheng Technology Co., Ltd.	Joint ventures
Chengdu Voids Education Technology Co., Ltd.	Associates

11.4.Other related parties

Other related party names	The relationship between other related parties and the company
Zhuhai Zhongyi Communication Technology Co., Ltd.	Companies controlled by immediate family members of the company's actual controller
AmanziTelLTD(Hong Kong)	Companies controlled by immediate family members of the company's actual controller
Shanghai Yidu Business Consulting Co., Ltd.	Legal representative and director holding company of Shanghai Meidu Company
Pei Zhen (Shanghai) Business Consulting Co., Ltd.	Legal representative and director holding company of Shanghai Meidu Company
Shanghai Yizheng Business Consulting Co., Ltd.	Legal representative and director holding company of Shanghai Meidu Company
TAN CHIN LOKE EUGENE	Legal representative and director holding company of Shanghai Meidu Company
Sichuan Shude Education Investment Management Co., Ltd.	One of the shareholders of Sun Company
Shanghai Modi Industrial Co., Ltd.	Esim Company's legal representative and director holding company
Wang Liping	Esim Company's legal representative
Yingcheng Zhiqi Business Information Consulting Center	Companies controlled by subsidiary supervisors
Shanghai Yineng Education Investment Co., Ltd.	Legal representative and director holding company of Shanghai Meidu Company
Shanghai Xinkun Culture Technology Co., Ltd.	Esim Company's legal representative and director holding company
Shanghai Zhaoxin Investment Center (Limited Partnership)	Esim Company's legal representative and director holding company
Yingtan Huakun Investment Management Limited Partnership	Esim Company's legal representative and director holding company

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Other related party names	The relationship between other related parties and the company
Kunshan Land Rover Intelligent Technology Co., Ltd.	Esim Company's legal representative and director holding company
Ren Liang	One of the shareholders of the controlling subsidiary
Nanjing Yunchuang Big Data Technology Co., Ltd.	Participating company
Beijing Leijia Technology Co., Ltd.	Participating company
Shenzhen Huakun Tiandi Technology Co., Ltd.	Esim Company's legal representative and director holding company

11.5.Related party transactions

11.5.1. For subsidiaries that have a controlling relationship and are included in the scope of the company's consolidated financial statements, their mutual transactions and parent-subsidiary transactions have been offset.

11.5.2. Related transactions for purchasing goods and receiving labor services

Item	Content of related transaction	2020	2019	2018
Shanghai Modi Industrial Co., Ltd.	Renovation Service	2,110,091.76	---	---
Shanghai Modi Industrial Co., Ltd.	Utility bill	1,338,302.26	1,292,706.67	943,052.27
Shanghai Qidao Intelligent Technology Co., Ltd.	Equipment sales	1,336,353.98	9,779,943.37	979,170.35
Shanghai Qidao Intelligent Technology Co., Ltd.	Technical Services	622,641.49	3,799,999.98	2,672,254.72
Amanzi Tel LTD	Technical Services	132,737.15	---	581,877.41
Total		5,540,126.64	14,872,650.02	5,176,354.75

11.5.3. Related transactions for the sale of goods and the provision of labor services

Item	Content of related transaction	2020	2019	2018
Pei Zhen (Shanghai) Business Consulting Co., Ltd.	Training	---	3,929,740.57	3,262,117.92

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	Services			
Henan Dinghua Education Technology Co., Ltd.	Equipment sales	13,412,332.00	44,548,672.61	---
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	Equipment sales	3,916,348.57	6,202,654.85	---
Chengdu Voids Education Technology Co., Ltd.	Equipment sales	1,740,290.24	---	---
Total		19,068,970.81	54,681,068.03	3,262,117.92

11.5.4. Related leases

The company as the lessee

Item	Types of leased assets	Rental charges confirmed in 2020	Rental charges confirmed in 2019	Rental charges confirmed in 2018
Shanghai Modi Industrial Co., Ltd.	Plant	2,441,789.74	2,445,704.97	2,421,697.55
Shanghai Xincong Technology Co., Ltd.	Plant	---	3,389,342.55	---
Total		2,441,789.74	5,835,047.52	2,421,697.55

11.5.5. Related guarantees

（1）The company as a guarantor

Guarantors	Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Dingli Corp., Ltd.	Esim Technology Ltd.	50,000,000.00	2019-6-17	2021-6-16	No
Dingli Corp., Ltd.	Esim Technology Ltd.	200,000,000.00	2019-12-27	2021-12-26	No
Dingli Corp., Ltd.	ChongQing XinKun intelligent technology Co,.Ltd.	150,000,000.00	2019-7-29	2021-7-28	No
Dingli Corp., Ltd.	Esim Technology Limited	25,000,000.00	2019-3-12	2022-3-12	No
Dingli Corp., Ltd.	Esim Technology Ltd.	100,000,000.00	2018-4-25	2020-4-25	Yes
Dingli Corp., Ltd.	Esim Technology Ltd.	50,000,000.00	2020-5-15	2023-5-15	No

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Shanghai Meidu Management Consulting Co.,Ltd.	Shanghai Yidu Business Consulting Co., Ltd.	28,450,000.00	2016-3-24	2022-3-24	No
Total		603,450,000.00			

（2） The company as the guaranteed party

Guarantor	Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
TAN CHIN LOKE EUGENE	Shanghai Meidu Management Consulting Co.,Ltd.	3,000,000.00	2020-3-27	2024-3-26	No
Wang Liping	Esim Technology Ltd.	50,000,000.00	2019-6-17	2024-6-16	No
Esim Technology Ltd.	Dingli Corp., Ltd.	39,000,000.00	2018-12-27	2024-1-1	Yes
Esim Technology Ltd.	Dingli Corp., Ltd.	16,000,000.00	2019-1-28	2024-1-27	Yes
Wang Liping	Esim Technology Ltd.	13,100,000.00	2019-4-18	2024-4-17	No
Wang Liping	Esim Technology Ltd.	10,000,000.00	2017-11-6	2025-11-5	No
Su Aihong	Shanghai Xin Cong technology Co.,Ltd.	22,000,000.00	2018-1-24	2030-1-24	No
Total		153,100,000.00			

11.5.6. Key management personnel compensation

Item	2020 (CNY'0000)	2019 (CNY'0000)	2018 (CNY'0000)
Key management personnel compensation	597.63	892.78	613.65

11.5.7. Related party accounts receivables and payable

（1）Accounts receivable

Name of related party	31 December 2020		31 December 2019		31 December 2018	
	Book value	Bad debt provision	Book value	Bad debt provision	Book value	Bad debt provision
Shanghai Yidu Business Consulting Co., Ltd.	3,280,000.00	1,312,000.00	3,386,213.35	677,242.67	3,386,213.35	338,621.34

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Pei Zhen (Shanghai) Business Consulting Co., Ltd.	9,443,370.00	1,916,121.50	9,643,370.00	998,060.75	5,557,845.00	402,892.25
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	51,358.00	2,567.90	---	---	---	---

（2）**Other receivables**

Name of related party	31 December 2020		31 December 2019		31 December 2018	
	Book value	Bad debt provision	Book value	Bad debt provision	Book value	Bad debt provision
Shanghai Modi Industrial Co., Ltd.	936,653.48	81,832.67	100,000.00	20,000.00	100,000.00	10,000.00
AmanziTelLTD(Hong Kong)	---	---	52,477.75	2,927.71	6,076.36	303.82
Shanghai Xincong Technology Co., Ltd.	---	---	847,335.64	169,467.13	---	---
Ren Liang	---	---	200,000.00	10,000.00	---	---
Wang Liping	---	---	---	---	103,769.01	5,188.45
Hu Zhongliang	---	---	---	---	---	---
Henan Dinghua Education Technology Co., Ltd.	43,068.00	2,153.40	---	---	---	---

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Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	43,068.00	2,153.40	---	---	---	---
TAN CHIN LOKE EUGENE	---	---	---	---	24,794,096.64	---

(3)Prepayments

Name of related party	31 December 2020		31 December 2019		31 December 2018	
	Book value	Bad debt provision	Book value	Bad debt provision	Book value	Bad debt provision
Shanghai Modi Industrial Co., Ltd.	---	---	3,161,970.04	---	1,665,256.51	---
Shanghai Xincong Technology Co., Ltd.	---	---	1,694,671.29	---	---	---
Shanghai Qidao Intelligent Technology Co., Ltd.	4,035,465.24	---	---	---	369,491.66	---

(4)Long-term receivables

Name of related party	31 December 2020		31 December 2019		31 December 2018	
	Book value	Bad debt provision	Book value	Bad debt provision	Book value	Bad debt provision
Henan Dinghua Education Technology Co., Ltd.	81,552,373.75	6,954,951.25	50,340,000.00	2,517,000.00	---	---
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	15,582,200.00	1,190,855.00	7,009,000.00	350,450.00	---	---
Long-term receivables due						

within one year：						
Henan Dinghua Education Technology Co., Ltd.	1,576,350.00	---	2,517,000.00	---	---	---
Dingli Zhuoyuan (Shandong) Education Technology Co., Ltd.	9,723,651.25	---	350,450.00	---	---	---

（5）Accounts payables

Name of related party	31 December 2020	31 December 2019	31 December 2018
AmanziTelLTD(Hong Kong)	162,494.88	138,493.76	223,438.35
Shanghai Qidao Intelligent Technology Co., Ltd.	143,028.69	1,407,314.27	305,804.83

（6）Other payables

Name of related party	31 December 2020	31 December 2019	31 December 2018
TAN CHIN LOKE EUGENE	---	---	11,100.00
Shanghai Yizheng Business Consulting Co., Ltd.	---	---	216,000,000.00

（7）Other Non-current assets

Name of related party	31 December 2020	31 December 2019	31 December 2018
Shanghai Xincong Technology Co., Ltd.	---	30,000,000.00	---

12.SHARE PAYMENT

12.1.Overall situation of share-based payment

Item	2020	2019	2018
The total amount of equity instruments granted by the company during the reporting period		73,830,000.00	---
The total amount of equity instruments exercised by the company during the reporting period		---	---
The total amount of all equity instruments that have expired during the reporting period		---	---
The scope of the exercise price of the company's outstanding stock options at the end of the period and the remaining period of the contract		---	---

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The scope of the exercise price of other equity instruments issued by the company at the end of the period and the remaining period of the contract		---	---

12.2.Share payment settled by equity

Item	2020	2019	2018
Method for determining the fair value of equity instruments on the grant date	---	The closing price of the restricted stock on the grant date	---
The basis for determining the best estimate of the number of exercisable equity instruments	---	---	---
Reasons for the significant difference between the current estimate and the previous estimate	---	---	---
The cumulative amount of equity-settled share-based payment included in the capital reserve	19,428,733.40	---	22,042,327.44
The total amount of fees confirmed by equity-settled share payments	19,428,733.40	---	22,042,327.44

12.3. Modification and termination of share-based payment

1. On August 30, 2017, the company held the sixteenth meeting of the fourth board of directors and the eleventh meeting of the fourth board of supervisors, and reviewed and approved the "Regarding the first grant restrictions to the company's 2017 restricted stock incentive plan incentive objects "Proposal ", August 30, 2017 is determined as the grant date. 16,015,000 restricted stocks were actually granted to 98 incentive objects.

On May 16, 2018, the 23rd meeting of the 4th Board of Directors and the 18th meeting of the 4th Board of Supervisors held the "Proposal on Repurchase and Cancellation of Certain Restricted Stocks". Because the company's actual operating results in 2017 did not meet the unlocking conditions of the first unlocking period and some of the incentive objects resigned, in accordance with the company's "2017 Restricted Stock Incentive Plan (Draft)", this meeting decided to grant some but not yet released A total of 4,930,500 restricted shares of restricted stocks will be repurchased and cancelled at

CNY 5.03 per share.

On June 22, 2018, the twenty-fourth meeting of the fourth board of directors and the nineteenth meeting of the fourth board of supervisors held the "Proposal on Adjusting the Repurchase Price of the 2017 Restricted Stock Incentive Plan". In view of the company's implementation of the 2017 equity distribution plan on June 14, 2018, according to the company's "2017 Restricted Stock Incentive Plan (Draft)", the repurchase price of restricted stocks that have been granted but not yet lifted With corresponding adjustments, the repurchase price of restricted stock granted for the first time was adjusted from CNY 5.03 per share to CNY 5.01 per share.

On July 25, 2018, the company disclosed the "Announcement on Completion of Repurchase and Cancellation of Certain Restricted Stocks" on the information disclosure website designated by the China Securities Regulatory Commission about 0.8791% of the former company's total share capital of 560,861,718.00 shares. On July 24, 2018, the company completed the repurchase and cancellation procedures of the aforementioned restricted stocks at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. After the completion of this repurchase and cancellation, the total number of shares of the company changed from 560,861,718.00 shares to 555,931,218.00 shares.

On August 27, 2018, the company held the third extraordinary general meeting of shareholders in 2018, and reviewed and approved the "Proposal on Terminating the Implementation of the 2017 Restricted Stock Incentive Plan and Repurchase and Cancellation of Restricted Shares that have been granted but not yet lifted "And other proposals. The number of restricted stocks cancelled in this repurchase is 11,084,500.00 shares, accounting for 1.9939% of the company's total share capital before the repurchase. As of October 15, 2018, the company has paid a total of CNY 55,533,345.00 to 95 incentive objects for the repurchase price. The relevant matters have been verified by Dahua Certified Public Accountants (special general partnership), and the "Capital Verification Report" has been issued. DaHuayanzi [2018] No. 000560), the verification conclusion is: As of October 15, 2018, The Company has paid 95 equity incentive objects to repurchase and cancel the share capital reduction, and the share capital has been reduced by CNY 11,084,500.00. After review and confirmation by China Securities Depository and Clearing Corporation Shenzhen Branch, the above repurchase cancellation matters were completed on October 19, 2018. After the completion of the repurchase and cancellation, the total number of shares of the company has been changed from 555,931,218.00 shares to 544,846,718.00 shares. The company has gone through the relevant procedures for registration of changes in industry and commerce according to law.

2. On December 2, 2019, the thirty-sixth meeting of the fourth board of directors and the thirty-first meeting of the fourth board of supervisors held by the company, and the first extraordinary general meeting of shareholders of 2019 held on December 18, 2019 Deliberated and approved the "Restricted Stock Incentive Plan of Dingli Corp., Ltd. in 2019 (Draft)" and other proposals. The number of restricted stock incentives proposed to be granted is 81. The number of restricted stocks is 30 million shares, and the grant price is CNY 2.76 per share. The 37th meeting of the fourth board of directors held on December 18, 2019 deliberated and approved the "Proposal on Granting Restricted Shares to Incentive Objects of the Company's Restricted Stock Incentive Plan for 2019". It was determined on December 18, 2019, which was the grant date.

After the company's board of directors determined the restricted stock grant date, in the subsequent registration process, 2 incentive objects resigned due to personal reasons, and 9 incentive objects gave up subscribing for all the restricted shares granted due to personal reasons. Mr. Bao Yu, deputy general manager, Abandoning part of the granted restricted stocks for personal reasons. In accordance with the relevant provisions of the "Administrative Measures for Equity Incentives of Listed Companies", the "Incentive Plan" and the authorization of the company's first extraordinary general meeting of shareholders in 2019, the company's board of directors adjusted the list of incentives for this incentive plan and the number of rights granted. After adjustment, the number of restricted stock incentive recipients granted this time was adjusted from 81 to 70, and the total number of restricted stocks was adjusted from 30 million shares to 26.75 million shares, accounting for 4.91% of the company's total share capital before the registration of the restricted stock grant. The adjusted incentive targets are all personnel identified in the "Dingli Corp., Ltd. Restricted Stock Incentive Plan (Draft) for 2019" approved by the company's first extraordinary general meeting of shareholders in 2019.

On February 12, 2020, the company completed the 2019 restricted stock incentives plan the registration of restricted stock grants in accordance with the "Administrative Measures for Equity Incentives of Listed Companies" of the China Securities Regulatory Commission, the Shenzhen Stock Exchange, and the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd.

(1) Grant registration of restricted stocks

The restricted stock grant date is December 18, 2019. The number of grants is 26.75 million shares, the number of grants is 70, and the grant price is CNY 2.76. The source of the shares is the company's private issuance of the company's A shares to equity incentive targets.

(2) Conditions for lifting restricted stocks

When the following conditions are met at the same time during the lifting period, the restricted stocks granted to the incentive object can be lifted:

①Performance appraisal requirements at the company level

In this incentive plan, the company's performance indicators will be assessed annually during the 2020-2022 fiscal year, and the achievement of the performance assessment target will be one of the conditions for lifting the sales restriction for the incentive object in the current year. The performance evaluation objectives of this incentive plan are shown in the following table:

Lifting the sale restriction period	Performance appraisal target
The first lifting of the restriction period	Based on the 2018 net profit, the net profit growth rate in 2020 will not be less than 20%
The second lifting period	Based on 2018 net profit, the growth rate of net profit in 2021 shall not be less than 35%
The third lifting period	Based on the 2018 net profit, the net profit growth rate in 2022 will not be less than 50%

Note: The above-mentioned "net profit" refers to the audited net profit attributable to the shareholders of the listed company after deducting non-recurring gains and losses, but the calculation basis is the value excluding the impact of this and subsequent incentive plan share payments.

②Performance appraisal requirements at the individual level of the incentive object

The individual assessment of the incentive objects is organized and implemented in accordance with the company's performance assessment related systems. The individual performance appraisal results are divided into four levels: A, B, C, and D.

Assessment level	A	B	C	D

Lifting restriction coefficient	100%	80%	60%	0%

The individual's current year's sales restriction limit = the individual's current year's planned sales restriction limit × the sales restriction coefficient. On the premise that the company’s performance goals are achieved, if the incentive object’s personal performance appraisal result in the previous year is “A”, all restricted stocks that can be released during the restricted sale period can be lifted in accordance with the relevant regulations of this incentive plan. ; When the previous year’s assessment is “B”, the 80% restricted stocks that can be released during the restricted sale period can be released; when the previous year’s assessment is “C”, they can be released during the restricted sale period. 60% of the restricted stocks that have been released from the sales restriction are released; and the assessment of the previous year is "D", all restricted stocks that can be released during the restricted sales period cannot be removed. Restricted stocks that cannot be lifted from the restricted stocks during the assessment of incentive objects in the current year shall be repurchased and cancelled by the company at the granted price.

13. COMMITMENTS AND CONTINGENCIES

13.1. Important commitments

The company has no important commitments that need to be disclosed.

13.2.Important contingencies existing on the balance sheet date

The company has no important contingencies that need to be disclosed.

Except for the above-mentioned contingencies, as of 31 December 2020, the company has no other undisclosed important contingencies that should be disclosed.

14. EVENTS AFTER THE BALANCE SHEET DATE

The company planned to give Sichuan Tequ Mayflower Education Management Co., Ltd. (Hereinafter referred to as "Tequ Mayflower") 171,000,000 shares, with each of whose values at CNY1.00, which is subjected to the amount that is approved by the Shenzhen Stock Exchange and China Securities Regulatory Commission . After publishing,Tequ Mayflower will be holding 221,000,000 shares of the company, which is accounting for 29.76%

On October 12, 2020, three agreements namely Share Transfer Agreement, Voting Rights Proxy

Agreement,Acting-In-Concert Agreement Right To Vote Agreement were jointly signed by Tequ Mayflower and Mr. Ye Bin who is both the shareholder and actual controller of Dingli Corp., Ltd. Also,Tequ Mayflower and the company together signed The Subscription Agreement on the same day. Based on the above agreements, Mr.Ye Bin planned to pass his partial shares of Dingli Corp., Ltd.(quantity: 50,000,000, which accounts for 8.75% of the total capital of the company) to Tequ Wuyuehua, and he also gave the authorization on the voting rights which corresponded to his another 45,744,700 (8.00% of the total capital of the company), and this authorization was not able to repeal. Tequ Mayflower and Mr.Ye Bin should be keeping their actions unanimous in terms of the company's voting rights enforcement during the period of entrustment.

On January 25, 2021, Dingli Corp., Ltd. received The Confirmation Letter of Securities Ownership Change from China Securities Depository and Clearing Corporation Limited, those share with the quantity of 50,000,000 passed to Tequ Mayflower by Mr. Ye Bin had legally completed its ownership change on January 22, 2021.

Based on the three agreements mentioned in Share Transfer Agreement, Voting Rights Proxy Agreement,Acting-In-Concert Agreement Right To Vote Agreement, the voting rights matters shall take into effect after the completion of shares' ownership change. The voting rights which corresponded to Mr.Ye Bin's another 45,744,700 (8.00% of the total capital of the company) shall be revocably entrusted to Tequ Mayflower. Tequ Mayflower and Mr.Ye Bin shall keep their actions unanimous in terms of the company's voting rights enforcement during the period of entrustment.

15. DESCRIPTION OF OTHER IMPORTANT MATTERS

15.1. Asset replacement

15.1.1. Non-monetary asset exchange

(1) On 14 March 2018, Yunzaixian company, the grandson of the company, and Heze Vocational College signed the "Heze Vocational College and Tibet Yunzaixian Information Technology Co., Ltd." "College" Project Cooperation Framework Agreement", the "Dingli College" was established. "Dingli College" is a secondary college jointly managed by the company and the school. Yunzaixian company invested CNY 4,996,600 in equipment and CNY 600,000 in cash for the

professional construction and productive training of "Dingli College" Base industrial-level experimental training equipment platform construction. Among them, Yunzaixian company invested 4.40 million yuan in equipment and 600,000 yuan in cash in 2018, and completed the delivery of this part of the investment equipment and related procedures in 2018. Cooperation period: From March 2018 to August 2036, the level of 2018 is the first enrollment, with 16 cooperation sessions and 19 years of service cooperation. On June 8, 2020, Heze Vocational College and Tibet YunZaiXian Information Technology Co.,Ltd.(hereinafter referred to as Yunzaixian company) signed the Heze Vocational College project termination statement. Due to poor enrollment of Heze Vocational College, the two parties terminated the cooperation. Heze Vocational College agreed to return the CNY 4.40 million of equipment invested by Yun Online in 2018; for the CNY 600,000 cash investment, the two parties agreed that the recruitment cost has been CNY 197,500, and the remaining CNY 402,500 was returned to Yun Online.

(2) On 18 October 2018, the company's subsidiary Shanghai Zhixiang Information Technology Development Co., Ltd. (hereinafter referred to as Shanghai Zhixiang Company) and Jilin Borui Computer Vocational Skills Training School signed a "Project Cooperation Agreement". The two parties intend to carry out training projects in 2019, mainly for higher education institutions and enterprises in Jilin area to carry out related talent training services. Shanghai Zhixiang Company invested in equipment worth CNY 3.2060 million. Shanghai Zhixiang Company completed the delivery of investment equipment and related procedures in 2018. The cooperation period is 11 years, which is from October 2018 to December 2029,.

(3) On 19 October 2018, Shanghai Zhixiang, a subsidiary of the company, signed a "Project Cooperation Agreement" with Shijiazhuang Daping Education Technology Co., Ltd. The two parties plan to carry out training projects in 2019, mainly for higher education institutions and enterprises in Hebei region to carry out related talent training services. Shanghai Zhixiang Company invested CNY 3.014 million in equipment. Shanghai Zhixiang Company completed the delivery of investment equipment and related procedures in 2018. The cooperation period is 11 years, which is from Octoberr 2018 to December 2029,.

(4) On November 6, 2018, the company's subsidiary Shanghai Zhixiang Company and Xi'an Urban Construction Vocational College signed the "Co-construction of "Dingli College" Service

Cooperation Agreement" and established the "Dingli College". "Dingli College" is a second-level college jointly managed by the company and the school. Shanghai Zhixiang Company invested CNY 4,996,600 in equipment for the professional construction of "Dingli College" and industrial-level experimental training for the productive training base. Equipment platform construction. In December 2018, Shanghai Zhixiang Company delivered investment equipment and went through relevant procedures. Cooperation period: From November 2018 to December 2029, the 2019 level is the first enrollment, and the 2029 level is the last enrollment. The service cooperation is 10 years.

(5) On December 6, 2018, Shanghai ShiJiDingLi education Technology Co.,Ltd.. (hereinafter referred to as Shanghai ShiJiDingLi), the grandson of the company, and Guangdong Jiangnan Polytechnic Technical School signed the "Cooperative Framework Agreement on Co-construction of "Dingli College" Project" , The "Dingli College" was established. "Dingli College" is a secondary college co-constructed and managed by the company and the school. Shanghai ShiJiDingLi paid CNY 1.0 million in cash and invested CNY 5,006,000 in equipment for the professional construction and productive practice of "Dingli College" construction of industrial-level experimental training equipment platform for training base. In December 2018, Shanghai ShiJiDingLi delivered investment equipment and went through relevant procedures. Cooperation period: December 2018 to August 2033, the cooperation period is 15 years. In January 2020, CNY 1 million of cash was invested, and the investment has been completed so far.

(6) On June 3, 2019, Shanghai ShiJiDingLi signed a "Project Cooperation Agreement" with Jilin Borui Computer Vocational Skills Training School. The two parties intend to carry out training projects in 2019, mainly for higher education institutions and enterprises in Jilin area to carry out related talent training services. Shanghai ShiJiDingLi invested CNY 1,118,500 in equipment for the construction of training bases. Shanghai ShiJiDingLi completed the delivery of investment equipment and related procedures in 2019. Cooperation period: June 2019 to December 2029, the cooperation period is 10 years.

(7) In February 2019, Shanghai ShiJiDingLi and Ya'an Vocational and Technical College signed the "Co-construction Agreement on the Project of Co-construction of "Ya Vo Dingli ICT Industry College". The two parties intend to set up the "Yazhi Dingli ICT Industry College" (refer to as Yazhi Dingli) in February 2019. In 2019, Shanghai ShiJiDingLi will invest CNY 4,800,690 in training

equipment and supporting equipment for Yazhi Phase I construction of Vocational College of ICT Industry. Cooperation period: January 2019-2026 August, 2019 is the first enrollment, 2023 is the last student (graduated in August 2026), and the cooperation is 5 sessions.

In October 2019, Shanghai ShiJiDingLi and Ya'an Vocational and Technical College signed the "Co-construction of "Ya Vo Dingli ICT Industry College (Phase II)" Project Cooperation Agreement. The two parties plan to expand the school-running scale of the Yazhi Dingli ICT Industry College and improve the school-running level of the Yazhi Dingli ICT Industry College, and plan to launch the second phase of the Yazhi Dingli ICT Industry College project cooperation in 2020. The contract stipulates that Shanghai ShiJiDingLi will invest CNY 3.0 million worth of professional training equipment and platforms in the 2019 academic year for the construction of the production training base of the Phase II project of the Yazhi Dingli ICT Industry College. Due to lack of stock at the end of 2019, Put in equipment of CNY 2,439,900 first, and the remaining CNY 650,100 in January 2020. Cooperation period: September 2019-2027 August, 2020 is the first enrollment, and 2024 is the last enrollment (graduated in August 2027). The equipment worth 650,100 yuan was invested in January 2020, and the investment has been completed so far.

（8）In December 2020, Shanghai ShiJiDingLi Education Technology Co., Ltd. and Yunnan Vocational College of Economics, Trade and Foreign Affairs merged the "Cooperative Agreement for the Joint Construction of "Dingli College". The two parties intend to establish the Yunnan Vocational College of Economics, Trade and Foreign Affairs-Dingli College in 2020. The contract stipulates that Shanghai ShiJiDingLi is responsible for investing equipment which is no more than CNY 10 million for cooperative education, which is the professional construction of Dingli College and the industrial-level experimental training equipment platform of the productive training base. In December 2020,Shanghai ShiJiDingLi paid CNY 9.99 million to invest equipment and finished related steps. Cooperation time: December 2020-December 2035, 2021 is the first enrollment, 2032 is the last student (graduated in August 2035), cooperation for 12 sessions.

15.2. Other important transactions and matters that have an impact on investors' decision-making

15.2.1 School-enterprise cooperation

(1)Business model

School-enterprise cooperation runs schools, and sells training equipment and provides technical services to investment schools.

Based on the background of in-depth integration of production and education, and comprehensive school-enterprise cooperation, the company strives to create vocational education service products for higher education. Its cooperation model is mainly with domestic secondary, tertiary and tertiary (including higher vocational) colleges and universities. Co-construct and jointly manage a secondary college (refer to as Dingli College). The cooperation period is generally 10-20 years. As a secondary college of the cooperative college, Dingli College does not have independent legal personality, and its enrollment indicators and student status management are dependent on the cooperative college; the company does not have the ownership of the secondary college, and only fulfills the obligations and enjoyment stipulated in the cooperation agreement's right. And in order to establish a long-term cooperative relationship with colleges and universities, the company promises to invest a certain amount of funds to support the school's construction of teaching venues, teaching facilities, and training environment related to Dingli College (the company's investment funds are calculated as long-term deferred expenses, And amortized according to the benefit period).

In the process of cooperating with related colleges and universities to build Dingli College, the company is mainly responsible for professional construction, curriculum setting, content introduction, professional "double teacher" teaching, real industry project introduction and employment, entrepreneurship guidance and other services. Cooperative colleges have the decision-making power for the operation of Dingli College, and are generally responsible for the co-construction of training bases, communication with various government agencies, constructions of party and league relations, enrollment, basic course teaching, and educational logistics management.

According to the cooperation agreement signed between the company and the cooperative colleges and universities, the company provides training services to the cooperative colleges and universities, and collects educational training service fees from the cooperative colleges and universities at a certain price level according to the number of approved students of Dingli College every year.

(2). Investment situation

As of 31 December 2020, the status of the colleges invested by the company and its subsidiaries is as follows:

Name of project	Whether it is a physical asset investment	Amount invested in this reporting period (CNY, 0000)	Cumulative actual investment amount as of the end of the reporting period (CNY,0000)
Sichuan Changjiang Vocational College "Dingli College"	NO	---	2,000.00
"Dingli College" of Jilin Agricultural Science and Technology College	NO	---	4,200.00
Sichuan Vocational College of Science and Technology "Dingli College"	NO	---	4,000.00
Sino-German College of Sichuan Vocational College of Science and Technology	NO	---	10,000.00
Shanxi Vocational and Technical College "Dingli College"	NO	---	3,500.00
	YES	---	500.00
"Dingli College" of Jilin Vocational College of Engineering	NO	---	1,000.00
Shandong Institute of Fashion Technology	NO	---	400.00
Sino-German College of Shandong Kaiwen Vocational College of Science and Technology	NO	---	4,000.00
Sino-German College of Hubei Normal University	NO	---	1,000.00
Siping Vocational University "Dingli College"	NO	---	1,200.00
Sichuan Changjiang Vocational College "Dingli College" (International Project)	NO	---	3,000.00
Southwest University of Science and Technology City College "Dingli College"	NO	---	8,550.00
Dingli College of Chongqing Safety Technology Vocational College	NO	---	2,900.00
Dingli College, Dianchi College, Yunnan University	NO	---	3,000.00
Guangdong Jiangnan Technical School "Dingli College"	NO	100.00	100.00
	YES	---	500.60
Heze Vocational College	NO	---	60.00
	YES	-440.00	---
"Dingli College" of Xi'an Urban Construction College	YES	---	499.60
Jilin Borui Computer Vocational Skills Training School	YES	---	432.46
Ya'an Vocational and Technical College	YES	65.01	780.07
Shijiazhuang Tapartan Education Technology Co., Ltd.	YES	---	301.40

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Name of project	Whether it is a physical asset investment	Amount invested in this reporting period (CNY, 0000)	Cumulative actual investment amount as of the end of the reporting period (CNY,0000)
Yunnan Vocational College of Economics, Trade and Foreign Affairs	YES	999.00	999.00
Total	---	724.01	52,923.13

Note: The Heze Vocational College project has signed a termination agreement. The 4.4 million equipment investment has been returned. The 600,000 cash invested should be returned 402,500 according to the agreement. The agreement stipulates that 50% will be returned in 2020 and 50% in 2021.

15.2.2. Performance commitment

(1)Shanghai Meidu Company

After deliberation and approval at the 17th meeting of the 4th Board of Directors and the 12th meeting of the 4th Board of Supervisors in 2017, the company purchased 100% equity of Shanghai Meidu Company through cash payment at a transaction price of CNY 360 million. On September 26, 2017, 100% of the shares of Shanghai Meidu Company had been transferred to the company in accordance with the statutory method, and the change registration procedures had been completed with the Market Supervision Bureau of Fengxian District, Shanghai. According to the announcement of Dingli Corp., Ltd. on the signing of the "Supplementary Agreement to the Equity Transfer Agreement of Shanghai Meidu Management Consulting Co., Ltd.", Shanghai Meidu Co., Ltd. promises to achieve net profits in 2020, 2019 and 2018 respectively. At CNY 33 million, CNY 39 million and CNY 42.5 million, that is, the total committed net profit from 2017 to 2020 is not less than CNY 133.44 million.

In 2017, the audited net profit after tax attributable to shareholders of the parent company of Shanghai Meidu Company was CNY 18,944,155.26, reaching the level of 2017 performance commitments.

In 2018, Shanghai Meidu Company achieved a net profit of CNY 34,137,200.26, of which non-recurring gains and losses were CNY -6,311.25, net profit after deducting non-recurring gains and losses was CNY 34,143,511.51, reaching the level of 2018 performance commitments.

In 2019, Shanghai Meidu Company achieved a net profit of CNY 40,492,154.56, of which non-recurring gains and losses were CNY 861,318.75, net profit after deducting non-recurring gains and losses was CNY 39,630,835.81, reaching the level of 2019 performance commitments.

In 2020 Shanghai Meidu Company achieved a net profit of CNY 28,839,357.09 of which non-recurring gains and losses were CNY 4,789,798.09 net profit after deducting non-recurring gains and losses was CNY24,049,559.00, which did not reachi the level of 2020 performance commitments.

Total net profit from 2017 to 2020, which belongs to the parent company, which after deduction of non-recurring profit and loss, is CNY116,761,750.33, Total net profit commited in the past three ye ars is CNY133,440,000.00, which is below the level comittedfrom 2017 to 2020.

(2)Esim Company

Approved by the 24th meeting of the third board of directors in 2017 and the first extraordinary general meeting of shareholders in 2017, and approved by the China Securities Regulatory Commission on the approval of Dingli Corp., Ltd. to issue shares to Ms.Wang Liping and others to purchase assets and Approval of Raising Supporting Funds" (Zheng Jian Li [2017] No. 958), the company issued 38,026,101 non-public shares to the former shareholders of Esim Company Ms.Wang Liping, Mr.Wang Junfeng, Mr.Su Aimin and Shanghai Zhaoxin Investment Center (Limited Partnership), each The issue price of the shares was CNY 12.26. At the same time, the company used CNY 199,800,000.00 in cash to raise matching funds to acquire 100% of the shares of Esim Company held by the original shareholders. On August 3, 2017, 100% of Esim Company's shares have been transferred to the company in accordance with the legal method, and the change registration procedures have been completed with the Shanghai Pudong New Area Market Supervision Administration.

According to the "Agreement on Issuance of Shares and Payment of Cash to Purchase Assets" signed by the company with Ms.Wang Liping, Mr.Wang Junfeng, Mr.Su Aimin and Shanghai Zhaoxin Investment Center (Limited Partnership), "Supplementary Agreement to the Agreement on Issuance of Shares and Payment of Cash to Purchase Assets", and "Earnings Forecast Compensation Agreement" and "Supplementary Agreement to Earnings Forecast Compensation Agreement", the former shareholders of Esim Company Ms.Wang Liping, Mr.Wang Junfeng, Mr.Su Aimin and Shanghai

Zhaoxin Investment Center (Limited Partnership) promised to the company that Esim Company will deduct non-recurring expenses in 2019 The net profit attributable to shareholders of the parent company after profit and loss is 80 million yuan.

After auditing, Esim Company realized net profit of CNY 75,413,430.17 in 2019, of which non-recurring gains and losses were CNY 9,162,090.20, net profit after deducting non-recurring gains and losses was CNY 66,251,339.97; Esim Company realized net profit of CNY 67,471,538.56 in 2018, of which non-recurring profits The net profit after deducting non-recurring gains and losses is CNY 1,502,057.87, and the net profit after deducting non-recurring gains and losses is CNY 65,969,480.69. In 2017, Esim Company realized a net profit of CNY 59,757,170.08, of which non-recurring gains and losses were CNY 7,173,929.92, and net profit after deducting non-recurring gains and losses was CNY 66,931,100.00. The net profit attributable to the parent company after accumulative deduction in the past three years totals CNY 199,151,920.66, and the cumulative committed net profit in the past three years is CNY 190,000,000.00, reaching the level of cumulative performance commitments in the past three years.

16. NOTES TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

16.1. Accounts receivable

16.1.1. Disclosed by aging

Aging	31 December 2020	31 December 2019	31 December 2018
Within 1 year	235,094,132.50	201,735,295.43	220,832,341.47
1-2 years	60,254,324.12	46,066,929.50	30,388,636.16
2-3 years	27,171,245.30	11,065,958.34	11,653,293.25
3-4 years	6,080,666.80	4,556,983.97	5,672,828.50
4-5 years	3,983,657.19	3,714,230.12	14,257,345.81
More than 5 years	32,619,232.13	30,363,819.89	16,402,847.99
Subtotal	365,203,258.04	297,503,217.25	299,207,293.18
Less：bad debt provision	54,947,251.74	52,064,646.97	46,488,995.38
Total	310,256,006.30	245,438,570.28	252,718,297.80

16.1.2. Disclosed by bad debt provision methods

（1）From 1 January 2019, the company accrued accounts receivables for bad debt provision e based on the general ECL model.

Category	31 December 2020				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	11,272,288.60	3.09	11,272,288.60	100.00	---
Bad debt provision assessed by groups	353,930,969.44	96.91	43,674,963.14	12.34	310,256,006.30
Including:Aging analysis method combination	256,569,512.61	70.25	24,016,851.30	9.36	232,552,661.31
Related party portfolio	97,361,456.83	26.66	19,658,111.84	20.19	77,703,344.99
Total	365,203,258.04	100.00	54,947,251.74	15.05	310,256,006.30

Continued：

Category	31 December 2019				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	11,272,288.60	3.79	11,272,288.60	100.00	---
Bad debt provision assessed by groups	286,230,928.65	96.21	40,792,358.37	14.25	245,438,570.28
Including:Aging analysis method combination	219,849,875.16	73.90	19,474,756.53	8.86	200,375,118.63
Related party portfolio	66,381,053.49	22.31	21,317,601.84	32.11	45,063,451.65
Total	297,503,217.25	100.00	52,064,646.97	17.50	245,438,570.28

（2）The company's accounts receivables with provision for bad debts based on the incurred loss model before 31 December 2018

Category	31 December 2018				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable which are individually significant and	---	---	---	---	---

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individually withdrawn the provision for bad debts					
Accounts receivable to be prepared according to credit risk characteristics	287,935,004.58	96.23	35,216,706.78	12.23	252,718,297.80
Accounts receivable which are not individually significant but individually withdrawn the provision for bad debts	11,272,288.60	3.77	11,272,288.60	100.00	---
Total	299,207,293.18	100.00	46,488,995.38	15.54	252,718,297.80

16.1.3. Bad debt provision assessed individually

（1）Bad debt provision assessed individually from 1 January 2019

Entity	31 December 2020			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	11,272,288.60	11,272,288.60	100.00	---

Continued：

Entity	31 December 2019			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	11,272,288.60	11,272,288.60	100.00	---

（2）Accounts receivable which are not individually significant but individually withdrawn the provision for bad debts before 31 December 2018

Entity	31 December 2018			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Henan Tianxiang Technology Co., Ltd.	11,272,288.60	11,272,288.60	100.00	It cannot be recovered
Total	11,272,288.60	11,272,288.60	100.00	---

16.1.4. Bad debt provision assessed by groups

（1）From 1 January 2019, the company accrued accounts receivables for bad debt provision based on the general ECL model.

1)Aging analysis method combination

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Aging	31 December 2020		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	201,914,947.60	10,095,747.38	5.00
1-2 years	29,615,578.56	2,961,557.86	10.00
2-3 years	14,951,330.10	2,990,266.02	20.00
3-4 years	3,125,414.10	1,250,165.64	40.00
4-5 years	1,215,639.24	972,511.39	80.00
More than 5 years	5,746,603.01	5,746,603.01	100.00
Total	256,569,512.61	24,016,851.30	---

Continued：

Aging	31 December 2019		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	171,014,649.87	8,550,732.50	5.00
1-2 years	33,389,622.74	3,338,962.27	10.00
2-3 years	8,110,705.64	1,622,141.13	20.00
3-4 years	1,788,966.02	715,586.41	40.00
4-5 years	1,492,983.33	1,194,386.66	80.00
More than 5 years	4,052,947.56	4,052,947.56	100.00
Total	219,849,875.16	19,474,756.53	---

2)Related party portfolio

Aging	31 December 2020		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	33,179,184.90	1,536,032.28	4.63
1-2 years	30,638,745.56	1,267,730.68	4.14
2-3 years	12,219,915.20	591,050.54	4.84
3-4 years	2,955,252.70	1,107,207.18	37.47
4-5 years	2,768,017.95	1,776,997.43	64.20
More than 5 years	15,600,340.52	13,379,093.73	85.76

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Total	97,361,456.83	19,658,111.84	---

Continued：

Aging	31 December 2019		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	30,720,645.56	1,536,032.28	5.00
1-2 years	12,677,306.76	1,267,730.68	10.00
2-3 years	2,955,252.70	591,050.54	20.00
3-4 years	2,768,017.95	1,107,207.18	40.00
4-5 years	2,221,246.79	1,776,997.43	80.00
More than 5 years	15,038,583.73	15,038,583.73	100.00
Total	66,381,053.49	21,317,601.84	---

（2）The company's accounts receivables with provision for bad debts based on the incurred loss model before 31 December 2018

1)Aging analysis method combination

Aging	31 December 2018		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	220,832,341.47	11,041,617.07	5.00
1-2 years	30,388,636.16	3,038,863.62	10.00
2-3 years	11,653,293.25	2,330,658.65	20.00
3-4 years	5,672,828.50	2,269,131.40	40.00
4-5 years	14,257,345.81	11,405,876.65	80.00
More than 5 years	5,130,559.39	5,130,559.39	100.00
Total	287,935,004.58	35,216,706.78	---

16.1.5. Details of bad debt provision

（1）From 1 January 2019, provision for bad debts based on the general ECL model

Category	1 January 2020	Changes in the current period				31 December 2020
		Provision	Recovery or reversal	Write-off	Others	

Bad debt provision assessed individually	11,272,288.60	---	---	---	---	11,272,288.60
Bad debt provision assessed by groups	40,792,358.37	6,283,512.65	1,659,490.00	1,786,144.28	-44,726.40	43,674,963.14
Including:Aging analysis method combination	19,474,756.53	6,283,512.65	---	1,786,144.28	-44,726.40	24,016,851.30
Related party portfolio	21,317,601.84	---	1,659,490.00	---	---	19,658,111.84
Total	52,064,646.97	6,283,512.65	1,659,490.00	1,786,144.28	-44,726.40	54,947,251.74

Continued：

Category	1 January 2019	Changes in the current period				31 December 2019
		Provision	Recovery or reversal	Write-off	Others	
Bad debt provision assessed individually	11,272,288.60	---	---	---	---	11,272,288.60
Bad debt provision assessed by groups	35,216,706.78	6,601,558.99	---	1,025,907.40	---	40,792,358.37
Including:Aging analysis method combination	20,482,448.88	18,215.05	---	1,025,907.40	---	19,474,756.53
Related party portfolio	14,734,257.90	6,583,343.94	---	---	---	21,317,601.84
Total	46,488,995.38	6,601,558.99		1,025,907.40		52,064,646.97

16.1.6. Accounts receivable written off as at the end of the reporting period

Item	31 December 2020	31 December 2019	31 December 2018
Actual write-off of accounts receivables	1,786,144.28	1,025,907.40	2,350,551.33
Total	1,786,144.28	1,025,907.40	2,350,551.33

16.1.7. Top five accounts receivables based on debtors

Entity	31 December 2020

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	Accounts receivable	Proportion (%)	Bad debt provision
The first place	39,065,510.41	10.70	1,748,320.52
The second place	22,745,438.92	6.23	16,518,845.26
The third place	20,785,268.18	5.69	16,518,845.26
The forth place	20,407,884.70	5.59	1,020,394.24
The fifth place	12,687,499.98	3.47	634,375.00
Total	115,691,602.19	31.68	36,440,780.28

Continued：

Entity	31 December 2019		
	Accounts receivable	Proportion (%)	Bad debt provision
The first place	26,575,967.29	8.93	1,748,320.52
The second place	20,250,194.38	6.81	16,518,845.26
The third place	34,143,021.42	11.48	1,707,151.07
The forth place	11,272,288.60	3.79	11,272,288.60
The fifth place	10,444,372.87	3.51	522,218.64
Total	102,685,844.56	34.52	31,768,824.09

Continued：

Entity	31 December 2018		
	Accounts receivable	Proportion (%)	Bad debt provision
The first place	34,139,370.58	11.41	1,706,968.53
The second place	20,102,058.79	6.72	15,444,192.58
The third place	12,849,160.23	4.29	642,458.01
The forth place	11,465,626.63	3.83	607,024.77
The fifth place	11,272,288.60	3.77	11,272,288.60
Total	89,828,504.83	30.02	29,672,932.49

16.2. Other receivables

Item	31 December 2020	31 December 2019	31 December 2018
Interest receivable	---	---	---
Dividends receivable	---	---	---

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Other receivables	427,045,639.63	468,512,749.12	7,149,483.80
Total	427,045,639.63	468,512,749.12	7,149,483.80

Notes：Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

16.2.1 Other receivables

16.2.1.1. Aging analysis method combination

Aging	31 December 2020	31 December 2019	31 December 2018
Within 1 year	82,701,448.99	489,825,972.24	4,004,853.39
1-2 years	360,643,050.36	1,184,996.22	2,240,662.71
2-3 years	477,833.07	2,067,479.97	1,217,138.18
3-4 years	1,787,239.97	643,767.56	537,871.90
4-5 years	321,496.56	356,671.90	159,214.78
More than 5 years	2,114,017.93	2,029,737.03	1,946,246.25
Subtotal	448,045,086.88	496,108,624.92	10,105,987.21
Less：bad debt provision	20,999,447.25	27,595,875.80	2,956,503.41
Total	427,045,639.63	468,512,749.12	7,149,483.80

16.2.1.2. Details of classification by types

types	31 December 2020	31 December 2019	31 December 2018
Cash pledge or premium	2,850,153.99	5,675,319.33	6,528,309.94
Temporary money	773,848.72	1,002,088.08	---
Currency circulation between enterprises	1,520,962.31	127,546,668.31	---
Amounts due from subsidiaries	441,942,147.80	360,716,406.00	---
Withholding and paying social security	791,569.46	801,738.60	---
Others	166,404.60	366,404.60	866,012.84
Temporary payment receivable	---	---	2,711,664.43
Total	448,045,086.88	496,108,624.92	10,105,987.21

16.2.1.3. Disclosed by bad debt provision methods

（1）From 1 January 2019, the company accrued other receivables for bad debt provision based on the general ECL model.

Category	31 December 2020				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	---	---	---	---	---
Bad debt provision assessed by groups	448,045,086.88	100.00	20,999,447.25	4.69	427,045,639.63
Including:Aging analysis method combination	6,102,939.08	1.36	2,383,943.80	39.06	3,718,995.28
Related party portfolio	441,942,147.80	98.64	18,615,503.45	4.21	423,326,644.35
Total	448,045,086.88	100.00	20,999,447.25	4.69	427,045,639.63

Continued：

Category	31 December 2019				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually	126,000,000.00	25.40	6,300,000.00	5.00	119,700,000.00
Bad debt provision assessed by groups	370,108,624.92	74.60	21,295,875.80	5.75	348,812,749.12
Including:Aging analysis method combination	9,392,218.92	1.89	2,680,372.35	28.54	6,711,846.57
Related party portfolio	360,716,406.00	72.71	18,615,503.45	5.16	342,100,902.55
Total	496,108,624.92	100.00	27,595,875.80	5.56	468,512,749.12

（2）The company's other receivables with provision for bad debts based on the incurred loss model before 31 December 2018

Category	31 December 2018				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables which are individually significant and individually withdrawn the provision for bad debts	---	---	---	---	---
Other receivables to be prepared according to credit risk characteristics	10,105,987.21	100.00	2,956,503.41	29.25	7,149,483.80

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Category	31 December 2018				
	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables which are not individually significant but individually withdrawn the provision for bad debts	---	---	---	---	---
Total	10,105,987.21	100.00	2,956,503.41	29.25	7,149,483.80

16.2.1.4. Bad debt provision assessed individually

（1）Bad debt provision assessed individually from 1 January 2019

Entity	31 December 2019			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Sichuan Institute of Technology	126,000,000.00	6,300,000.00	5.00	The payment commitment has been obtained and the payment is expected to be recovered.
Total	126,000,000.00	6,300,000.00	5.00	

16.2.1.5. Bad debt provision assessed by groups

（1）From 1 January 2019, the company accrued other receivables for bad debt provision basing on the general ECL model.

1)Aging analysis method combination

Aging	31 December 2020		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	2,323,042.83	116,152.14	5.00
1-2 years	643,050.36	64,305.04	10.00
2-3 years	466,055.58	93,211.12	20.00
3-4 years	827,025.82	330,810.33	40.00
4-5 years	321,496.56	257,197.25	80.00
More than 5 years	1,522,267.93	1,522,267.92	100.00
Total	6,102,939.08	2,383,943.80	---

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Continued：

Aging	31 December 2019		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	3,825,972.24	191,298.62	5.00
1-2 years	1,173,218.73	117,321.87	10.00
2-3 years	1,954,601.46	390,920.29	20.00
3-4 years	643,767.56	257,507.02	40.00
4-5 years	356,671.90	285,337.52	80.00
More than 5 years	1,437,987.03	1,437,987.03	100.00
Total	9,392,218.92	2,680,372.35	---

2)Related party portfolio

Aging or overdue days	31 December 2020		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	80,378,406.16	18,000,000.00	22.39
1-2 years	360,000,000.00	---	---
2-3 years	11,777.49	1,177.75	10.00
3-4 years	960,214.15	22,575.70	2.35
4-5 years	---	---	---
More than 5 years	591,750.00	591,750.00	100.00
Total	441,942,147.80	18,615,503.45	---

Continued：

Aging or overdue days	31 December 2019		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	360,000,000.00	18,000,000.00	5.00
1-2 years	11,777.49	1,177.75	10.00
2-3 years	112,878.51	22,575.70	20.00
3-4 years	---	---	---
4-5 years	---	---	---

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More than 5 years	591,750.00	591,750.00	100.00
Total	360,716,406.00	18,615,503.45	---

（2）The company's other receivables with provision for bad debts was based on the incurred loss model before 31 December 2018

1) Credit risk portfolio

Aging	31 December 2018		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	4,004,853.39	200,242.67	5.00
1-2 years	2,240,662.71	224,066.27	10.00
2-3 years	1,217,138.18	243,427.64	20.00
3-4 years	537,871.90	215,148.76	40.00
4-5 years	159,214.78	127,371.82	80.00
More than 5 years	1,946,246.25	1,946,246.25	100.00
Total	10,105,987.21	2,956,503.41	

16.2.1.6. Details of bad debt provision

（1）From 1 January 2019, the company accrued other receivables for bad debt provision basing on the general ECL model.

Bad debt provision	2020			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	191,298.61	27,404,577.19	---	27,595,875.80
Changes due to financial instruments Recognized as at 1 January 2020	25,966,590.16	-27,404,577.19	1,437,987.03	---
--Transfer to stage II	---	---	---	---
--Transfer to stage III	---	-1,437,987.03	1,437,987.03	---
--Reverse to stage II	---	---	---	---

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--Reverse to stage I	25,966,590.16	-25,966,590.16	---	---
Provision	---	---	207,447.90	207,447.90
Reversal	6,680,709.45	---	---	6,680,709.45
Write-off	---	---	123,167.00	123,167.00
Other changes	---	---	---	---
As at 31 December 2020	19,477,179.32	---	1,522,267.93	20,999,447.25

Continued:

Bad debt provision	2019			
	Stage I	Stage II	Stage III	Total
	12month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2019	201,259.31	2,755,244.10	---	2,956,503.41
Change in the current period	---	---	---	---
Provision	-9,960.70	24,657,833.09	---	24,647,872.39
Write-off	---	8,500.00	---	8,500.00
As at 31 December 2019	191,298.61	27,404,577.19	---	27,595,875.80

16.2.1.7. Other receivables written off as at the end of the current period

Item	31 December 2020	31 December 2019	31 December 2018
Actual write-off of other receivables	123,167.00	8,500.00	---

16.2.1.8. Top five other receivables based on debtors

Entity	Nature of other receivables	31 December 2020	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Related transactions within the scope of consolidation	395,000,000.00	Within 2 years	88.16	18,000,000.00
The second place	Related transactions within the scope of consolidation	36,118,444.86	Within 1 year	8.06	---

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The third place	Related transactions within the scope of consolidation	8,009,844.10	Within 1 year	1.79	---
The forth place	Cash pledge	847,335.64	3-4 years	0.19	---
The fifth place	Currency circulation between enterprises	723,182.00	3-4 years	0.16	289,272.80
Total		440,698,806.60		98.36	18,289,272.80

Continued:

Entity	Nature of other receivables	31 December 2019	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Related transactions within the scope of consolidation	360,000,000.00	Within 1 year	72.56	18,000,000.00
The second place	Currency circulation between enterprises	126,000,000.00	Within 1 year	25.40	6,300,000.00
The third place	Cash pledge	847,335.64	2-3 years	0.17	169,467.13
The forth place	Currency circulation between enterprises	723,182.00	2-3 years	0.15	144,636.40
The fifth place	Related transactions within the scope of consolidation	591,750.00	More than 5 years	0.12	591,750.00
Total		488,162,267.64	---	98.40	25,205,853.53

Continued:

Entity	Nature of other receivables	31 December 2018	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The first place	Cash pledge	847,335.64	1-2 years	8.38	84,733.56
The second place	Currency circulation between enterprises	723,182.00	1-2 years	7.16	72,318.20
The third place	Bid bond	455,000.00	Within 4 years	4.50	112,000.00
The forth place	Bid bond	397,799.35	Within 1 year	3.94	19,889.97

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The fifth place	Bid bond	302,687.20	Within 3 years	3.00	33,936.86
Total		2,726,004.19	---	26.98	322,878.59

16.3. Long-term equity investments

Item	31 December 2020		
	Closing balance	Provision for impairment	Carrying amount
Investment in subsidiary	1,927,300,534.43	341,069,232.25	1,587,574,302.18
Investment in associates and joint ventures	---	---	---
Total	1,927,300,534.43	341,069,232.25	1,587,574,302.18

Continued：

Item	31 December 2019		
	Closing balance	Provision for impairment	Carrying amount
Investment in subsidiary	1,933,113,394.42	346,433,500.54	1,586,679,893.88
Investment in associates and joint ventures	---	---	---
Total	1,933,113,394.42	346,433,500.54	1,586,679,893.88

Continued：

Item	31 December 2018		
	Closing balance	Provision for impairment	Carrying amount
Investment in subsidiary	2,321,246,694.42	21,086,512.27	2,300,160,182.15
Investment in associates and joint ventures	---	---	---
Total	2,321,246,694.42	21,086,512.27	2,300,160,182.15

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16.3.1.Investment in subsidiary

Investee	Initial investment cost	1 January 2018	Current increase	Current decrease	31 December 2018	Provision for impairment	Closing balance of impairment provision
Dingli Communications Inc.	8,683,419.25	8,683,419.25	---	---	8,683,419.25	---	---
DingliComunications(HK)CompanyLtd	73,993,850.	73,993,850.	---	---	73,993,850.00	---	---
Beijing Shiyuan Information Technology Co., Ltd.	22,452,000.00	22,452,000.00	---	---	22,452,000.00	---	---
Guangzhou City Beiruan Electronic Technology Co., Ltd.	16,716,000.00	16,716,000.00	---	---	16,716,000.00	5,364,268.29	5,364,268.29
Guangzhou Beixun Communication Technology Co., Ltd.	124,168,298.62	124,168,298.62	70,000,000.00	---	194,168,298.62	---	---
Shanghai Zhixiang Information Technology Development Co., Ltd.	837,999,826.55	837,999,826.55	---	---	837,999,826.55	---	---
Beijing Zhixinshu Technology Co., Ltd.	5,700,000.00	5,700,000.00	4,300,000.00	---	10,000,000.00	---	---
Beijing Dongxi Health Technology Co., Ltd.	800,000.00	800,000.00	---	---	800,000.00	---	---
Esim Technology Ltd..	666,000,000.00	666,000,000.00	100,000,000.00	---	766,000,000.00	---	---
Shanghai Meidu Management Consulting Co.,Ltd.	189,441,552.60	189,441,552.60	170,558,447.40	---	360,000,000.00	---	---
Beijing JiaNuo MingDe Education Consulting Co., Ltd.	27,933,300.00	27,933,300.00	---	---	27,933,300.00	---	15,722,243.98
Zhuhai Dinglian Information Technology Co., Ltd.	---	---	2,500,000.00	---	2,500,000.00	---	---
Total	1,973,888,247.02	1,973,888,247.02	347,358,447.40	---	2,321,246,694.42	5,364,268.29	21,086,512.27

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Continued:

Investee	Initial investment cost	31 December 2018	Current increase	Current decrease	31 December 2019	Provision for impairment	Closing balance of impairment provision
Dingli Communications Inc.	8,683,419.25	8,683,419.25	---	---	8,683,419.25	---	---
DingliComunications(HK)CompanyLtd	73,993,850.00	73,993,850.00	---	---	73,993,850.00	---	---
Beijing Shiyuan Information Technology Co., Ltd.	22,452,000.00	22,452,000.00	---	---	22,452,000.00	---	---
Guangzhou City Beiruan Electronic Technology Co., Ltd.	16,716,000.00	16,716,000.00	---	---	16,716,000.00	---	5,364,268.29
Guangzhou Beixun Communication Technology Co., Ltd.	194,168,298.62	194,168,298.62	---	---	194,168,298.62	26,634,380.77	26,634,380.77
Shanghai Zhixiang Information Technology Development Co., Ltd.	837,999,826.55	837,999,826.55	---	---	837,999,826.55	314,434,851.48	314,434,851.48
Beijing Zhixinshu Technology Co., Ltd.	10,000,000.00	10,000,000.00	---	---	10,000,000.00	---	---
Beijing Dongxi Health Technology Co., Ltd.	800,000.00	800,000.00	---	200,000.00	600,000.00	---	---
Esim Technology Ltd.	766,000,000.00	766,000,000.00	---	---	766,000,000.00	---	---
Shanghai Meidu Management Consulting Co.,Ltd.	360,000,000.00	360,000,000.00	---	360,000,000.00	---	---	---
Beijing Jianuo MingDe Education Consulting Co., Ltd.	27,933,300.00	27,933,300.00	---	27,933,300.00	---	---	---
Zhuhai Dinglian Information Technology Co., Ltd.	2,500,000.00	2,500,000.00	---	---	2,500,000.00	---	---
Total	2,321,246,694.42	2,321,246,694.42	---	388,133,300.00	1,933,113,394.42	341,069,232.25	346,433,500.54

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Continued:

Investee	Initial investment cost	31 December 2019	Current increase	Current decrease	31 December 2020	Provision for impairment	Closing balance of impairment provision
Dingli Communications Inc.	8,683,419.25	8,683,419.25	---	---	8,683,419.25	---	---
DingliComunications(HK)CompanyLtd	73,993,850.00	73,993,850.00	---	---	73,993,850.00	---	---
Beijing Shiyuan Information Technology Co., Ltd.	22,452,000.00	22,452,000.00	626,733.35	---	23,078,733.35	---	---
Guangzhou Beiruan Electronic Technology Co., Ltd.	16,716,000.00	16,716,000.00	---	16,716,000.00	---	---	---
Guangzhou Beixun Communication Technology Co., Ltd.	194,168,298.62	194,168,298.62	671,500.01	---	194,839,798.63	---	26,634,380.77
Shanghai Zhixiang Information Technology Development Co., Ltd.	837,999,826.55	837,999,826.55	4,225,973.32	---	842,225,799.87	---	314,434,851.48
Beijing Zhixinshu Technology Co., Ltd.	10,000,000.00	10,000,000.00	268,600.00	---	10,268,600.00	---	---
Beijing Dongxi Health Technology Co., Ltd.	600,000.00	600,000.00	---	---	600,000.00	---	---
Esim Technology Ltd.	766,000,000.00	766,000,000.00	7,610,333.33	---	773,610,333.33	---	---
Zhuhai Dinglian Information Technology Co., Ltd.	2,500,000.00	2,500,000.00	---	2,500,000.00	---	---	---
Total	1,933,113,394.42	1,933,113,394.42	13,403,140.01	19,216,000.00	1,927,300,534.43	---	341,069,232.25

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16.4. Operating revenue and costs of sales

16.4.1. Operating revenue and costs of sales

Item	2020		2019		2018	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
Principal operating activities	359,903,910.83	233,340,865.65	348,265,494.80	259,974,097.26	386,903,422.56	284,735,133.32
Others	2,668,962.36	981,466.51	4,578,034.57	915,489.14	1,518,784.49	544,779.34
Total	362,572,873.19	234,322,332.16	352,843,529.37	260,889,586.40	388,422,207.05	285,279,912.66

16.5. Investment income

16.5.1.The details of the Investment income

Item	2020	2019	2018
Income from long-term equity investments under equity method	---	---	28,445.78
Income from long-term equity investments under cost method	---	---	75,000,000.00
Investment income on disposal of long-term equity investments	-12,300,053.57	-10,211,056.02	-1,033,534.81
Dividend income from other equity instruments derecognized in the current period	4,703.68	---	---
Total	-12,295,349.89	-10,211,056.02	73,994,910.97

17.ADDITIONAL MATERIALS

17.1.Non-recurring profit and loss details

Item	2020	2019	2018
Non-current asset disposal gains and losses	5,006,354.40	-25,481,285.41	166,024.02
Government subsidies included in the current profit and loss (closely related to the business of the enterprise, except for the government subsidies that are enjoyed in a fixed or quantitative basis according to the unified national standard)	12,378,403.06	20,239,624.71	17,719,051.11
The investment cost of the company to obtain subsidiaries, associates and joint ventures is less than the income from the fair value of the investee's identifiable net assets when the investment is obtained	---	---	585.00

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Item	2020	2019	2018
In addition to the effective hedging business related to the company's normal business operations, the fair value change gains and losses arising from holding transactional financial assets and transactional financial liabilities, as well as the disposal of transactional financial assets, transactional financial liabilities, debt investments and other claims Investment income	44,999,981.57	---	-9,949,832.84
Other non-operating income and expenses other than the above	14,138,647.65	1,431,443.53	-611,503.40
Other profit and loss items that meet the definition of non-recurring profit and loss	1,136,140.05	---	---
Less: Income tax impact	2,419,366.39	1,651,755.05	100,501.72
Amount of minority shareholders' equity (after tax)	82,994.76	1,692.54	340,934.75
Total	75,157,165.58	-5,463,664.76	6,882,887.42

17.2. Return on net assets and earnings per share

Report period profit	2020		
	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	1.07	0.05	0.05
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	-2.04	-0.09	-0.09

Continued：

Report period profit	2019		
	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	-18.48	-0.89	-0.89
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	-18.27	-0.88	-0.88

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Report period profit	2018		
	Weighted average return on equity(%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the company	2.01	0.10	0.10
Net profit attributable to common shareholders of the company after deducting non-recurring gains and losses	1.77	0.09	0.09

Legal Representative: **Chief Accountant:** **Head of Accounting Department:**

Dingli Corp., Ltd.
(Official Seal)
26 February 2021

RECONCILIATION

The following is a line-by-line reconciliation (the "Reconciliation") of the consolidated statements of balance sheet as at 31 December 2018, 31 December 2019 and 31 December 2020 and the consolidated income statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 (the "Relevant Periods") of the Target Group prepared in accordance with the Target Group's accounting policies under the China Accounting Standards for Business Enterprises ("CASBE") (the "Target Group's Accounting Policies") to address the differences, in all material respects, on the Target Group's financial information had it been prepared in accordance with the Company's accounting policies under International Financial Reporting Standards ("IFRS") (the "Company's Accounting Policies" or "Company's Policies").

The process applied in the preparation of this Reconciliation is set out in the "Basis of Preparation" and "Reconciliation Process" sections below.

Financial Information of the Target Group

Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies

	Notes	Unadjusted financial information under CASBE Jan - Dec 2020 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies Jan - Dec 2020 RMB'000	Unadjusted financial information under CASBE Jan - Dec 2019 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies Jan - Dec 2019 RMB'000	Unadjusted financial information under CASBE Jan - Dec 2018 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies Jan - Dec 2018 RMB'000
Revenue	*2(i)*	675,174	–	675,174	1,244,350	(392,359)	851,991	983,233	(60,616)	922,617
Cost of sales	*2(i), 3, 4*	(394,636)	(2,041)	(396,677)	(924,711)	381,081	(543,630)	(585,643)	46,198	(539,445)
Gross profit		280,538		278,497	319,639		308,361	397,590		383,172
Taxes and surcharges	*3*	(3,941)	3,941	–	(7,314)	7,314	–	(7,636)	7,636	–
Other income and gains	*5, 6, 7, 8*	–	99,346	99,346	–	36,220	36,220	–	40,905	40,905
Non-operating income	*5*	9,371	(9,371)	–	2,054	(2,054)	–	2,005	(2,005)	–
Other income	*5*	32,481	(32,481)	–	26,982	(26,982)	–	32,293	(32,293)	–
Gain from disposal of assets	*5*	5,438	(5,438)	–	1,070	(1,070)	–	427	(427)	–
Investment income	*6*	(756)	756	–	2,011	(2,011)	–	(9,881)	9,881	–
Selling expenses		(79,854)	–	(79,854)	(104,549)	–	(104,549)	(97,741)	–	(97,741)
Administrative expenses	*2(ii), 7*	(101,138)	(1,447)	(102,585)	(155,940)	(1,051)	(156,991)	(156,452)	(1,233)	(157,685)
Research and development expenses		(76,090)	–	(76,090)	(102,066)	–	(102,066)	(61,898)	–	(61,898)
Other expenses	*6, 7, 8*	–	(39,965)	(39,965)	–	(364,247)	(364,247)	–	(19,259)	(19,259)
Gain on fair value change		44,995	(44,995)	–	–	–	–	–	–	–
Credit impairment losses ("(Impairment losses)/reversal of impairment losses on trade and other receivables" under the Company's Policies)	*2(iii)*	(29,631)	–	(29,631)	(71,465)	–	(71,465)	–	(25,970)	(25,970)
Asset impairment losses	*4, 8*	(37,974)	37,974	–	(346,145)	346,145	–	(42,793)	42,793	–
Non-operating expenses	*8*	(1,324)	1,324	–	(23,178)	23,178	–	(2,660)	2,660	–
Finance costs	*2(ii), 7*	(5,440)	(7,142)	(12,582)	(16,151)	(4,423)	(20,574)	1,840	(5,740)	(3,900)
Share of (losses)/profits of joint ventures	*6*	–	(357)	(357)	–	(21)	(21)	–	28	28
Share of (losses)/profits of associates	*6*	–	(403)	(403)	–	64	64	–	40	40
Profit/(loss) before taxation		36,675		36,376	(475,052)		(475,268)	55,094		57,692

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies

	Notes	**Unadjusted financial information under CASBE Jan - Dec 2020** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies Jan - Dec 2020** *RMB'000*	**Unadjusted financial information under CASBE Jan - Dec 2019** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies Jan - Dec 2019** *RMB'000*	**Unadjusted financial information under CASBE Jan - Dec 2018** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies Jan - Dec 2018** *RMB'000*
Income tax expense	2(iii)	(12,314)	–	(12,314)	(10,823)	–	(10,823)	(3,278)	(390)	(3,668)
Profit/(loss) for the year from continuing operations		24,361		24,062	(485,875)		(486,091)	51,816		54,024
Profit for the year from discontinued operations		–		–	–		–	–		–
Profit/(loss) for the year		24,361		24,062	(485,875)		(486,091)	51,816		54,024
Other comprehensive income										
Item that will not be reclassified to profit or loss:										
Fair value change on other equity instrument investments ("Fair value loss on financial assets at fair value through other comprehensive income" under the Company's Policies)		(4,250)	–	(4,250)	–	–	–	–	–	–
Item that may be reclassified subsequently to profit or loss:										
Foreign currency translation differences for foreign operations		(2,439)	–	(2,439)	762	–	762	663	–	663
Other comprehensive (loss)/income for the year		(6,689)		(6,689)	762		762	663		663
Total comprehensive income/(loss) for the year		17,672		17,373	(485,113)		(485,329)	52,479		54,687

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Profit or Loss and Other Comprehensive Income under the Company's Policies

	Notes	Unadjusted financial information under CASBE Jan - Dec 2020	Adjustments	Adjusted financial information under the Company's Policies Jan - Dec 2020	Unadjusted financial information under CASBE Jan - Dec 2019	Adjustments	Adjusted financial information under the Company's Policies Jan - Dec 2019	Unadjusted financial information under CASBE Jan - Dec 2018	Adjustments	Adjusted financial information under the Company's Policies Jan - Dec 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note 1			*Note 1*			*Note 1*	
Profit/(loss) attributable to:										
Equity shareholders of the Company		25,923	(299)	25,624	(482,783)	(216)	(482,999)	56,693	2,208	58,901
Non-controlling interests		(1,562)	–	(1,562)	(3,092)	–	(3,092)	(4,877)	–	(4,877)
Profit/(loss) for the year		24,361		24,062	(485,875)		(486,091)	51,816		54,024
Total comprehensive income/(loss) attributable to:										
Equity shareholders of the Company		19,234	(299)	18,935	(482,021)	(216)	(482,237)	57,356	2,208	59,564
Non-controlling interests		(1,562)	–	(1,562)	(3,092)	–	(3,092)	(4,877)	–	(4,877)
Total comprehensive income/(loss) for the year		17,672		17,373	(485,113)		(485,329)	52,479		54,687

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies

	Notes	Unadjusted financial information under CASBE 31 Dec 2020 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2020 RMB'000	Unadjusted financial information under CASBE 31 Dec 2019 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2019 RMB'000	Unadjusted financial information under CASBE 31 Dec 2018 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2018 RMB'000
Non-current assets										
Investment properties		5,385	–	5,385	–	–	–	471	–	471
Fixed assets ("Property, plant and equipment" under Company's Policies)	*9, 10*	256,257	21,886	278,143	119,109	12,311	131,420	99,427	13,373	112,800
Construction in progress	*9*	5,177	(5,177)	–	–	–	–	3,897	(3,897)	–
Available-for-sale financial assets	*11*	–	–	–	–	–	–	12,000	(12,000)	–
Right-of-use assets	*2(ii), 12*	–	17,391	17,391	–	15,310	15,310	–	–	–
Goodwill		822,132	–	822,132	860,477	–	860,477	1,201,546	–	1,201,546
Amounts due from related parties	*13*	–	77,369	77,369	–	77,371	77,371	–	–	–
Other intangible assets	*10, 12, 14*	29,313	471,740	501,053	39,403	471,608	511,011	77,948	603,135	681,083
Development expenditures	*14*	30,537	(30,537)	–	8,108	(8,108)	–	20,964	(20,964)	–
Investment in joint ventures	*15*	–	–	–	–	1,729	1,729	–	–	–
Investment in associates	*15*	–	21,873	21,873	–	17,790	17,790	–	16,726	16,726
Prepayments, deposits and other receivables	*16*	–	6,981	6,981	–	121,425	121,425	–	246,059	246,059
Long-term receivables	*13, 16*	82,369	(82,369)	–	164,803	(164,803)	–	237,841	(237,841)	–
Long-term deferred expenses	*10*	458,715	(458,715)	–	476,639	(476,639)	–	591,647	(591,647)	–
Long-term equity investments	*15*	21,873	(21,873)	–	19,519	(19,519)	–	16,726	(16,726)	–
Other equity instrument investments ("Financial assets at fair value through other comprehensive income" under Company's Policies)	*11*	6,000	–	6,000	11,000	–	11,000	–	11,000	11,000
Other non-current financial assets ("Financial assets at fair value through profit or loss" under Company's Policies)	*11*	–	–	–	1,000	–	1,000	–	1,000	1,000
Other non-current assets	*16*	1,981	(1,981)	–	33,993	(33,993)	–	8,218	(8,218)	–
Deferred tax assets	*2(iii)*	69,223	–	69,223	63,079	–	63,079	39,094	308	39,402
Total non-current assets		1,788,962		1,805,550	1,797,130		1,811,612	2,309,779		2,310,087

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies

	Notes	**Unadjusted financial information under CASBE 31 Dec 2020** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies 31 Dec 2020** *RMB'000*	**Unadjusted financial information under CASBE 31 Dec 2019** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies 31 Dec 2019** *RMB'000*	**Unadjusted financial information under CASBE 31 Dec 2018** *RMB'000*	**Adjustments** *RMB'000* *Note 1*	**Adjusted financial information under the Company's Policies 31 Dec 2018** *RMB'000*
Current assets										
Accounts receivables ("Trade receivables" under the Company's Policies)	*13*	576,790	(9,544)	567,246	653,155	(11,354)	641,801	621,841	(8,203)	613,638
Notes receivables	*2(iii), 17*	33,162	(33,162)	–	33,870	(33,870)	–	42,165	(44,218)	(2,053)
Contract assets		1,233	–	1,233	–	–	–	–	–	–
Prepayments, deposits and other receivables	*17*	–	221,730	221,730	–	389,576	389,576	–	194,783	194,783
Prepayments	*2(ii), 13, 17*	92,776	(92,776)	–	167,987	(167,987)	–	96,727	(96,727)	–
Other receivables	*13, 17*	82,394	(82,394)	–	182,283	(182,283)	–	66,424	(66,424)	–
Amounts due from related parties	*13*	–	25,816	25,816	–	20,075	20,075	–	35,226	35,226
Inventories		99,171	–	99,171	66,682	–	66,682	93,167	–	93,167
Current portion of non-current assets	*13, 17*	11,300	(11,300)	–	2,867	(2,867)	–	–	–	–
Other current assets	*17*	18,819	(18,819)	–	11,290	(11,290)	–	16,490	(16,490)	–
Financial assets held for trading ("Financial assets at fair value through profit or loss" under the Company's Policies)		44,995	–	44,995	–	–	–	–	–	–
Restricted bank balances	*18*	–	62,137	62,137	–	66,973	66,973	–	53,589	53,589
Bank balances and cash	*18*	327,486	(327,486)	–	380,312	(380,312)	–	413,652	(413,652)	–
Cash and cash equivalents	*18*	–	265,349	265,349	–	313,339	313,339	–	360,063	360,063
Total current assets		1,288,126		1,287,677	1,498,446		1,498,446	1,350,466		1,348,413

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies

	Notes	Unadjusted financial information under CASBE 31 Dec 2020 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2020 RMB'000	Unadjusted financial information under CASBE 31 Dec 2019 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2019 RMB'000	Unadjusted financial information under CASBE 31 Dec 2018 RMB'000	Adjustments RMB'000 Note 1	Adjusted financial information under the Company's Policies 31 Dec 2018 RMB'000
Current liabilities										
Receipts in advance	19	–	–	–	82,467	(82,467)	–	64,639	(64,639)	–
Contract liabilities	19	70,716	–	70,716	–	75,473	75,473	–	60,969	60,969
Accounts payables ("Trade payables" under the Company's Policies)	13	164,962	(306)	164,656	193,072	(1,546)	191,526	143,885	(529)	143,356
Notes payables	20	17,970	(17,970)	–	75,441	(75,441)	–	46,004	(46,004)	–
Salary payables	20	39,914	(39,914)	–	40,696	(40,696)	–	38,394	(38,394)	–
Other payables and accruals	19, 20	–	159,074	159,074	–	162,397	162,397	–	110,292	110,292
Other payables	13, 20	94,424	(94,424)	–	39,266	(39,266)	–	238,235	(238,235)	–
Current portion of non-current liabilities	20	497	(497)	–	–	–	–	–	–	–
Lease liabilities	2(ii)	–	9,020	9,020	–	5,466	5,466	–	–	–
Short-term borrowings ("Interest-bearing bank and other borrowings" under the Company's Policies)		193,131	–	193,131	399,946	–	399,946	197,500	–	197,500
Amounts due to related parties	13	–	306	306	–	1,546	1,546	–	216,540	216,540
Tax payables		53,254	–	53,254	69,334	–	69,334	57,145	–	57,145
Other current liabilities	20	6,269	(6,269)	–	–	–	–	–	–	–
Total current liabilities		641,137		650,157	900,222		905,688	785,802		785,802
Net current assets		646,989		637,520	598,224		592,758	564,664		562,611
Total assets less current liabilities		2,435,951		2,443,070	2,395,354		2,404,370	2,874,443		2,872,698

Financial Information of the Target Group
Unaudited Adjusted Consolidated Statements of Financial Position under the Company's Policies

	Notes	Unadjusted financial information under CASBE 31 Dec 2020 *RMB'000*	Adjustments *RMB'000* *Note 1*	Adjusted financial information under the Company's Policies 31 Dec 2020 *RMB'000*	Unadjusted financial information under CASBE 31 Dec 2019 *RMB'000*	Adjustments *RMB'000* *Note 1*	Adjusted financial information under the Company's Policies 31 Dec 2019 *RMB'000*	Unadjusted financial information under CASBE 31 Dec 2018 *RMB'000*	Adjustments *RMB'000* *Note 1*	Adjusted financial information under the Company's Policies 31 Dec 2018 *RMB'000*
Non-current liabilities										
Deferred income		4,168	–	4,168	3,170	–	3,170	8,952	–	8,952
Long-term borrowings ("Interest-bearing bank and other borrowings" under the Company's Policies)		–	–	–	–	–	–	–	–	–
Deferred tax liabilities		8,855	–	8,855	–	–	–	–	–	–
Lease liabilities	*2(ii)*	–	7,632	7,632	–	9,232	9,232	–	–	–
Long-term salary payables	*21*	–	–	–	3,661	(3,661)	–	9,160	(9,160)	–
Other payables	*21*	–	–	–	–	3,661	3,661	–	9,160	9,160
Total non-current liabilities		13,023		20,655	6,831		16,063	18,112		18,112
Net assets		2,422,928		2,422,415	2,388,523		2,388,307	2,856,331		2,854,586
Capital and reserves										
Share capital ("Issued capital" under the Company's Policies)		571,597	–	571,597	544,847	–	544,847	544,847	–	544,847
Capital reserve	*22*	1,775,179	(1,775,179)	–	1,711,366	(1,711,366)	–	1,692,017	(1,692,017)	–
Treasury shares	*22*	(73,830)	73,830	–	–	–	–	–	–	–
Other comprehensive income	*22*	(7,702)	7,702	–	(1,013)	1,013	–	(1,781)	1,781	–
Surplus reserve	*2(ii&iii),22*	61,461	(61,461)	–	61,461	(61,461)	–	61,461	(61,461)	–
Retained earnings	*2(ii&iii),22*	98,713	(98,713)	–	72,790	(72,790)	–	557,317	(557,317)	–
Reserves	*22*	–	1,853,308	1,853,308	–	1,844,388	1,844,388	–	2,307,269	2,307,269
Total equity attributable to equity shareholders of the Company		2,425,418		2,424,905	2,389,451		2,389,235	2,853,861		2,852,116
Non-controlling interests		(2,490)	–	(2,490)	(928)	–	(928)	2,470	–	2,470
Total equity		2,422,928		2,422,415	2,388,523		2,388,307	2,856,331		2,854,586

Notes:

(1) Adjustments comprise of measurement adjustments as detailed in note 2 and reclassifications as detailed in notes 3 to 22 which are to align the classification of the respective amounts of financial statements line items as shown on the consolidated statements of profit or loss and other comprehensive income or the consolidated statements of financial position of the Target Group to the respective statements under the Company's Policies.

(2) The accounting policies adopted by the Target Group for each of the three years ended 31 December 2020 are in accordance with CASBE effective for the relevant periods while accounting policies adopted by the Company for each of the three years ended 31 December 2020 are in accordance with IFRS issued by the International Accounting Standards Board. For those financial statements line items of the Target Group that have not already been applied to the Group, the Company would adopt accounting policies in accordance with IFRS if such financial statements line items should be included in the Group's consolidated financial statements. The followings are the measurement adjustment items to address the differences in the Target Group's financial information had it been prepared in accordance with the Company's Policies:

(i) Adjustment of differences in accounting policies for revenue recognition as principal/agent for the years ended 31 December 2018 and 2019

In accordance with CASBE, the Target adopted revised CAS 14 "Revenue" which is substantially converged with IFRS 15 "Revenue from Contracts with Customers" and effective on 1 January 2020 while in accordance with the Company's Policies, the Group had early adopted IFRS 15 since the year ended 31 December 2015 and consistently applied since then. Under previous CAS 14, an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services while under IFRS 15, an entity is a principal if it controls the specified good or service before that good or service is transferred to a customer, which resulted in that certain Target Group's revenue should be recognised in net basis as agent under IFRS 15 for the years ended 31 December 2018 and 2019;

(ii) Adjustment of differences in accounting policies for lessee's accounting for operating leases for the years ended 31 December 2019 and 2020

In accordance with CASBE, the Target adopted old CAS 21 "Leases" and operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, while in accordance with the Company's Policies, the Group adopted IFRS 16 "Leases" for the year ended 31 December 2019 and consistently applied since then. Under IFRS 16, a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date, and subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others; and

(iii) Adjustment of differences in accounting policies for impairment assessment of financial assets for the year ended 31 December 2018

In accordance with CASBE, the Target adopted revised CAS 22 "Financial Instruments: Recognition and Measurement" which is substantially converged with IFRS 9 "Financial Instruments: Recognition and Measurement" and effective on 1 January 2019 while in accordance with the Company's Policies, the Group had early adopted IFRS 9 since the year ended 31 December 2015 and consistently applied since then. Therefore, allowance for expected credit losses on financial assets have been recognised for year ended 31 December 2018.

(3) Target presents "Taxes and surcharges" as a separate line item on its consolidated statement of profit or loss and other comprehensive income. The Company presents non-income taxes and surcharges as a component of ″Cost of sales″ and "Administrative expenses" and accordingly, such item has been reclassified.

(4) Target presents impairment/reversal of impairment of inventories as a component of "Asset impairment losses" as a separate line item on its consolidated statement of profit or loss and other comprehensive income. The Company presents it as a component of "Cost of sales" and accordingly, such item has been reclassified.

(5) Target presents "Non-operating income", "Other gains" and "Gain from disposal of assets" as separate line items on its consolidated statement of profit or loss and other comprehensive income. The Company presents them as components of "Other income and gains". Accordingly, "Non-operating income", "Other gains" and "Gain from disposal of assets" are grouped together and presented as "Other income and gains".

(6) Target presents share of results of joint ventures/associates and gain/loss on disposal of joint ventures/subsidiaries as components of "Investment income" on its consolidated statement of profit or loss and other comprehensive income. The Company presents share of results of joint venture/associates as "Share of results of joint ventures" and "Share of results of associates" respectively and presents gain or loss on disposal of joint ventures/subsidiaries as a component of "Other income and gains" or "Other expenses" and accordingly, such items have been reclassified.

(7) Target presents bank charges, interest income and gain/loss on exchange differences, net as components of "Finance costs". The Company presents bank charges as a component of "Administrative expenses", interest income as a component of "Other income and gains" and gain/loss on exchange differences as a component of "Other income and gains" or "Other expenses", and accordingly, such items have been reclassified.

(8) Target presents "Asset impairment losses" and "Non-operating expenses" as separate line items on its consolidated statement of profit or loss and other comprehensive income. The Company presents them as components of "Other income and gains" or "Other expenses". Accordingly, "Asset impairment losses" and "Non-operating expenses" are grouped together and presented as "Other income and gains" or "Other expenses".

(9) Target presents "Construction in progress" as a separate line item on its consolidated statement of financial position. The Company presents it as a component of "Property, plant and equipment". Accordingly, "Construction in progress" and "Fixed assets" are grouped together and presented as "Property, plant and equipment".

(10) Target presents leasehold improvement, capitalised expenditures for preparation of education materials and cooperation arrangements to operate independent colleges as components of "Long-term deferred expenses". The Company presents leasehold improvement as a component of "Property, plant and equipment" and capitalised expenditures for preparation of education materials and cooperation arrangements to operate independent colleagues as components of "Other intangible assets", and accordingly, such items have been reclassified.

(11) Target classifies and presents investments in equity instruments and investment in a limited liability partnership as "Available-for-sale financial assets" as a separate line item as at 31 December 2018, and classifies investments in equity instruments as financial assets at fair value through other comprehensive income presented as "Other equity instrument investments" and investment in a limited liability partnership as financial assets at fair value through profit or loss presented as "Other non-current financial assets" as at 31 December 2019 and 2020. The Company classifies and presents the investments in equity instruments as "Financial assets at fair value through profit or loss" or as "Financial assets at fair value through other comprehensive income" for long-term strategic purposes and the investment in a limited liability partnership as "Financial assets at fair value through profit or loss", and accordingly, such items have been reclassified.

(12) Target presents land use rights as a component of "Other intangible assets" on its consolidated statement of financial position. The Company presents it as a component of "Right-of-use assets" as at 31 December 2019 and 2020, and accordingly, such item has been reclassified.

(13) Target presents amounts from/to related parties as components of "Long-terms receivables", "Accounts receivables", "Prepayments", "Other receivables", "Current-portion of non-current assets", "Accounts payables" or "Other payables". The Company presents them as separate line items as "Amounts due from related parties" and "Amounts due to related parties", and accordingly, such items have been reclassified.

(14) Target presents "Development expenditures" as a separate line item on its consolidated statement of financial position. The Company presents it as a component of "Other intangible assets", and accordingly, such item has been reclassified.

(15) Target presents investment in joint ventures/associates as components of "Long-term equity investments". The Company presents them as separate line items as "Investment in joint ventures" and "Investment in associates" on its consolidated statement of financial position, and accordingly, such items have been reclassified.

(16) Target presents "Long-term receivables" and "Other non-current assets" as separate line items under non-current assets on its consolidated statement of financial position. The Company presents them as components of "Prepayments, deposits and other receivables" under non-current assets. Accordingly, "Long-term receivables" and "Other non-current assets" are grouped together and presented as "Prepayments, deposits and other receivables" under non-current assets.

(17) Target presents "Notes receivables", "Prepayments", "Other receivables", "Current portion of non-current assets" and "Other current assets" as separate line items under current assets on its consolidated statement of financial position. The Company presents them as components of "Prepayments, deposits and other receivables" under current assets. Accordingly, "Notes receivables", "Prepayments", "Other receivables", "Current portion of non-current assets" and "Other current assets" are grouped together and presented as "Prepayments, deposits and other receivables" under current assets.

(18) Target presents cash and cash equivalents and restricted bank balances as components of "Bank balances and cash". The Company presents them as separate line items as "Cash and cash equivalents" and "Restricted bank balances" on its consolidated statement of financial position, and accordingly, such items have been reclassified.

(19) Target presents prepayment (including value-added taxes) of goods/services to be provided upon receipt of such prepayment from customers as a separate line item as "Receipts in advance" as at 31 December 2018 and 2019 on its consolidated statement of financial position. The Company presents them as a separate line item as "Contract liabilities" and the related value-added taxes received from customers as a component of "Other payables and accruals", and accordingly, such items have been reclassified.

(20) Target presents "Notes payables", "Salary payables", "Other payables", "Current portion of non-current liabilities" and "Other current liabilities" as separate line items under current liabilities on its consolidated statement of financial position. The Company presents them as components of "Other payables and accruals" under current liabilities. Accordingly, "Notes payables", "Salary payables", "Other payables", "Current portion of non-current liabilities" and "Other current liabilities" are grouped together and presented as "Other payables and accruals" under current liabilities.

(21) Target presents "Long-term salary payables" as a separate line item under non-current liabilities on its consolidated statement of financial position. The Company presents it as a component of "Other payables" under non-current liabilities, and accordingly, such items have been reclassified.

(22) Target presents "Capital reserve", "Treasury shares", "Other comprehensive income", "Surplus reserve" and "Retained earnings" as separate line items on its consolidated statement of financial position. The Company presents them as components of "Reserves". Accordingly, "Capital reserve", "Treasury shares", "Other comprehensive income", "Surplus reserve" and "Retained earnings" are grouped together and presented as "Reserves".

Basis of Preparation

The Reconciliation above for the Relevant Periods was prepared by restating the "Unadjusted financial information under CASBE" of the Target Group, being extracted from the Accountants' Report of the Target Group set out in Appendix II to this circular, as if it had been prepared in accordance with the Company's Accounting Policies for the Relevant Periods.

Reconciliation Process

The Reconciliation has been prepared by the directors of the Company by comparing the differences between the Target Group's Accounting Policies for the Relevant Periods respectively on the one hand, and the Company's Accounting Policies for the Relevant Periods on the other hand, as appropriate, and quantifying the relevant material financial effects of such differences, if any. Your attention is drawn to the fact that the Reconciliation above has not been subject to an independent audit.

Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Target Group's financial positions as at 31 December 2018, 31 December 2019 and 31 December 2020, nor its results for the Relevant Periods under the Company's Accounting Policies for the Relevant Periods.

Moore Stephens CPA Limited was engaged by the Company to conduct work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the Reconciliation above. The work consisted primarily of:

(i) comparing the "Unadjusted financial information under CASBE" for the Relevant Periods as set out in the Reconciliation above with the audited consolidated financial statements of the Target Group for the Relevant Periods prepared in accordance with the Target Group's Accounting Policies as extracted in Appendix II to the circular, as appropriate;

(ii) considering the adjustments made and evidence supporting the adjustments made in the Reconciliation in arriving at the "Adjusted financial information under the Company's Policies" as set out above in the Reconciliation, which included examining the differences between Target Group's Accounting Policies and the Company's Accounting Policies; and

(iii) checking the arithmetic accuracy of the computation of the Reconciliation.

Moore Stephens CPA Limited's engagement did not involve independent examination of any of the consolidated underlying financial information of the Target Group. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Moore Stephens CPA Limited did not express an audit opinion nor a review conclusion on the Reconciliation.

Moore Stephens CPA Limited's engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, Moore Stephens CPA Limited has concluded that:

(i) the "Unadjusted financial information under CASBE" for the Relevant Periods as set out in the Reconciliation above is in agreement with the audited consolidated financial statements of the Target Group for the Relevant Periods prepared in accordance with the Target Group's Accounting Policies as extracted in Appendix II to the circular, as appropriate;

(ii) the adjustments made in the Reconciliation in arriving at the "Adjusted financial information under the Company's Policies" as set out in the Reconciliation above reflect, in all material respects, the differences between the Target Group's Accounting Policies and the Company's Accounting Policies; and

(iii) the computation of the Reconciliation above is arithmetically accurate.

SUPPLEMENTAL FINANCIAL INFORMATION OF THE TARGET GROUP

The Company sets out the following supplemental financial information of the Target Group, which was not included in Target's audited consolidated financial statements for the years ended 31 December 2018, 2019 and 2020.

Trade Payables (under the Company's Policies)

Ageing analysis of trade payables

The following is an ageing analysis of trade payables presented based on invoice due date:

	31 December 2020	31 December 2019	31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	134,142	158,886	128,310
1 to 2 years	25,723	28,320	11,606
Over 2 years	4,791	4,320	3,440
	164,656	191,526	143,356

The trade payables are non-interest-bearing and are normally settled on one to twelve months' terms.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited proforma financial information (the "Unaudited Pro Forma Financial Information") of Hope Education Group Co., Ltd. (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group"), and Dingli Corp., Ltd. (the "Target Company") (the Group and the Target Company are hereafter collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 August 2020, has been prepared by the directors of the Company (the "Directors") in accordance with Rule 4.29 of the Listing Rules and is solely prepared for the purpose to illustrate the effect of the proposed acquisition of 50,000,000 shares of the Target Company (approximately 8.75% of the entire share capital in the Target Company as at the date of this Circular) (the "Acquisition") and the proposed subscription of 171,000,000 new shares of the Target Company (the "Proposed Subscription") to the Group as if the Acquisition and the Proposed Subscription has been completed on 31 August 2020.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 August 2020, which has been extracted from the annual report of the Group for the eight months ended 31 August 2020, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and the Proposed Subscription; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition and the Proposed Subscription been completed on 31 August 2020. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this Circular, and other financial information included elsewhere in this Circular.

The Unaudited Pro Forma Financial Information

	The Group as at 31 August 2020 *RMB'000* *Note (1)*	Pro forma adjustments *RMB'000* *Note (2)*	Pro forma Enlarged Group *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	5,065,150	–	5,065,150
Right-of-use assets	1,319,119	–	1,319,119
Goodwill	590,456	–	590,456
Amounts due from related parties	288,556	–	288,556
Other intangible assets	212,291	–	212,291
Investment in a joint venture	196,098	–	196,098
Investment in an associate	–	1,329,000	1,329,000
Prepayments, deposits and other receivables	335,857	–	335,857
Restricted bank balances	179,851	–	179,851
Pledged deposits	268,000	–	268,000
Deferred tax assets	2,424	–	2,424
Total non-current assets	8,457,802	–	9,786,802
CURRENT ASSETS			
Trade receivables	27,953	–	27,953
Prepayments, deposits and other receivables	909,135	–	909,135
Amounts due from related parties	56,052	–	56,052
Financial assets at fair value through profit or loss	5,000	–	5,000
Restricted bank balances	50,000	–	50,000
Pledged deposits	15,700	–	15,700
Cash and cash equivalents	2,894,437	(1,293,670)	1,600,767
Total current assets	3,958,277	–	2,664,607
CURRENT LIABILITIES			
Contract liabilities	403,620	–	403,620
Trade payables	37,573	–	37,573
Other payables and accruals	1,307,621	–	1,307,621
Lease liabilities	28,965	–	28,965
Deferred income	37,683	–	37,683
Interest-bearing bank and other borrowings	1,443,333	–	1,443,333
Amounts due to related parties	21,694	–	21,694
Taxes payable	87,759	–	87,759
Total current liabilities	3,368,248	–	3,368,248

	The Group as at 31 August 2020 *RMB'000* *Note (1)*	Pro forma adjustments *RMB'000* *Note (2)*	Pro forma Enlarged Group *RMB'000*
NET CURRENT ASSETS/(LIABILITIES)	590,029	–	(703,641)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,047,831	–	9,083,161
NON-CURRENT LIABILITIES			
Deferred income	1,252,665	–	1,252,665
Interest-bearing bank and other borrowings	1,670,072	–	1,670,072
Deferred tax liabilities	5,687	–	5,687
Lease liabilities	120,129	–	120,129
Other payables	312,861	–	312,861
Total non-current liabilities	3,361,414	–	3,361,414
NET ASSETS	5,686,417	–	5,721,747
EQUITY			
Equity attributable to owners of the Company			
Issued capital	493	–	493
Reserves	5,682,728	35,330	5,718,058
	5,683,221	–	5,718,551
Non-controlling interests	3,196	–	3,196
Total equity	5,686,417	–	5,721,747

Notes:

(1) The audited consolidated statement of assets and liabilities of the Group as at 31 August 2020 is extracted from the audited consolidated statement of financial position as at 31 August 2020 of the Group as set out in the published annual report of the Company as at and for the eight months ended 31 August 2020.

(2) According to the Agreement, the Company will acquire 50,000,000 shares of the Target Company and the proposed subscription of 171,000,000 new shares of the Target Company. Upon the completion of the Acquisition and the Proposed Subscription, the Company will through its indirectly wholly-owned subsidiary, Tequ Mayflower hold 221,000,000 shares of the Target Company or equal to approximately 29.76% equity interests of the Target Company and over which the Company is in the position to exercise significant influences over the Target Company.

The investment in the Target Company is calculated as follows:

	RMB'000
Consideration of the Acquisition	392,500
Consideration of the Proposed Subscription	901,170
Total consideration	1,293,670

According to the Agreement, the consideration of the Acquisition of RMB392,500,000 will be settled in cash by instalments and the consideration of the Proposed Subscription of RMB901,170,000 will be settled in cash within five business day after obtaining the approval of the relevant regulatory authorities, as set out in Letter From The Board to this Circular.

The Target Company will be accounted for using the equity method of accounting in accordance with IAS 28 *Investments in Associates and Joint Ventures* in the consolidated financial statements of the Group. In accordance with IAS 28, on acquisition of the investment of an associate, any difference between the total consideration and the Group's share of the net fair value of the Target Group's identifiable assets and liabilities is accounted for as follows (a) goodwill relating to an associate is included in the carrying amount of the investment in the Target Company; or (b) excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the total consideration is included as income in the determination of the Group's share of the Target Group's profit or loss in the period in which the investment is acquired, as illustrated below:

	RMB'000
The Group's share of the net fair value of the identified assets and liabilities of the Target Group and investment in the Target Company	1,329,000
Goodwill/(excess of the Group's share of the net fair value of the Target Group's identifiable assets and liabilities over the total consideration)	(35,330)
Total consideration	1,293,670

For the purpose of this Unaudited Pro Forma Financial Information, the Directors assumed that the Group's share of the net fair value of the identified assets and liabilities of the Target Group is approximate to the market value of the 221,000,000 Shares of the Target Company, being RMB1,329,000,000 with reference to the valuation report prepared by Jones Lang LaSalle, an independent valuer engaged by the Company. Since the fair value of the identifiable net assets of the Target Group at the acquisition date may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information purpose, the negative goodwill recognised at the completion date may be different from the amount presented above.

The investment cost in the Target Company is subject to impairment assessment in accordance with IAS 36 *Impairment of Assets* as a single asset, by comparing its recoverable amount to its carrying amount, wherever there are indicators that the investment may be impaired.

In the opinion of the Directors, there is no impairment indicators that the investment in the Target Company may be impaired as the assets and liabilities of the Target Group were carried at fair value at completion date.

(3) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) and the Directors determined that such costs are insignificant.

(4) The unaudited pro forma information has not taken into account the 2020 proposed final dividend of approximately RMB60,378,000 which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Had the dividend been taken into account, the cash and cash equivalents and reserve in the unaudited pro forma information would decrease by RMB60,378,000, respectively. In addition, no adjustments have been made to adjust any trading results or other transactions of the Enlarged Group subsequent to 31 August 2020.

The following is the text of a report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the directors of Hope Education Group Co., Ltd

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Hope Education Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Dingli Corp., Ltd. (the "Target Company", together with the Group hereafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 August 2020 and related notes (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the circular of the Company dated 5 March 2021 (the "Circular").

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate purpose only, to provide information about how the proposed acquisition of 50,000,000 shares of the Target Company (approximately 8.75% of the entire share capital in the Target Company as at the date of this Circular) (the "Acquisition") and the proposed subscription of 171,000,000 new shares of the Target Company (the "Proposed Subscription") by the Company might have affected the financial position of the Group as at 31 August 2020 as if the Acquisition and the Proposed Subscription had taken place at 31 August 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the eight months ended 31 August 2020, on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to provide information about how the Acquisition and the Proposed Subscription might have affected the financial position of the Group as if the Acquisition and the Proposed Subscription had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition the Proposed Subscription would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition and the Proposed Subscription, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition the Proposed Subscription respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
5 March 2021

1. OVERVIEW

The Target Company

The Target Company is a joint stock limited company established in the PRC, whose A shares have been listed on the Shenzhen Stock Exchange (stock code: 300050). The Target Group is principally engaged in vocational education business and the provision of products and services associated with communication network optimization and Internet of Things. The vocational education segment of the Target Company mainly offers educational operation services in the fields of domestic higher vocational education and international education. In the segment of communications and Internet of things, the Target Company offers high-tech mobile communication network optimization, testing and analysis systems and services for communication operators and system equipment vendors, as well as industrial robot equipment, RFID products and IoT industry solutions for customers in various industries.

The specific business model is as follows:

(1) Vocational education

The Target Company has dual brands of “Dingli Institute” and “Metro Education”, which offer full-time formal education services for engineering and financial management, respectively. Dingli Institute mainly offers operational services for domestic formal higher vocational education, and Metro Education mainly offers operational services for international education in financial management.

Dingli Institute adopts an education model that integrates industry and education. Based on industry cases, it adopts the “double-teacher” teaching which combines its curriculum system with industry experiences. Its business model is to jointly establish the co-managed secondary colleges in cooperation with domestic colleges and universities. The Target Company is responsible for student admission, professional curriculum, teaching services, teacher training, practical training and employment issues for the co-established “Dingli Institute”, and the college or university diploma will be eventually issued by a cooperative college or university, respectively, which is a scarce icon of “asset-light formal higher education” in vocational education.

Metro Education also jointly establishes secondary colleges in cooperation with universities to offer higher education curriculums in the fields of Accounting, Finance and Business Administration, supporting its students to obtain a undergraduate or master degree from overseas universities, and adopting different student admission models and various curriculum schemes to meet the international education needs of different students. The professional courses offered include Financial Management, Business Administration, Design, and Professional Art Courses. Metro Education also offers high-end financial training services, namely the training certification services for CMA, CICPA, AIA, ACCA, IFM, IPA and other vocational qualification certificates.

At present, Dingli Institute of the Target Company cooperates with more than 30 schools in the PRC, with an enrollment of approximately 20,000 students (other than those under professional cooperation).

(2) Communication and IoT businesses

Communication business is mainly to provide professional products, services and comprehensive solutions in respect of, among others, the testing, optimization, construction, operation and maintenance of networks for, among others, communication operators, system equipment providers and network service providers; the wireless network optimization products of the Target Company are provided and sold with complete sets according to customers' functional requirements for wireless network measurement; and network optimization services are mainly offered through bidding process to provide customers with network optimization services.

The products and services of IoT business include industrial automation equipment, RFID products and IoT integrated solutions. Based on a B2B business model, the Target Company explores high quality customer resources in the industry to provide intelligent transformation solutions for traditional enterprises and, based on its R&D strengths in respect of traditional RFID products and industrial robots, develop and promote IoT products and solutions for vertical field application.

(3) The relationship of the communication and IoT businesses of the Target Company with vocational education

By leveraging on its industrial experiences in respect of the communication and IoT businesses, the Target Company integrates industrial advantages with vocational education, transforms industrial experiences into education capability, adheres to the core education concept of "in-depth integration of production and education, and comprehensive school-enterprise cooperation", transforms industrial production process, product development and technical skills into knowledge and practice elements, and formulates talent training programs in respect of communication engineering, software engineering, IoT engineering, computer science and technology and other fields with significant unmet demands for professional talents. Meanwhile, it provides students with training equipment and training courses that simulate the real environment to cultivate high quality and highly skilled application-oriented talents.

The industrial experiences and resources of the Target Company in respect of the communication and IoT businesses have been applied to its vocational education business, which improves the brand value of its education business and becomes a significant competitive strength of it as compared with other competitors in the commercial expansion of its vocational education business.

2. FINANCIAL ANALYSIS

Revenue

The following table sets forth the consolidated results of the Target Group for each of the three years ended 31 December 2018, 2019 and 2020 which was extracted from and should be read in conjunction with the financial information prepared in accordance with the basis of preparation and presentation set out in the Accountant's Report of the Target Group in Appendix II to this circular.

Items	**2020**	**2019**	**2018**
	RMB	*RMB*	*RMB*
Communication products and others	300,293,353.04	289,819,181.51	331,419,027.37
IT vocational education and training	126,216,607.35	196,604,555.07	233,624,133.42
IoT products and services	161,745,776.62	635,077,292.33	309,836,326.32
Education consulting and training	84,249,488.38	118,138,998.75	106,823,264.80
Others	2,668,962.36	4,710,119.27	1,530,484.49
Total	675,174,187.75	1,244,350,146.93	983,233,236.40

Overall revenue: In 2018 and 2019, the Company's operating revenue was RMB983 million and RMB1,244 million respectively, the increase was mainly due to the new "IT product distribution business" of the Company commenced in 2018, with the relevant revenue recorded under the "IoT products and services", in which, the revenue from IT product distribution business in 2018 and 2019 was RMB62 million and RMB400 million respectively, representing an year-on-year increase of RMB339 million, and if excluding IT product distribution business, the Company's operating revenue for 2018 and 2019 was RMB921 million and RMB844 million, respectively, representing an increase of 4.28% and -8.42% for 2018 and 2019 respectively, which was relatively stable. As such, the increase in the revenue of the Company from 2018 to 2019, was mainly due to the new "IT product distribution business" of the Company. The decline in overall revenue in 2020 is mainly due to the Company's implementation of "Enterprise Accounting Standard 14 – Revenue", as amended by the Ministry of Finance in 2017, effective 1 January 2020. In accordance with the new revenue guidelines and in consideration of the substance of the IT product distribution business, the Company's revenue recognition basis for this business in 2020 was changed from gross method to net method, which resulted in a decrease in operating revenue from the IT product distribution business in 2020.

Communication business: With emphasizing on cost-saving efficiency and expenditure reduction, communication operators typically applied the group-level unified and centralized procurement model for equipment and services procurement, resulting in extremely intense price competition in the industry, and then a year-on-year decline in contract bid prices. To avoid malicious competition, the Company voluntarily scaled down some of its businesses in 2019, resulting in a year-on-year decrease in revenue from its communications business. However, revenue from this business has recovered and grown in 2020.

IoT business: Affected by the uncertain macroeconomic situation and high investment costs, the Company has scaled down business coverage in vertical industries and discontinued expansion in industries with uncertain prospects, to focus on transportation logistics and other promising businesses, which resulting in a decrease in operating revenue from IoT solution business. Meanwhile, as the Company has been actively expanding overseas markets, its operating revenue from RFID products recorded significant growth, when excluding effect of IT products and distribution business, this business remained relatively stable for the past three years.

IT education and practical training business: To Benefit from the relevant national favorable policies, enterprises from other industries having been acceleratively entered into the field of education. In order to ensure the long-term and sustained development of education business, the Company established a business strategy that comprehensively focusing on developing vocational education operation services and scaling down education equipment product sales business which facing fierce market competition. Due to such business restructuring for the past two years, the Company's operating revenue declined.

Education consulting and training business: In 2020, the Covid-19 outbreak in China had a significant impact on the day-to-day operation and expansion of education consulting and training business. Especially for the part-time training program, as the Company's training business development had been generally suspended due to the failure of students to return to school and most enterprises have not been able to conduct businesses as usual, the operating revenue from the education consulting and training business in 2020 decreased as compared to that in the same period previous year.

Costs

Items	**2020** *RMB*	**2019** *RMB*	**2018** *RMB*
Communication products and others	176,906,624.89	212,031,998.95	229,279,897.30
IT vocational education and training	99,349,802.60	164,196,743.64	140,115,939.20
IoT products and services	94,794,360.09	527,420,584.14	202,484,242.07
Education consulting and training	22,551,724.08	20,124,109.51	13,218,183.52
Others	1,033,777.89	937,544.88	544,779.34
Total	394,636,289.55	924,710,981.12	585,643,041.43

The increase in operating costs in 2019 was primarily due to the effect of computer procurement of the IT product distribution business. Leveraging on industry practices and opportunities, the Target Group began to conduct new IT product distribution business, in order to expand RFID technology-based asset management solutions into the IT distribution industry. The operating cost of IT product distribution business mainly comprising of IT product equipment. With the substantial growth of Target Group's IT product distribution business in 2019, its cost recorded RMB392 million, representing an year-on-year increase of RMB332 million, which accelerating the growth pace of the Target Group's total costs. The significant decline in costs in 2020 was primarily attributable to the Company's implementation of "Enterprise Accounting Standard 14 – Revenue", as amended by the Ministry of Finance in 2017, effective 1 January 2020. In accordance with the new revenue guidelines and in consideration of the substance of the IT product distribution business, the Company's revenue recognition basis for this business in 2020 was changed from gross method to net method, which resulted in a decrease in operating costs from the IT product distribution business in 2020.

General and administrative expenses

Items	**2020**	**2019**	**2018**
	RMB	*RMB*	*RMB*
Salary	38,494,648.37	44,020,911.83	49,603,613.28
Office expenses	13,246,152.97	13,788,444.74	18,701,769.34
Rent, water, electricity and property fees	1,314,921.98	4,538,145.94	2,746,009.81
Business Hospitality	1,728,401.11	2,304,192.07	2,762,437.26
Intermediary consultation meeting fee	7,391,723.52	11,479,001.12	12,712,531.54
Depreciation and amortization	17,503,403.18	77,034,461.83	47,364,934.66
Share payment	19,428,733.40	–	18,871,327.44
Other	2,030,267.62	2,774,243.65	3,689,913.30
Total	101,138,252.15	155,939,401.18	156,452,536.63

The Target Group's general and administrative expenses remained basically stable and recorded year-on-year decreases in the past three years.

Research and development expenses

Items	**2020**	**2019**	**2018**
	RMB	*RMB*	*RMB*
Employee's salary	38,645,150.11	56,166,557.86	28,813,674.19
Direct input expenditure	23,125,651.03	20,399,967.19	10,466,699.65
Depreciation and amortization	9,467,124.68	8,900,172.37	11,915,563.77
Other	4,852,614.13	16,599,669.23	10,701,831.90
Total	76,090,539.95	102,066,366.65	61,897,769.51

Over the past three years, the Target Group's research and development expenses have increased significantly, mainly due to: (1) as a leading wireless communication test instrumentation and service provider in China, the Target Group actively increased upfront investment in 5G technology. At the same time, with the commercialization of 5G network, the improvement of the network foundation will bring about vigorous development of solution applications, and the Target Group's IoT business had also expanded investment in technology research to promote the standardization and cloud development of solutions; (2) the Target Group has established a comprehensive business strategy focusing on the operation of vocational education services for its vocational education business, and in order to maintain long-term and sustained core competitiveness and to establish reputation and brand influence in the industry, the Target Group further strengthened the organic development of Dingli Institute, and the curriculum system development covering various disciplines of vocational education. In 2019, for the standardization of operations of Dingli Institute, the Target Group has established a comprehensive management system with professional and unified standards for curriculum, content and assessment.

Financial expenses

Items	**2020**	**2019**	**2018**
	RMB	*RMB*	*RMB*
Interest expense	12,088,106.77	9,622,686.54	3,900,197.09
Less: interest income	7,057,080.28	3,046,771.86	4,623,790.75
Exchange gains and losses	297,190.65	-1,099,133.27	-1,556,077.16
Bank fees	428,464.37	401,155.79	439,642.77
Other	-2,129,702.22	3,742,163.68	–
Bill discount fee	1,812,577.14	6,530,935.20	–
Total	5,439,556.43	16,151,036.08	-1,840,028.05

With the diversification of the business types of the Target Group over the past three years, in order to meet the capital needs of day-to-day operations and related business development, and to maintain sufficient capital, the Target Group conducted financing activities with reasonable financing costs in 2019. As a result, the Target Group's bank loans, bill discounting and financial leasing business increased in 2019, resulting in a larger year-on-year increase in financial expenses. The decrease in financial expenses in 2020 was mainly attributable to the decrease in the interest payments for finance leases as compared to 2019, as well as the decrease in the bill discount fee as compared to the same period last year.

Selling expenses

Items	2020	2019	2018
	RMB	*RMB*	*RMB*
Wages and benefits	38,780,834.27	49,901,914.64	52,535,973.54
Office travel expenses	3,921,784.99	8,984,398.32	13,148,224.78
Property, water and electricity maintenance fee	–	–	82,890.15
Business promotion fee	12,547,838.21	10,984,362.37	11,080,160.38
Technical Services	4,014,018.97	10,725,594.57	2,776,204.12
Business Hospitality	8,961,840.51	9,738,726.50	10,275,980.45
Pre-sales support fee	2,449,478.78	9,096,420.75	1,588,371.32
Other	9,178,391.99	5,117,954.19	6,253,593.63
Total	79,854,187.72	104,549,371.34	97,741,398.37

The Target Group's selling expenses remained basically stable in the past three years.

Net Profit

Items	2020	2019	2018
	RMB	*RMB*	*RMB*
Net profit	24,361,256.05	-485,874,982.78	51,815,819.42
Net profit attributable to owners of the Target Group	25,922,974.59	-482,782,490.61	56,693,357.26

The decline in the Target Group's profit in 2019 was mainly due to the provision for asset impairment and increase in loss on disposal of assets. (1) Provision for asset impairment: when the Target Group conducted impairment testing on each asset at the end of 2019, as the recoverable amount of the asset group comprising Shanghai Zhixiang Information Technology Development Co., Ltd. and Guangzhou Beixun Communication Technology Co., Ltd. was lower than its book value, the Company made a provision for goodwill impairment loss in amount of RMB341 million, which had a greater impact on the net profit for the period. (2) Increase in loss on disposal of assets: in 2019, taking into account that some assets were aged or obsolete in day-to-day operations and no longer have value of use or transferring value, the Target Group recorded some of its assets under asset retirement, with the loss on retirement of assets in amount of RMB22 million.

Current Cash

Items	For the year ended 31 December 2020	2019	2018
	RMB	*RMB*	*RMB*
Money funds	327,486,282.45	380,311,647.02	413,651,988.03

The Target Group's cash was generally stable in the past three years, and the decrease was mainly due to the portion of cash consumed by the Company's external investment during recent years, indicating that the Target Group's liquidity is generally good.

Loans

Items	For the year ended 31 December 2020	2019	2018
	RMB	*RMB*	*RMB*
Short-term loans	193,131,414.28	399,946,465.00	197,500,000.00
Long-term loans	–	–	–

The Target Group's short-term loans increased in 2019, which was primarily attributable to the increase in bank borrowings caused by increased demand for working capital arising from the business growth of the Target Group. The overall debt structure was in line with the Target Group's business scale and business characteristics. In 2020, the Target Group repaid a portion of debts, which resulted in a decrease in debt.

Gearing Ratio

Items	For the year ended 31 December 2020	2019	2018
	RMB	*RMB*	*RMB*
Gearing ratio	21.26%	27.52%	21.96%
Net interest-bearing debt ratio	6.28%	12.14%	5.40%

The Target Group's gearing ratio was relatively stable in the past three years, with net interest-bearing debt ratio of 6.28% (below 10%) for the recent period. The financial risk and the difficulty in subsequent financial integration were low.

3. RISK ANALYSIS

As of 31 December 2020, the Target Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Target Group.

4. MATERIAL ACQUISITIONS AND DISPOSALS

For the financial years ended 31 December 2018, 2019 and 2020, the Target Group did not have any material acquisitions or disposals of subsidiaries.

Year	Name of investee	Acquisition/ Disposal	Consideration
2018	Nantong Zhixiang Information Technology Co., Ltd. (南通智翔信息科技發展有限公司)	Disposal	69,200,000.00
2018	Beijing JiaNuoMingDe Educational Consulting Co., Ltd. (北京佳諾明德教育諮詢有限公司)	Disposal	2,000,000.00

5. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Target Group has 1,153 full-time employees.

The Target Group recruits, hires, promotes and pays its employees based on their qualifications, experience, skills, performance and contributions. In order to build an active and skilled team, the Target Group provides on-the-job training and employee remuneration based on market competitiveness, including salary and discretionary bonus.

6. LOOKING FORWARD

Expanding the path and network of operating schools with asset-light strategy has been an essential way for the development of private higher education. Since our listing in 2018, the number of schools under the Group has been increased from nine higher education institutions to 16 higher education institutions, which includes six colleges and universities, eight junior colleges and two technician colleges. Four junior colleges are under construction, which means the number of schools of the Company will increase to 20 in the foreseeable future, with nearly 200,000 full-time students. By leveraging the brand of the Dingli Institute, Hope Education can successfully expand from the asset-heavy self-operated higher education model to the asset-light co-construction and service model, achieving differentiated development with peers and occupying a better development track. Meanwhile, with the management experience of the current 16 higher education institutions, the full coordination and complementary advantages with host universities and every effort in making use of the advantages of source of students of secondary colleges to import management and services, and strengthen the development of overseas study and employment business and other value-added businesses, the Group can enter the market of asset-light school operating scale development with lower cost through this investment in Dingli Institute. The synergy between Dingli and Hope Education is a combination of product and channel. Looking forward, with our confidence, we will leverage the advantages of Hope Education's platform and network to explore an asset-light school operating path that is rich of characteristics of Hope Education.

JLL®
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tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

5 March 2021

The Board of Directors
HOPE EDUCATION GROUP CO., LTD.
40th Floor, Sunlight Tower,
248 Queen's Road East
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from Hope Education Group Co., Ltd. (the "Company"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of the 221,000,000 of Dingli Corp., Ltd. (the "Target Company") as at 12 October 2020(the "Valuation Date"), on the assumption that the Acquisition and the Proposed Subscription had been completed. Please refer to the paragraphs under the heading of Introduction in this report for details about the Acquisition and the Proposed Subscription.

The purpose of this valuation is for the Company's internal reference and for inclusion in its circular.

Our valuation was carried out on a market value basis. Market value is defined as "*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

INTRODUCTION

The Acquisition

A wholly-owned subsidiary of the Company, Sichuan Tequ Mayflower WFOE Education Management Co., Ltd. ("Tequ Mayflower WFOE"), entered into the Share Transfer Agreement with Dingli Corp., Ltd. (the "Target Company"), pursuant to which Tequ Mayflower WFOE has conditionally agreed to purchase and the Target Company has conditionally agreed to sell the 50,000,000 shares (the "Acquisition Shares") of the Target Company at the consideration of RMB392,500,000. The Acquisition Shares has an eighteen-month lock up period immediately after the completion of the Acquisition.

The Proposed Subscription

Tequ Mayflower WFOE has also entered into the Subscription Agreement, pursuant to which, Tequ Mayflower WFOE subscribed 171,000,000 shares (the" Subscribed Shares") of the Target Company at the subscription price of RMB901,170,000 (the "Subscription Price"). The Subscribed Shares has an eighteen-month lock up period immediately after the completion of the Proposed Subscription.

It is expected that immediately after the completion of the Acquisition and the Proposed Subscription, the Company will, through Tequ Mayflower WFOE, hold a total number of 221,000,000 shares of the Target Company, which is approximately 29.76% of the entire share capital in the Target Company. The Company will become the single largest shareholder in the Target Company.

The Target Company

The Target Company is a joint stock limited company established in the PRC, whose A shares have been listed on the Shenzhen Stock Exchange (stock code: 300050). It is principally engaged in the development, designs, manufactures and sells mobile communication network testing, analyzing and optimizing system. The Target Company's products include drive test solution, autonomous network measurement system, handheld test tools, and post-processing software. It also operates colleges in the mainland China. The share price, total number of outstanding shares and market capitalization of the Target Company as at the Valuation Date was RMB6.68, 571,596,718, and RMB3,818 million respectively.

The Target Company's revenue was RMB983,233,236.40, RMB1,244,350,146.93 and RMB675,174,187.75 in the year of 2018, 2019 and 2020 respectively. The increase from year 2018 to 2019 was mainly due to the new business line "IT product distribution business" of the Target Company commenced in 2018. The decline in overall revenue in 2020 is mainly due to the Target Company's implementation of "Enterprise Accounting Standard 14-Revenue". In accordance with the new revenue guidelines and in consideration of the substance of the IT product distribution business, the Target Companies revenue recognition basis for this business in 2020 was changed from gross method to net method.

The Target Company's net profit was RMB51,815,819.42, -RMB485,874,982.78 and RMB24,361,256.05 in the year of 2018, 2019 and 2020 respectively. For the year of 2019, the increase of the research and development expenses, financial expenses, and the provision of the impairment of assets and goodwill led to the net loss position. The recovery in 2020 is mainly due to the decrease in general and administrative expenses, research and development expenses, and financial expenses.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic conditions of the Target Company and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition and performance of the Target Company;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinions on the Target Company.

VALUATION METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection of the Target Company but such information is not available to us.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable.

Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

There are three common methods under market approach, namely, prior transaction method, guideline public company method and guideline transaction method. Prior transaction method refers mostly to the recent transaction price of the valuation subject. The guideline public companies method requires identifying suitably comparable companies and selection of appropriate trading multiples. The guideline transaction method takes reference to recent transactions of comparable private companies between unrelated parties and the multiple of transaction price to the target company's financial metrics.

In this valuation exercise, the market value of the Acquisition Shares and the Subscribed Shares of the Target Company was developed through the prior transaction method as the Target Company is a listed Company with stock price available in an open market which is considered to be a more direct price reference than trading multiples of comparable public companies or transacted multiples of comparable private companies.

VALUATION ASSUMPTIONS

In determining the market value of the equity interest in the Target Company, we make the following key assumptions:

- This valuation is carried out on as if the Acquisition and the Proposed Subscription were completed on the Valuation Date;

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION INPUTS

The share price and total number of outstanding shares of the Target Company as at the Valuation Date was RMB6.68 and 571,596,718 respectively. Immediately after the completion of the Proposed Subscription, the total number of outstanding shares would become 742,596,700. Based on the share price of the Target Company as at the Valuation Date and the Subscription Price at RMB901,170,000, assuming the Proposed Subscription had been completed, the hypothetical market capitalization of the Target Company as at Valuation Date would be RMB4,719 million, implying an adjusted share price of the Target Company at RMB6.3553[1] on a diluted basis.

The Acquisition Shares

The Company will hold 50,000,000 shares of the Target Company after the completion of the Acquisition.

The Subscription Shares

The Company would hold an additional 171,000,000 shares of the Target Company after the completion of the Proposed Subscription.

Discount for Lack of Marketability ("DLOM")

As there is an eighteen-month lock up period applicable for both the Acquisition Shares and the Subscribed Shares, a discount for lack of marketability should be applied to the adjusted share price at RMB6.3553.

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this interest using a put option method. The concept is that when comparing a public share and a private share, the holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event becomes shorter, the degree of the DLOM becomes smaller.

1 Per share price of the Target Company = (RMB6.68 x 571,596,718 + RMB901,170,000) / 742,596,700

We have adopted Finnerty Model with the following parameters to estimate the DLOM.

Parameter	Input	Source	Remark
Maturity Period (year)	1.5	Not Applicable	Assumed
Volatility (%)	56.08	Bloomberg L.P.	Historical volatility of the Target Company
Implied DLOM (%)	**15.10**	**Not Applicable**	**Calculated**

Market Value of the Acquisition Shares and the Subscription Shares

It is expected that immediately after the completion of the Acquisition and the Proposed Subscription, the Company will hold approximately 29.76% of the entire share capital in the Target Company. The Company will become the single largest shareholder in the Target Company which means the Company would have a significant influence on the Target Company. As such, a control premium should be considered in the valuation of the Acquisition Shares and the Subscription Shares.

Control Premium

Control Premium is an amount by which the pro rata valuation of a controlling interest is more than the pro rata value of a minority interest in a business enterprise reflecting the power of control. It recognizes that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and the extent of economic benefits they bring, cause a differential in the per-share value of a control ownership block versus a minority ownership block. The Control Premium adopted in this Valuation is 11.42%[2], which is observed from en-bloc transactions completed in the last two years of shares listed in the Shanghai and Shenzhen stock exchanges with the deal size ranging between 20% and 30% equity interest of the transacted companies.

2 Data retrieved from Bloomberg

VALUATION RESULT

Based on the market price of the shares of the Target Company, and also taking into account the DLOM and Control Premium, the calculation of the market value of the Acquisition Shares and the Subscribed Shares of the Target Company as at the Valuation Date is as follows:

Amounts in RMB unless otherwise stated

Parameter	**Input**
Number of Acquisition Shares	50,000,000
Number of Subscribed Shares	171,000,000
Adjusted Share Price	6.3553
DLOM (%)	15.10
Control Premium (%)	11.42
Market value of the Acquisition Shares and Subscribed Shares (Rounded RMB'Million)	1,329

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company, and we have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that:

The market value of the Acquisition Shares and the Subscribed Shares as at the Valuation Date is reasonably stated at the amount of **RMB**1,329,000,000.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Simon M.K. Chan is a Chartered Valuer and Appraiser, and a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), CPA Australia as well as the Royal Institution of Chartered Surveyors (RICS). Simon has extensive experience in valuation and corporate advisory business, providing a wide range of valuation and advisory services to numerous listed and private companies in different industries in Asia Pacific region for over 20 years.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executives' interests

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**") were as follows:

Name of Director	Position	Capacity/Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at the Latest Practicable Date(3)
Wang Huiwu (汪輝武)(1)	Executive Director	Interest in controlled corporation	4,140,948,240	Long Position	51.93%
Wang Degen (王德根)(2)	Non-executive Director	Interest of spouse	4,183,190,943	Long Position	51.93%

Notes:

(1) Wang Huiwu (汪輝武) holds 100% interest in Maysunshine Trust Limited (Credit Suisse Trust Limited as trustee), Maysunshine Trust Limited holds 100% interest in Maysunshine Holdings Limited, Maysunshine Holdings Limited hold 96% interest in Maysunshine Limited, Maysunshine Limited hold 49% interest in Hope Education Investment Limited, Hope Education Investment Limited holds 51.93% interest in the Company. Accordingly, Wang Huiwu (汪輝武) is deemed as holding interest in the Company through Hope Education Investment Limited.

(2) Wang Degen (王德根) and Zhang Qiang (張強) are spouses. Therefore, for the purpose of the SFO, Wang Degen (王德根) is deemed or taken to be interested in all the shares Zhang Qiang (張強) is interested in.

(3) Based on the number of issued shares as at the Latest Practicable Date, being 7,973,804,052 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive(s) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which aw required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 August 2020, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors, the persons or entities, other than a director or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and chief executives' interests" above, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at the Latest Practicable Date[3]
Hope Education Investment Limited[1]	Beneficial interest	4,140,948,240	Long Position	51.93%

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at the Latest Practicable Date(3)
Maysunshine Limited(1)	Interest in controlled corporation	4,140,948,240	Long Position	51.93%
Tequ Group A Limited(1)	Interest in controlled corporation	4,140,948,240	Long Position	51.93%
Tequ Group (Hong Kong) Company Limited(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Shanghai Yi Zeng Management Co., Ltd. (上海乙增管理有限公司)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Sichuan Tequ Investment Group Limited (四川特驅投資集團有限公司), (“**Sichuan Tequ Investment**”)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Chengdu West Hope Group Limited (成都華西希望集團有限公司) (“**West Hope**”)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Zhang Qiang (張強)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Chen Yuxin (陳育新)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
Zhao Guiqin (趙桂琴)(1)	Interest in controlled corporation	4,183,190,943	Long Position	52.46%
China Everbright Limited(2)	Interest in controlled corporation	479,909,158	Long Position	6.02%

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Held	Long Position/ Short Position	Approximate Percentage of Shareholding in the Company as at the Latest Practicable Date[3]
Honorich Holdings Limited[2]	Interest in controlled corporation	479,909,158	Long Position	6.02%
Datten Investments Limited[2]	Interest in controlled corporation	479,909,158	Long Position	6.02%
China Everbright Holdings Co., Limited ("**CE Hong Kong**")[2]	Interest in controlled corporation	479,909,158	Long Position	6.02%
China Everbright Group Ltd. ("**China Everbright Group**")[2]	Interest in controlled corporation	479,909,158	Long Position	6.02%
Central Huijin Investment Limited ("**Central Huijin**")[2]	Interest in controlled corporation	479,909,158	Long Position	6.02%

Notes:

(1) Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited.

Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares.

(2) China Everbright Limited was owned as to approximately 49.39% by Honorich Holdings Limited and 0.35% by Everbright Investment & Management Limited (光大投資管理有限公司), respectively. Honorich Holdings Limited was wholly-owned by Datten Investments Limited, and each of Everbright

Investment & Management Limited (光大投資管理有限公司) and Datten Investments Limited was in turn wholly-owned by CE Hong Kong, which was in turn wholly-owned by China Everbright Group. China Everbright Group was owned as to approximately 63.16% by Central Huijin.

Accordingly, each of China Everbright Limited, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong, China Everbright Group and Central Huijin is deemed to be interested in the Shares or security interest in shares held by each of related controlled corporation under the SFO.

(3) Based on the number of issued shares of the Company as at the Latest Practicable Date, being 7,973,804,052 Shares

Save as disclosed above, there is no person or entity other than a director or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and chief executives' interests" above, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year within payment of compensation (other than statutory compensation)).

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 August 2020, being the date to which the latest published audited accounts of the Company have been made up.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business of the Group) have been entered into by the members of the Group within two years preceding the date of this circular which are or may be material:

(i) the acquisition agreement entered into by Chengdu May Sunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司) and Xiao Xuetao, Chen Yin and Lai Xinjian in relation to the acquisition of 100% sponsor interest in the Gongqing College of Nanchang University (南昌大學共青學院) and 100% equity interest in Jiangxi Changzhen Industrial Co., Ltd. (江西昌振實業有限公司) at a consideration of RMB500,000,000, details of which were set out in the announcement dated 5 February 2021;

(ii) the supplemental agreement to the second exclusive management consultancy and business cooperation agreement dated 8 July 2020 and entered into by, among others, the Company, Horgos Tequ Mayflower Information Technology Co., Ltd.* (霍爾果斯特驅五月花信息科技有限公司), Tequ Mayflower WFOE, Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) and its subsidiaries and its registered shareholders, details of which were set out in the announcement dated 8 July 2020 and the circular dated 3 August 2020;

(iii) the agreement dated 28 February 2020 entered into among Hope Education Group (Hong Kong) Company Limited (and/or its designated subsidiary/entity), the Company, Exeter Street Holdings Sdn. Bhd., and Lei Holdings, Ltd. in respect of the acquisition of the sale shares by Hope Education Group (Hong Kong) Company Limited (and/or its designated subsidiary/entity) from Exeter Street Holdings Sdn. Bhd., details of which were set out in the announcement dated 2 March 2020 and the circular dated 29 April 2020;

(iv) the sale and purchase agreement dated 13 December 2019 entered into between Southwest Jiaotong University Hope College (西南交通大學希望學院), Sichuan Hope Automotive Vocational College (四川希望汽車職業學院), Jintang Golden May Property Development Co., Ltd. (金堂金五月房地產開發有限公司) and Ziyang May Sunshine Property Development Co., Ltd. (資陽五月陽光房地產開發有限公司) in relation to the acquisition of the properties at a total consideration of RMB84,660,000, details of which were set out in the announcement dated 15 December 2019;

(v) the acquisition agreement dated 29 August 2019 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) and Baota Group Petrochemical Group Co., Ltd. (寶塔石化集團有限公司), Yinchuan University Education Group Investment Holding Co., Ltd. (銀川大學教育集團投資控股有限公司) and Mr. Shi Xingjia in relation to the acquisition of 100% sponsor interest in Yinchuan University of Energy (銀川能源學院), Yinchuan Vocational

School of Science and Technology (銀川科技職業學校), Ningxia Modern Senior Technical School (寧夏現代高級技工學校) and Vocational-technical Training Centre of Yinchuan University (銀川大學職業技能培訓中心) and 100% interest in Auto Repair Factory of Yinchuan University Education Group (Co., Ltd.) (銀川大學教育集團汽車修理廠(有限公司)) and Car Driving Training School of Yinchuan University Education Group (Co., Ltd.) (銀川大學教育集團汽車駕駛培訓學校(有限公司)) at the consideration of RMB550,000,000 which shall be subject to adjustment, details of which were set out in the announcement of the Company dated 29 August 2019;

(vi) the land use right acquisition agreement dated 23 August 2019 entered into between Zhangshu Yude Education Management Co, Ltd. and the Municipal Government of Zhangshu City, Jiangxi Province in relation to the acquisition of land use right in Zhangshu City, Jiangxi Province at a cash consideration of RMB20.55 million; details of which were set out in the announcement of the Company dated 25 August 2019;

(vii) the acquisition agreement dated 23 August 2019 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司), Hope Education Group Co., Ltd. (希望教育集團有限公司), Shanghai Xinghong Investment Partnership (LP), Shanghai Lanke Investment Partnership (LP), Shanghai Hongnuan Investment Partnership (LP) and Mr. Mei Yunan in relation to the acquisition of 100% interest in Shanghai Pumeng Zhichuan Education Technology Co., Ltd. (上海普夢職川教育科技有限公司) ("**Shanghai Pumeng**") and Kunshan Xinwei Education Investment & Development Co., Ltd. (昆山欣韋教育投資發展有限公司) ("**Kunshan Xinwei**") (Shanghai Pumeng and Kunshan Xinwei collectively, the "**Target Companies**") at the consideration of RMB375,744,819.18 and Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) shall also provide loans to the Target Companies, Suzhou Top Institute of Information Technology (蘇州托普學院) and Kunshan Technical School and Business School (昆山技工學校) to repay their debts of RMB24,255,180.82, amounting to RMB400,000,000.00 in aggregate, details of which are set out in the announcement of the Company dated 25 August 2019;

(viii) the sale and purchase agreement dated 29 July 2019 entered into between the Group and an independent third party in relation to the acquisition of 95% interests in Hebi Automotive Engineering Professional College (鶴壁汽車工程職業學院) at a cash consideration of RMB160 million, details of which are set out in the announcement of the Company dated 29 July 2019;

(ix) the further acquisition agreement dated 22 July 2019 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司), Guizhou Jiexing Huilv Education Training Co., Ltd. (貴州捷星慧旅教育培訓有限公司) and Guo Xiaolan in relation to the transfer of 30% interests in Guizhou Jiexing Huilv Air Service Consultant Services Limited (貴州捷星慧旅航空空乘諮詢服務有限公司) at the consideration of RMB78,000,000, details of which are set out in the announcement of the Company dated 22 July 2019;

(x) the acquisition agreement dated 8 March 2019 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) and Sichuan Tequ Education Management Limited (四川特驅教育管理有限公司) in relation to the acquisition of the entire interests in Chengdu Maysunshine Education Management Co., Ltd. (成都五月陽光教育管理有限公司) at a consideration of RMB70,000,000, details of which are set out in the announcement of the Company dated 8 March 2019;

(xi) the project investment agreement dated 8 May 2019 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) and the People's Government of Jianyang City in relation to investment in the overall relocation and reconstruction of the Sichuan Vocational College of Culture & Communication and the total investment in the project is estimated to be RMB1.5 billion in installments, details of which are set out in the announcement of the Company dated 8 May 2019;

(xii) the project investment agreement dated 21 November 2018 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司), People's Government of Baiyin District, Baiyin City and Baiyin Municipal Economic Cooperation Bureau in relation to the establishment Gansu Vocational & Technical College (甘肅職業技術學院) and the acquisition of land us right, details of which are set out in the announcement of the Company dated 21 November 2018;

(xiii) the project investment agreement dated 15 November 2018 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) and the People's Government of Zhong County in relation to the establishment of Chongqiang Digital Industry Vocational and Technical College (重慶數字產業職業技術學院) and the acquisition of land use right, details of which are set out in the announcement of the Company dated 15 November 2018;

(xiv) the supplemental agreement to the project investment agreement dated 15 November 2018 entered into between Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司) and the People's Government of Zhong County in relation to the cooperation in operating Chongqiang Digital Industry Vocational and Technical College (重慶數字產業職業技術學院) and the acquisition of land use right, details of which are set out in the announcement of the Company dated 15 November 2018;

(xv) the Share Transfer Agreement;

(xvi) the Subscription Agreement; and

(xvii) the Voting Rights Proxy Agreement.

8. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the experts who have been named in this circular or have been given opinion or letter, which is contained in this circular:

Name	Qualifications
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	An independent professional valuer
Da Hua Certified Public Accountants (Special General Partnership)	Certified public accountants
Ernst & Young	Certified public accountants
Moore Stephens CPA Limited	Certified public accountants

As at the Latest Practicable Date, they had given and had not withdrawn their written consent to the issue of this circular with the inclusion of their report letters and all references to their names in the form and context in which they are included.

As at the Latest Practicable Date, they had not shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since 31 August 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. CORPORATE INFORMATION

(a) The joint company secretaries of the Company are Mr. Huang Zhongcai, who is currently the vice president and a member of presidents' meeting (總裁辦公會) of the Company, and Ms. Leung Wing Han Sharon, who is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(b) The registered office of the Company is located at PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands. The headquarters and principal place of business in China is at 5/F, Administrative Building, Sichuan TOP IT, Vocational Institute, 2000 Xi Qu Avenue, Pidu District, Chengdu, PRC. The principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong during normal business hours from the date of this circular up to 8 March 2021 and including:

(a) the Share Transfer Agreement;

(b) the Subscription Agreement;

(c) the Voting Rights Proxy Agreement;

(d) the memorandum of association of the Company;

(e) the annual report of the Company for the year ended 31 December 2018;

(f) the annual report of the Company for the year ended 31 December 2019;

(g) the annual report of the Company for the year ended 31 August 2020;

(h) the annual results announcement of the Company for the eight months ended 31 August 2020;

(i) the accountant's report of the Target Group, the text of which is set out in Appendix II to this circular;

(j) the line-by-line information of the financial information of the Target Group, the text of which is set out in Appendix III to this circular;

(k) the valuation report of the Target Group, the text of which is set out in Appendix V to this circular;

(l) the material contracts as referred to in this section headed "Material Contracts" of this appendix;

(m) the written consent of the experts as referred to in the section headed "Expert's Qualification and Consent" in this appendix; and

(n) this circular.

11. MISCELLANEOUS

In the event of inconsistency, the English texts of this circular and the enclosed form of proxy shall prevail over the Chinese texts.