or originated by the Company that are credit impaired, they should be discounted at the credit-adjusted effective interest rate of the financial assets.

For receivables, contract assets and lease receivables resulting from transactions governed by the income guidelines, the Company applies a simplified measurement approach and measures the allowance for losses at an amount equal to the expected credit loss over the entire life of the receivable.

For financial assets acquired or originated that are credit impaired, a provision for losses is recognized at the balance sheet date only for cumulative changes in expected credit losses throughout their lives since initial recognition. At each balance sheet date, the amount of the change in expected credit losses over the entire life of the asset is included in profit or loss for the period as an impairment loss or gain. A favourable change in expected credit losses is recognized as an impairment gain even if the expected credit losses determined at that balance sheet date for the entire duration of the period are less than the amount of expected credit losses reflected in the estimated cash flows at initial recognition.

For financial assets other than those for which simplified measurement methods and purchased or originated credit impairment have been applied as described above, the Company assesses at each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition and measures its allowance for losses and recognizes expected credit losses and changes therein separately according to the following.

(1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in the first Phase, the allowance for losses is measured at an amount equal to the expected credit losses on the financial instrument over the next 12 months, and interest income is calculated on the basis of the carrying amount and the effective interest rate.

(2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in Phase 2 and the allowance for losses is measured at an amount equal to the expected credit loss over the entire life of the financial instrument and interest income is calculated on the basis of the carrying amount and the effective interest rate.

(3) If the financial instrument has been credit impaired since initial recognition, it is at Phase 3 and the Company measures its loss allowance at an amount equal to the expected credit loss over the entire life of the financial instrument and calculates interest income at amortized cost and effective interest rate.

The amount of increase or reversal of the allowance for credit losses on financial instruments is recognized in profit or loss as an impairment loss or gain. The allowance for credit losses is set off against the carrying amount of the financial asset, except for financial assets classified as at fair value through other comprehensive income. For financial assets classified as at fair value through other comprehensive income, the Company recognizes a provision for credit losses in other comprehensive income without reducing the carrying amount of the financial asset as shown in the balance sheet.

Where the Company has measured a loss allowance in a previous accounting period at an amount equal to the expected credit loss over the entire life of the financial instrument, but at the current balance sheet date the financial instrument no longer represents a significant increase in credit risk since initial recognition, the

Company measures the loss allowance for the financial instrument at the current balance sheet date at an amount equal to the expected credit loss over the next 12 months. The resulting reversal of the provision for losses is recorded as an impairment gain in profit or loss for the period.

(1) Significant increase in credit risk

The Company uses reasonably available and substantiated forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with the risk of default at the date of initial recognition. For financial guarantee contracts, the Company uses the date on which the Company becomes a party to the irrevocable commitment as the date of initial recognition when applying the impairment provisions for financial instruments.

The Company will consider the following factors when assessing whether there is a significant increase in credit risk.

1) Whether there has been a significant change in the actual or expected results of the debtor's operations.

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is operating.

3) whether there have been significant changes in the value of the collateral securing the debt or in the quality of the guarantees or credit enhancements provided by third parties that are expected to reduce the debtor's economic incentive to repay the debt by the contractual deadline or to affect the probability of default.

4) Whether there has been a significant change in the debtor's expected performance and repayment behaviour.

5) Whether there has been a change in the Company's approach to the credit management of financial instruments, etc.

At the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong and does not necessarily reduce the borrower's ability to meet its contractual cash flow obligations even if there are adverse changes in economic conditions and operating environment in the longer term.

(2) Financial assets subject to credit impairment

A financial asset becomes credit impaired when one or more events occur that have an adverse effect on the expected future cash flows of the financial asset. Evidence that a financial asset is credit impaired includes observable information such as.

1) Significant financial difficulties on the part of the issuer or debtor.

2) Breach of contract by the debtor, such as default or late payment of interest or principal.

3) A concession granted by the creditor to the debtor that would not otherwise be made by the debtor because of economic or contractual considerations relating to the debtor's financial difficulties.

4）The debtor is likely to go into bankruptcy or other financial restructuring.

5）The disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties.

6）The purchase or origin of a financial asset at a significant discount that reflects the fact that a credit loss has been incurred.

Credit impairment of financial assets may be the result of a combination of events and may not necessarily be the result of separately identifiable events.

（3）Determination of expected credit losses

The Company assesses expected credit losses on financial instruments on an individual and portfolio basis, taking into account reasonable and substantiated information about past events, current conditions and projections of future economic conditions when assessing expected credit losses.

The Company classifies financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics used by the Company include: type of financial instrument, credit risk rating, age portfolio, past due age portfolio, contract settlement cycle and debtor's industry etc. The individual assessment criteria and the portfolio credit risk characteristics of the relevant financial instruments are detailed in the accounting policies of the relevant financial instruments.

The Company determines the expected credit losses on the relevant financial instruments in accordance with the following methodology.

1）For financial assets, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

2） For lease receivables, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected.

3）In the case of a financial guarantee contract, the credit loss is the present value of the difference between the expected payment to be made by the Company to the holder of such contract in respect of credit losses incurred by it, less the amount expected to be received by the Company from the holder of such contract, the debtor or any other party.

4）For financial assets that are credit impaired at the balance sheet date but not purchased or originated with credit impairment, the credit loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company's approach to measuring expected credit losses on financial instruments reflects factors such as: the weighted average amount of unbiased probabilities determined by evaluating a range of possible outcomes; the time value of money; and reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

（4）Write-downs of financial assets

When the Company no longer has a reasonable expectation that the contractual cash flows from a financial asset will be fully or partially recovered, the carrying amount of the financial asset is written down directly. Such a write-down constitutes derecognition of the related financial asset.

vii. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately in the balance sheet and are not offset against each other. However, they are presented in the balance sheet as a net amount after offsetting each other if the following conditions are also met.

(1) The Company has a legal right to set off the recognized amounts and such legal right is currently enforceable.

(2) The Company plans to settle the financial asset on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

10. Hedging Instruments

According to the hedging relationship, the company divides hedging into fair value hedging, cash flow hedging and net foreign investment hedging.

i. Hedging instruments that meet the following conditions at the same time shall be treated by hedging accounting method

(1) The hedging relationship is only composed of qualified hedging instruments and hedged items.

(2) At the beginning of hedging, the company formally designated hedging instruments and hedged items, and prepared written documents on hedging relationship, risk management strategy and risk management objectives for hedging.

(3) The hedging relationship meets the requirements of hedging effectiveness.

If the hedging meets the following conditions at the same time, the hedging relationship shall be deemed to meet the requirements of hedging effectiveness:

1) There is an economic relationship between the hedged item and the hedging instrument. This economic relationship makes the value of the hedging instrument and the hedged item change in the opposite direction due to the same hedged risk.

2) The impact of credit risk is not dominant in the value changes caused by the economic relationship between the hedged item and the hedging instrument.

3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items hedged by the company to the actual number of hedging instruments hedged, but does not reflect the imbalance of the relative weight of the hedged items and hedging instruments. This imbalance will lead to ineffective hedging and may result in inconsistent accounting results against the hedging accounting objectives.

ii. Accounting treatment of fair value hedging

(1) Gains or losses arising from hedging instruments are included in current profits and losses. If the hedging instrument hedges the non tradable equity instrument investment (or its components) that is measured at fair value and whose changes are included in other comprehensive income, the gains or losses arising from

the hedging instrument are included in other comprehensive income.

(2) The gain or loss of the hedged item due to the hedged risk exposure shall be included in the current profit and loss, and the book value of the hedged item not measured at fair value shall be adjusted. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included in other comprehensive income, the gains or losses arising from the hedged risk exposure are included in the current profits and losses, and its book value has been measured at fair value and does not need to be adjusted; If the hedged item is a non tradable equity instrument investment (or its components) that the company chooses to measure at fair value and whose changes are included in other comprehensive income, the gains or losses arising from the hedged risk exposure are included in other comprehensive income, and its book value has been measured at fair value and does not need to be adjusted.

If the hedged item is an unrecognized firm commitment (or its component), the cumulative change in fair value caused by the hedged risk after the designation of the hedging relationship is recognized as an asset or liability, and the relevant gains or losses are included in the profits and losses of each relevant period. When an asset is acquired or a liability is assumed as a result of fulfilling a certain commitment, the initial recognition amount of the asset or liability is adjusted to include the cumulative change in the fair value of the hedged item that has been recognized.

(3) If the hedged item is a financial instrument (or its components) measured at amortized cost, the adjustment to the book value of the hedged item shall be amortized according to the effective interest rate recalculated on the amortization date and included in the current profit and loss. The amortization can start from the adjustment date, but not later than the time point when the hedging gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its changes are included in other comprehensive income, the accumulated recognized hedging gains or losses are amortized in the same way and included in the current profit and loss, but the book value of the financial asset (or its component) is not adjusted.

iii. Accounting treatment of cash flow hedging

(1) The gains or losses arising from hedging instruments that belong to the effective part of hedging shall be regarded as cash flow hedging reserves and included in other comprehensive income. The amount of cash flow hedging reserve shall be determined according to the lower of the absolute amount of the following two items.

1) Accumulated profit or loss from hedging instrument.

2) The cumulative change in the present value of the estimated future cash flow of the hedged item since the beginning of hedging. The amount of cash flow hedging reserve included in other comprehensive income in each period is the change of cash flow hedging reserve in the current period.

(2) The part of the gains or losses arising from the hedging instrument that belongs to the ineffectiveness of hedging (i.e. other gains or losses after deducting them into other comprehensive income) shall be included in the current profit and loss.

(3) The amount of cash flow hedging reserves shall be handled in accordance with the following provisions.

1) When the hedged item is an expected transaction and the expected transaction causes the company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a firm commitment applicable to fair value hedging accounting, the amount of cash flow hedging reserve originally recognized in other comprehensive income shall be transferred out and included in the initial recognition amount of the asset or liability.

2) For the cash flow hedging not involved in the previous article, during the same period when the hedged expected cash flow affects the profit and loss, the amount of cash flow hedging reserve originally recognized in other comprehensive income shall be transferred out and included in the current profit and loss.

3) If the amount of cash flow hedging reserve recognized in other comprehensive income is a loss and all or part of the loss is expected to be irreparable in the future accounting period, when it is expected to be irreparable, the part that is expected to be irreparable shall be transferred out of other comprehensive income and included in the current profit and loss.

iv. Net foreign investment hedging

The hedging of net investment in foreign operations, including the hedging of monetary items that are accounted for as part of the net investment, shall be handled by the company in accordance with the provisions similar to cash flow hedging accounting.

(1) The profits or losses arising from hedging instruments that belong to the effective part of hedging shall be included in other comprehensive income.

In disposal of all or part of foreign operations, the gains or losses of the above hedging instruments included in other comprehensive income shall be transferred out accordingly and included in the current profits and losses.

(2) The profits or losses arising from hedging instruments that belong to the ineffective part of hedging shall be included in the current profits and losses.

v. Termination of hedge accounting

In case of any of the following circumstances, the hedging accounting shall be terminated.

(1) Due to the change of risk management objectives, the hedging relationship no longer meets the risk management objectives.

(2) The hedging instrument has expired, been sold, the contract has been terminated or has been exercised.

(3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the impact of credit risk begins to dominate in the value changes caused by the economic relationship between the hedged item and the hedging instrument.

(4) The hedging relationship no longer meets other conditions for the application of hedging

accounting methods stipulated in these standards. Where the rebalancing of hedging relationship is applicable, the enterprise shall first consider the rebalancing of hedging relationship, and then evaluate whether the hedging relationship meets the conditions for the application of hedging accounting methods specified in these standards.

Termination of hedge accounting may affect the whole or part of the hedging relationship. When only part of the hedging relationship is affected, the remaining unaffected part is still applicable to hedge accounting.

vi. Fair value selection of credit risk exposure

When credit derivatives measured at fair value with changes included in current profits and losses are used to manage the credit risk exposure of financial instruments (or their components), they can be designated as financial instruments measured at fair value with changes included in current profits and losses when the financial instruments (or their components) are initially recognized, in subsequent measurement or not yet recognized, and written records shall be made at the same time, but the following conditions shall be met at the same time.

（1）The subject of credit risk exposure of financial instruments (such as the borrower or loan commitment holder) is consistent with the subject involved in credit derivatives；

（2）The repayment level of financial instruments is consistent with that of instruments to be delivered according to the terms of credit derivatives.

11. Accounts receivable

Accounts receivable include notes receivable, accounts receivable, other accounts receivable, etc.

i. Accrual method of determining bad debt reserves

Based on the expected credit loss, the company accrues the impairment provision and recognizes the credit impairment loss for the receivables according to the applicable expected credit loss measurement method (general method or simplified method).

On each balance sheet date, the company assesses whether the credit risk of receivables has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the loss provision shall be measured according to the amount equivalent to the expected credit loss in the whole duration; If the credit risk has not increased significantly since initial recognition, the loss provision shall be measured according to the amount equivalent to the expected credit loss in the next 12 months. When assessing expected credit losses, consider all reasonable and based information, including forward-looking information.

In addition to the financial assets that individually assess the credit risk, the group divides the receivables into different groups based on the common risk characteristics, and assesses the credit risk on the basis of combination.

The basis for determining the portfolios

Item	Basis for determining the portfolios	Accrual methods of provision for bad debts
Combination of related parties	Classified by relevant standards disclosed by related parties	No provision for bad debts
Aging Combination	Classified by the years of existence	Accrue by aging

ii. Reversal of provision for bad debts

If the expected credit loss of a receivable on the balance sheet date is less than the current carrying amount of the impairment provision of the receivable, the difference shall be recognized as impairment gain.

If the company's transfer of receivables to a third party meets the conditions for derecognition, the difference between the transaction amount and the book value of the written off receivables and relevant taxes shall be included in the current profit and loss.

12. Inventory

i. Classification of inventories

Inventories refer to finished products or commodities held by the company for sale in daily activities, products in process of production, materials and materials consumed in the process of production or provision of labor services, etc. It mainly includes inventory goods.

ii. Inventory valuation methods

Inventories are initially measured at cost at the time of acquisition, including purchase cost, processing cost and other costs. Inventories are valued at the end of the month on a one-time weighted average basis when issued.

iii. Inventory system of inventories

Use of perpetual inventory system.

iv. Basis for determining the net realizable value of inventories and the method of providing for a decline in value of inventories

After a full inventory check at the end of the period, provision for decline in value of inventories is made or adjusted at the lower of cost or net realizable value of the inventories. The net realizable value of inventories of finished goods, goods in stock and materials for sale, which are used directly for sale, is determined in the normal course of production and operation by using the estimated selling price of the inventories less estimated selling expenses and related taxes; the net realizable value of inventories of materials subject to processing is determined in the normal course of production and operation by using the estimated selling price of the finished goods produced less the estimated costs to be incurred to completion, estimated selling expenses and related taxes. The net realizable value of inventories held for the purpose of executing sales contracts or labour contracts is calculated on the basis of the contract price. If the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is calculated on the basis of the normal sales price.

Provision for a decrease in the value of inventories is made at the end of the period on the basis of individual inventory items; however, for inventories with a large number of items and a low unit price, provision for a decrease in the value of inventories is made according to the category of inventories; inventories that are related to a product line manufactured and sold in the same region, have the same or similar end use or purpose and are difficult to measure separately from other items are combined and provision for a decrease in the value of inventories is made.

Where the factors affecting the value of inventories previously written down have disappeared, the amount written down is restored and reversed within the amount of the original provision for diminution in value of inventories, with the amount reversed charged to current profit or loss.

13. Long-term receivables

Long term receivables refer to the receivables arising from the enterprise's financial leasing and the receivables arising from the business activities such as the sale of goods and the provision of labor services with the nature of financing, which are collected in installments by deferred method. The long-term equity that essentially constitutes the net investment in the invested entity is also accounted for through this account. Detailed accounting shall be carried out according to the debtor. The ending debit balance reflects the long-term receivables that have not been recovered by the enterprise.

On the beginning date of the lease term, the lease receivables arising from the lessor's financial lease shall be debited to the title of "long-term receivables" according to the sum of the minimum lease receipts and the initial direct expenses on the beginning date of the lease, debited to the title of "unguaranteed residual value" according to the unguaranteed residual value, and credited to the title of "financial lease assets" according to the fair value of the financial lease assets (the sum of the minimum lease receipts and the present value of the unguaranteed residual value), debit the title of "non operating expenditure" or credit the title of "non operating income" according to the difference between the fair value and book value of the financial leasing assets, and credit the title of "bank deposit" according to the initial direct expenses incurred, credit "long-term receivables arising from business activities such as sales of goods or provision of labor services by deferred instalments. If the conditions for revenue recognition are met, debit the title of" long-term receivables "according to the receivable contract or agreement price, credit the title of" main business income "according to the fair value (discounted value) of the receivable contract or agreement price, and credit the title of" unrealized financing income "according to the difference. If VAT is involved, it shall also be handled accordingly.

The unrealized financing income of an enterprise included in lease income or interest income by stages shall be accounted through the title of "unrealized financing income". The undergraduate items can be accounted in detail according to the unrealized financing income items. The ending credit balance of this account reflects the unrealized financing income of the enterprise that has not been transferred into the current income.

Following relevant policies on impairment of financial instruments The Company's method of determining and accounting for expected credit losses on long-term receivables is detailed in note IV/(9) vi. Impairment of financial instruments in this note.

14. Long-term equity investments

i. Determination of initial investment cost

（1）For long-term equity investments formed in business combinations, please refer to Note IV/4 of this note for details of the accounting treatment for business combinations under common control and those not under common control.

（2）Long-term equity investments acquired by other means

Long-term equity investments acquired by way of cash payment are stated at initial investment cost based on the actual purchase price paid. The initial cost of investment includes fees, taxes and other necessary expenses directly attributable to the acquisition of the long-term equity investment.

Long-term equity investments acquired by issuing equity securities are stated at the fair value of the equity securities issued as the initial investment cost; transaction costs incurred in issuing or acquiring its own equity instruments that are directly attributable to the equity transaction are deducted from equity.

Provided that the exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged or the asset being exchanged can be measured reliably, the initial investment cost of long-term equity investments acquired in exchange for non-monetary assets is determined on the basis of the fair value of the asset being exchanged, unless there is conclusive evidence that the fair value of the asset being exchanged is more reliable; for non-monetary asset exchanges that do not meet the above prerequisites, the carrying amount of the asset being exchanged and the related tax payable are used as the initial investment cost.

The initial investment cost of long-term equity investments acquired through debt restructuring is determined on the basis of fair value.

ii. Subsequent measurement and profit or loss recognition

（1）Cost method

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method and are carried at initial investment cost, with additional or recovered investments adjusting the cost of long-term equity investments.

Except for cash dividends or profits declared but not yet paid included in the price or consideration actually paid for the investment at the time of acquisition, the Company recognizes investment income for the current period on the basis of its entitlement to cash dividends or profits declared by the investee.

（2）Equity method

The Company accounts for its long-term equity investments in associates and joint ventures using the equity method of accounting; for a portion of these equity investments in associates held indirectly through venture capital institutions, mutual funds, trusts or similar entities including investment-linked funds, fair value measurement is used and changes in fair value are recognized in profit or loss.

The difference between the initial investment cost of a long-term equity investment and its share of the fair value of the identifiable net assets of the investee at the time of investment is not adjusted to the initial investment cost of the long-term equity investment; the difference between the initial investment cost and its share of the fair value of the identifiable net assets of the investee at the time of investment is recognized in profit or loss for the current period.

Upon acquisition of a long-term equity investment, the Company recognizes investment income and other comprehensive income in accordance with its share of the net profit or loss and other comprehensive income realized by the investee, respectively, and adjusts the carrying value of the long-term equity investment; and reduces the carrying value of the long-term equity investment accordingly in accordance with the portion of the profit or cash dividends declared by the investee to which it is entitled; for changes in the equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying value of the long-term equity investment is adjusted and recognized in owners' equity.

The Company recognizes its share of the net profit or loss of an investee on the basis of the fair value of each identifiable asset, etc. of the investee at the time of acquisition of the investment, after adjusting the net profit of the investee. Unrealized gains and losses on internal transactions between the Company and its associates and joint ventures are offset against the portion attributable to the Company calculated on the basis of the proportionate share, on the basis of which investment gains and losses are recognized.

When the Company recognizes its share of losses incurred by an investee, it follows the following order of treatment: First, the carrying value of long-term equity investments is eliminated. Secondly, if the carrying value of the long-term equity investment is not sufficient for elimination, the Company continues to recognize investment losses to the extent of the carrying value of other long-term equity interests that substantially constitute the net investment in the investee, by eliminating the carrying value of long-term receivables, etc. Finally, after the above treatment, if, in accordance with the investment contract or agreement, the enterprise still has an additional obligation, it recognizes a projected liability for the expected obligation to be incurred, which is included in the current investment loss.

If the investee achieves profitability in subsequent periods, the Company resumes recognition of investment income after deducting the unrecognized share of losses and treating them in the reverse order to write down the carrying amount of the recognized estimated liabilities, restore the carrying amount of other long-term interests and long-term equity investments that in substance constitute a net investment in the investee.

iii. Criteria for determining control, common control and significant influence

If the company has the power to the investee, enjoys variable returns through participating in relevant activities of the investee, and is able to use the power to the investee to affect its return amount, it is deemed that the company controls the investee.

An arrangement is considered to be a joint venture arrangement if the Company collectively controls the arrangement with the other participants in accordance with the relevant agreement and decisions on activities that significantly affect the return on the arrangement require the unanimous consent of the participants sharing control for the arrangement to exist.

If a joint venture arrangement is entered into through a separate entity, when the Company is judged to have rights to the net assets of that separate entity based on the relevant agreement, the separate entity is accounted for as a joint venture using the equity method. If it is determined that the Company does not have rights to the net assets of the separate entity based on the relevant agreement, the separate entity is accounted for as a joint operation and the Company recognizes items related to the share of interest in the joint operation and accounts for them in accordance with the relevant ASBE.

Significant influence means that the investor has the power to participate in decision-making over the financial and operating policies of the investee, but does not control, or jointly control with other parties, the formulation of those policies. The Company determines that it has significant influence over an investee through one or more of the following circumstances, taking into account all facts and circumstances: (1) representation on the board of directors or similar authority of the investee; (2) participation in the process of formulating financial and operating policies of the investee; (3) significant transactions with the investee; (4) dispatch of management personnel to the investee; (5) provision of the investee company with key technical information.

iv. Conversion of long-term equity investment accounting methods

（1）Transfer of fair value measurement to equity method of accounting

If the Company's equity investments originally held by the Company that do not have control, joint control or significant influence over the investee and are accounted for under the recognition and measurement of financial instruments standard are able to exercise significant influence or joint control over the investee but do not constitute control due to additional investment, etc., the sum of the fair value of the originally held equity investments plus the cost of the additional investment determined in accordance with AS 22 - Recognition and Measurement of Financial Instruments", the sum of the fair value of the equity investment originally held plus the cost of the additional investment is taken as the initial cost of the investment to be accounted for under the equity method.

Under the current accounting standards for business enterprises: if the equity investment originally held is classified as available for sale financial assets, the difference between its fair value and book value, as well as the cumulative changes in fair value originally included in other comprehensive income, shall be transferred to the current profit and loss accounted by the equity method.

Under the implementation of the new accounting standards for business enterprises: if the originally held equity investment is designated as a financial asset measured at fair value and its changes are included in other comprehensive income, the difference between its fair value and book value, as well as the cumulative changes in fair value originally included in other comprehensive income, are transferred to the retained earnings calculated by equity method.

The difference between the initial cost of investment accounted for under the equity method and the share of the fair value of the investee's identifiable net assets at the date of the additional investment, determined in accordance with the new percentage of shareholding after the additional investment, is adjusted to the carrying amount of the long-term equity investment and is included in non-operating income for the period.

（2）Transfer from fair value measurement or equity method of accounting to cost method of accounting

If the Company originally holds equity investments that are not controlled, jointly controlled or significantly influenced by the investee and are accounted for under the Financial Instruments Recognition and Measurement Guideline, or if the Company originally holds long-term equity investments in associates or joint ventures and is able to exercise control over investees not under common control due to additional investments, etc., in preparing individual financial statements The initial cost of the investment shall be the sum of the book value of the equity investment previously held and the cost of the additional investment.

Other comprehensive income recognized on equity investments held prior to the date of purchase as a result of accounting under the equity method is accounted for on the disposal of that investment on the same basis as if the relevant asset or liability had been disposed of directly by the investee.

Where equity investments held prior to the date of purchase are accounted for in accordance with the relevant provisions of AS 22 - Recognition and Measurement of Financial Instruments, the cumulative fair value changes previously recorded in other comprehensive income are transferred to current profit or loss when the accounting is changed to the cost method.

（3）Transfer of equity method accounting to fair value measurement

If the Company loses joint control or significant influence over an investee for reasons such as disposal of part of its equity investment, the remaining equity interest after disposal is accounted for in accordance with AS 22 - Recognition and Measurement of Financial Instruments, and the difference between its fair value and its carrying amount at the date of loss of joint control or significant influence is recognized in the current period profit or loss.

Other comprehensive income recognized as a result of the equity method of accounting for the original equity investment is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon the termination of the equity method of accounting.

（4）Cost method to equity method

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, in preparing individual financial statements, if the remaining equity interest after disposal is capable of exercising joint control or significant influence over the investee, it is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method from the time of acquisition.

（5）Cost method to fair value measurement

If the Company loses control over an investee for reasons such as the disposal of a portion of its equity investment, the remaining equity interest after disposal, which does not give rise to joint control or significant influence over the investee, is instead accounted for in accordance with the relevant provisions of AS 22 - "Financial Instruments" when preparing individual financial statements. The difference between the fair value and the carrying amount at the date of loss of control is recognized in profit or loss for the current period.

v. Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between its carrying amount and the actual acquisition price shall be recognized in profit or loss for the current period. When a long-term equity investment accounted for using the equity method is disposed of, the same basis as that used for the direct disposal of the relevant assets or liabilities by the investee is used to account for the portion of the investment that would otherwise be included in other comprehensive income at a corresponding rate.

The terms, conditions and economic effects of each transaction for the disposal of an equity investment in a subsidiary are accounted for as a package transaction for multiple transactions when one or more of the following circumstances apply.

（1）The transactions were entered into simultaneously or with consideration of their mutual effects.

（2）These transactions as a whole to achieve a complete commercial result.

（3）The occurrence of a transaction is dependent on the occurrence of at least one other transaction.

（4）A transaction is not economical on its own, but is economical when considered together with other transactions.

Where control over a former subsidiary is lost through the disposal of part of the equity investment or otherwise, and is not a package transaction, a distinction is made between individual financial statements and consolidated financial statements for the relevant accounting treatment.

（1）In individual financial statements, the difference between the carrying amount of the equity interest disposed of and the actual acquisition price is recognized in profit or loss for the current period. If the remaining equity interest after disposal is capable of exercising joint control or significant influence over the investee, it is accounted for under the equity method instead, and the remaining equity interest is adjusted as if it had been accounted for under the equity method since its acquisition; if the remaining equity interest after disposal is not capable of exercising joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of AS 22 - -The difference between the fair value and the carrying amount at the date of loss of control is recognized in profit or loss for the current period.

（2）In the consolidated financial statements, for each transaction prior to the loss of control over the subsidiary, the difference between the disposal price and the corresponding share of the net assets of the subsidiary calculated on a continuing basis from the date of purchase or the date of consolidation on the disposal of the long-term equity investment is adjusted against capital surplus (equity premium), and if capital surplus is not sufficient to cover the reduction, retained earnings are adjusted; on the loss of control over the subsidiary, the remaining equity interest is remeasured at its fair value at the date of loss of control. Upon loss of control of a subsidiary, the remaining equity interest is remeasured at its fair value at the date of loss of control. The difference between the sum of the consideration received for the disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on a continuing basis from the date of purchase in proportion to the original shareholding, is included in investment income in the period in which control is lost and goodwill is eliminated. Other comprehensive income, etc. relating to the equity investment in the original subsidiary is transferred to current investment income when control is lost.

Where the transactions for the disposal of an equity investment in a subsidiary until the loss of control are part of a package, the transactions are accounted for as one disposal of an equity investment in a subsidiary and loss of control, distinguishing between individual financial statements and consolidated financial statements for the relevant accounting treatment.

（1）In individual financial statements, the difference between the disposal price and the carrying amount of the long-term equity investment corresponding to the equity interest disposed of prior to the loss of control is recognized as other comprehensive income and is transferred to profit or loss in the period in which control is lost.

（2）In consolidated financial statements, the difference between the disposal price and the share of the net assets of the subsidiary corresponding to the disposal of the investment for each disposal prior to the loss of control is recognized as other comprehensive income and is transferred to profit or loss in the period in which control is lost.

vi. Impairment test method and impairment provision method

On the balance sheet date, if the book value of the long-term equity investment is greater than the share of the book value of the owner's equity of the invested entity, the long-term equity investment shall be tested for impairment in accordance with the accounting standards for Business Enterprises No. 8 - asset impairment. If the recoverable amount is lower than the book value of the long-term equity investment, the impairment provision shall be withdrawn. The recoverable amount of the long-term equity investment is determined according to the higher one between the net amount of the fair value of the single long-term equity investment minus the disposal expenses and the present value of the estimated future cash flow of the long-term equity investment. When the recoverable amount of long-term equity investment is lower than the book value, the book value of the asset shall be written down to the recoverable amount, and the written down amount shall be recognized as asset impairment loss and included in the current profit and loss, and the corresponding asset impairment provision shall be withdrawn at the same time.

Once the impairment loss of long-term equity investment is recognized, it will not be reversed.

15. Investment properties

The Company's investment properties are recorded at their cost.

Investment properties are real estate held to earn rentals or for capital appreciation, or both, and include land use rights that have been leased out, land use rights that are held and intended to be transferred upon appreciation, and buildings that have been leased out. In addition, vacant buildings held by the Company for operating leases are also reported as investment properties if the Board of Directors has made a written resolution that they will be used for operating leases and the intention to hold them will not change in the near future.

The Company's investment properties are recorded at their cost. The cost of acquired investment properties comprises the purchase price, related taxes and other expenses directly attributable to the asset; the cost of self-constructed investment properties consists of the necessary expenditure incurred in the construction of the asset until it reaches its intended useable state.

The Company uses the cost model for subsequent measurement of investment properties and depreciates or amortizes buildings and land use rights over their estimated useful lives and net residual values.

Estimated useful lives, net residual value rate and annual depreciation (amortization) rate of investment real estate are listed as follows:

Categories	Estimated useful lives (years)	Estimated net residual value rate (%)	Annual depreciation (amortization) rate (%)
Buildings	30	5	3.17

When the use of an investment property is changed to self-use, the Company converts the investment property to a fixed asset or intangible asset from the date of the change. When the use of a self-use property is changed to earn rent or capital appreciation, the Company converts the fixed assets or intangible assets to investment properties from the date of the change. When conversion occurs, the book value before conversion is used as the recorded value after conversion.

On the balance sheet date, the company estimates the recoverable amount of investment real estate with signs of impairment. If the recoverable amount is lower than its book value, the corresponding impairment loss shall be recognized. Once the impairment loss of investment real estate is recognized, it will not be reversed.

Investment properties are derecognized when they are disposed of, or permanently withdrawn from use and no economic benefits are expected from their disposal. Proceeds from the disposal of investment properties that are sold, transferred, scrapped or destroyed, net of their carrying amounts and related taxes, are credited or charged to current profit or loss.

16. Fixed assets

i. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for the production of goods, the provision of services, rental or management and have a useful life of more than one accounting year. Fixed assets are recognized when the following conditions are also met.

(1) It is probable that the economic benefits associated with the fixed asset will flow to the business.

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

ii. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost, including

(1) The cost of an externally acquired fixed asset comprises the purchase price, related taxes and duties such as import duties, and other expenditure directly attributable to the fixed asset incurred in bringing it to its intended useable condition.

(2) The cost of self-constructed fixed assets consists of the necessary expenditure incurred in the construction of the asset until it reaches its intended useable condition.

(3) Fixed assets invested by investors are recorded at the value agreed in the investment contract or agreement, except where the agreed value in the contract or agreement is not fair, in which case it is recorded at fair value.

(4) Where the purchase price of a fixed asset is deferred beyond normal credit terms and is

substantially of a financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price is charged to current profit or loss over the period of the credit, except where capitalization is required.

iii. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation on fixed assets is provided over their estimated useful lives and depreciation rate is determined based on categories of fixed assets, expected service life and expected net residual value rate, except for the fixed assets that have been fully depreciated and are still in use and the land separately priced and recorded.

For the fixed assets formed by special reserve expenditure, the special reserve shall be offset according to the cost of forming fixed assets, and the accumulated depreciation of the same amount shall be recognized. The fixed assets will not be depreciated in future periods.

The Company determines the useful lives and estimated net residual values of fixed assets based on the nature and use of the fixed assets. The useful lives, estimated net residual values and depreciation methods of fixed assets are also reviewed at the end of the year and adjusted accordingly if there are differences from the original estimates.

The depreciation methods, depreciable lives and annual depreciation rates for each class of fixed assets are as follows.

Category	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	30 years	5	3.17
Machinery and equipment	5-15 years	5	6.33-19
Transport equipment	4-25 years	5	3.8-23.75
Office equipment	5 years	5	19

(2) Subsequent expenditure on fixed assets

Subsequent expenditure relating to fixed assets is charged to the cost of fixed assets if the conditions for recognition of fixed assets are met; if the conditions for recognition of fixed assets are not met, it is charged to current profit or loss as incurred.

(3) Fixed asset disposal

Fixed assets are derecognized when they are disposed of, or when no economic benefits are expected to arise from their use or disposal. Proceeds from the disposal of fixed assets on sale, transfer, retirement or destruction, net of their carrying amount and related taxes, are included in profit or loss for the current period.

iv. Impairment test method and impairment provision method of fixed assets

The company judges whether there is any sign of possible impairment of fixed assets at the end of each period.

If there are signs of impairment of fixed assets, the recoverable amount shall be estimated. The recoverable amount is determined according to the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the present value of the estimated future cash flow of the fixed assets.

When the recoverable amount of fixed assets is lower than its book value, the book value of fixed assets shall be written down to the recoverable amount, and the written down amount shall be recognized as the impairment loss of fixed assets and included in the current profits and losses, and the corresponding provision for impairment of fixed assets shall be withdrawn at the same time.

After the impairment loss of fixed assets is recognized, the depreciation of impaired fixed assets shall be adjusted accordingly in the future period, so that the adjusted book value of fixed assets (deducting the estimated net residual value) can be systematically apportioned within the remaining service life of the fixed assets.

Once the impairment loss of fixed assets is recognized, it will not be reversed in subsequent accounting periods.

If there is any indication that a fixed asset may be impaired, the enterprise estimates its recoverable amount based on a single fixed asset. If it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group shall be determined based on the asset group to which the fixed asset belongs.

v. Recognition basis, valuation method and depreciation method of fixed assets under financing lease

When the fixed assets leased by the company meet one or more of the following standards, they are recognized as fixed assets under financing lease:

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

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

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

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

(5) The leased assets are special in nature and can only be used by the company without major transformation.

For the fixed assets leased under finance lease, the lower of the fair value of the leased assets and the present value of the minimum lease payment on the lease start date shall be taken as the book value. The minimum lease payment shall be regarded as the book value of long-term accounts payable, and the difference shall be regarded as unrecognized financing expenses. The initial direct expenses incurred in the process of lease negotiation and signing the lease contract, such as handling fees, lawyer fees, travel expenses and stamp duty, which can be attributed to the lease project, are included in the value of the leased assets. Unrecognized financing expenses shall be amortized using the effective interest rate method during each period of the lease term.

The company adopts the depreciation policy consistent with its own fixed assets to withdraw the depreciation of fixed assets under financing lease. If it can be reasonably determined that the ownership of the leased asset is obtained at the expiration of the lease term, depreciation shall be accrued within the service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the service life of the leased asset.

17. Construction in progress

i. Classification of construction in progress

The Company's self-constructed construction in progress is carried out at actual cost, which comprises the necessary expenditure incurred in the construction of the asset until it reaches its intended useable state, including the cost of materials used in the construction, labour costs, relevant taxes paid, borrowing costs to be capitalized and share of Administrative expense.The construction in progress of the company is accounted by project classification.

ii. Criteria and timing for the transfer of construction in progress to fixed assets

Construction-in-progress projects are recorded as fixed assets at the value of all expenditure incurred in the construction of the asset before it reaches its intended useable state. If the construction in progress has reached its intended useable state but has not yet been completed, it is transferred to fixed assets at its estimated value from the date it reaches its intended useable state, based on the budget, cost or actual cost of the project, and depreciated in accordance with the Company's policy on depreciation of fixed assets, and the original provisional estimated value is adjusted to the actual cost after the completion of the final account, but not the original depreciation already provided. The depreciation is not adjusted to the original depreciated amount.

iii. Impairment test method and impairment provision method of construction in progress

The company judges whether there is any sign of possible impairment of construction in progress at the end of each period.

If there is any indication that a construction in progress may be impaired, the company estimates its recoverable amount on the basis of a single construction in progress. If it is difficult for an enterprise to estimate the recoverable amount of a single project under construction, the recoverable amount of the asset group shall be determined based on the asset group to which the project under construction belongs. The recoverable amount is determined according to the higher one between the net amount of the fair value of the construction in progress minus the disposal expenses and the present value of the estimated future cash flow of the construction in progress.

When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress shall be written down to the recoverable amount, and the written down amount shall be recognized as the impairment loss of the construction in progress and included in the current profit and loss, and the corresponding impairment provision of the construction in progress shall be withdrawn at the same time. Once the impairment loss of construction in progress is recognized, it will not be reversed in subsequent accounting periods.

18. Borrowing costs

i. Principles for recognition of capitalized borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition or production of assets eligible for capitalization are capitalized and charged to the cost of the relevant assets; other borrowing costs are recognized as expenses when incurred and charged to current profit or loss in accordance with the amounts incurred.

Assets eligible for capitalization are assets such as fixed assets, investment properties and inventories that require a substantial period of time for their acquisition or production activities to reach their intended use or saleable condition.

Capitalization of borrowing costs commences when both of the following conditions are met.

（1） Expenditure on assets has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization.

（2） Borrowing costs have been incurred.

（3） The acquisition or production activities necessary to bring the asset to its intended use or saleable condition have commenced.

ii. Period of capitalization of borrowing costs

The capitalization period is the period from the point at which capitalization of borrowing costs commences to the point at which capitalization ceases, excluding the period during which capitalization of borrowing costs is suspended.

Borrowing costs cease to be capitalized when the acquisition or production of an asset eligible for capitalization reaches its intended use or saleable condition.

When part of the acquisition or production of an asset eligible for capitalization is completed separately and can be used separately, the borrowing costs for that part of the asset cease to be capitalized.

Capitalization of borrowing costs ceases on completion of the asset as a whole if the parts of the asset that are acquired or produced are completed separately but must wait until the asset is completed as a whole before it can be used or sold to the public.

iii. Period of suspended capitalization

Borrowing costs are suspended when there is an unusual interruption in the process of acquisition or production of an asset eligible for capitalization that lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended useable or saleable condition, the borrowing costs continue to be capitalized. Borrowing costs Amount accounted for the current period of interruption are recognized in profit or loss until the acquisition or production of the asset recommences and the borrowing costs continue to be capitalized.

iv. Calculation of the amount of borrowing costs capitalized

Interest expenses on specialized borrowings (net of interest income earned on unused borrowed funds deposited in banks or investment income earned on temporary investments) and their ancillary costs are capitalized until the assets eligible for capitalization acquired or produced reach their intended use or saleable condition

The amount of interest to be capitalized on general borrowings is calculated by multiplying the weighted average amount of asset expenditure in excess of the cumulative asset expenditure over the special borrowings by the capitalization rate of the general borrowings taken up. The capitalization rate is determined based on the weighted average interest rate on general borrowings.

Where there is a discount or premium on borrowings, the amount of discount or premium to be amortized in each accounting period is determined by the effective interest method, adjusting the amount of interest for each period.

During the capitalization period, all the exchange differences of foreign currency specialized borrowings shall be capitalized; the exchange differences of foreign currency general borrowings are included in the current profits and losses.

19. Right-of-use assets

The Company initially measures right-of-use assets at cost, which comprises:

1) The initial measurement amount of the lease liability.

2) The amount of lease payments made on or before the commencement date of the lease term for which a lease incentive exists, less the amount relating to the lease incentive already taken.

3) The initial direct costs incurred by the Company.

4) Costs expected to be incurred by the Company to dismantle and remove the leased asset, restore the site on which the leased asset is located or restore the leased asset to its agreed condition under the terms of the lease (excluding costs incurred to produce the inventory).

Subsequent to the commencement date of the lease term, the Company uses the cost model for the subsequent measurement of right-of-use assets.

Where it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company provides depreciation over the remaining useful life of the leased asset. Where it is not reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company depreciates the asset over the shorter of the lease term or the remaining useful life of the leased asset. Right-of-use assets for which provision for impairment has been made are depreciated in future periods at their carrying amount net of provision for impairment, with reference to the above principles.

20. Intangible assets

Intangible assets are identifiable non-monetary assets without physical form owned or controlled by the

Company, including software usage rights.

i. Initial measurement of intangible assets

The cost of an externally acquired intangible asset comprises the purchase price, related taxes and other expenditure directly attributable to bringing the asset to its intended use. Where the purchase price of an intangible asset is deferred beyond normal credit terms and is substantially of a financing nature, the cost of the intangible asset is determined on the basis of the present value of the purchase price.

When a debt restructuring acquires an intangible asset used by the debtor to offset its debt, the fair value of the intangible asset is used to determine its recorded value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used to offset the debt is recognized in profit or loss for the period.

Provided that the exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged or the asset being exchanged can be measured reliably, intangible assets acquired in exchange for non-monetary assets are recorded at the fair value of the asset being exchanged, unless there is conclusive evidence that the fair value of the asset being exchanged is more reliable; for non-monetary asset exchanges that do not meet the above prerequisites, the carrying amount of the asset being exchanged and the related tax payable are used as the cost of the intangible asset being exchanged and no gain or loss is recognized.

Intangible assets acquired by way of absorption of enterprises under common control are recorded at the carrying amount of the party being consolidated; intangible assets acquired by way of absorption of enterprises not under common control are recorded at fair value.

The cost of an intangible asset developed in-house includes materials used in the development of the intangible asset, labour costs, registration fees, amortization of other patents and licences used in the development process and interest costs that meet the conditions for capitalization, and other direct costs incurred in bringing the intangible asset to its intended use.

ii. Subsequent measurement of intangible assets

The Company analyses and determines the useful life of intangible assets at the time of acquisition and classifies them as intangible assets with finite or indefinite useful lives.

The intangible assets of the company are intangible assets with finite useful lives.

Intangible assets with finite useful lives are amortized on a straight-line basis over the period that they provide economic benefits to the business. The estimated lives of intangible assets with finite useful lives and the basis for these are as follows.

Category	Useful lives (years)	Remarks
Software usage rights	5 years	straight-line basis

At the end of each period, the useful lives and amortization methods of intangible assets with finite useful lives are reviewed and adjusted accordingly if they differ from the original estimates.

Upon review, the useful lives and amortization methods of intangible assets at the end of the period are not different from previous estimates.

iii. Accrual of provision for impairment of intangible assets

For intangible assets with definite useful lives, if there are obvious signs of impairment, they are tested for impairment at the end of period.

For intangible assets with indefinite useful lives, they are tested for impairment at each accounting period.

Impairment test on intangible assets is conducted and their recoverable amount is estimated. The recoverable amount of an asset is estimated based on the higher of its fair value less costs of disposal and the present value of the asset's expected future cash flows.

If the recoverable amount measurement indicates that the recoverable amount of a long-lived asset is less than its carrying amount, the carrying amount of the long-lived asset is written down to its recoverable amount and the amount written down is recognized as an asset impairment loss and charged to current profit or loss, with a corresponding provision for asset impairment.

After an impairment loss on an asset is recognized, the depreciation or amortization charge on the impaired asset is adjusted accordingly in future periods so that the adjusted carrying amount of the asset (net of estimated net residual value) is apportioned systematically over the remaining useful life of the asset.

Once an asset impairment loss is recognized, it is not reversed in subsequent accounting periods.

If an indication of impairment exists for a long-lived asset, the recoverable amount is estimated on an individual asset basis; if it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs.

21. Long-term deferred expenses

Long-term deferred expenses is defined as each expense that has been incurred by the Company but should be borne by the current and future periods and is spread over a period of more than one year. Long-term deferred expenses is amortized on a straight-line basis over the period of benefit. The long-term deferred expenses incurred by the company are valued at actual cost and amortized evenly according to the expected benefit period. For the long-term deferred expenses that cannot benefit the future accounting period, the amortized value of the item shall be included in the current profit and loss when it is determined.

22. Contract liabilities

The Company recognizes the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contractual liability.

23. Impairment of non current non-financial assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured in cost model, long-term equity investment in subsidiaries, joint ventures and associates, goodwill and other non current and non-financial assets, the company determines whether there is any sign of impairment on the balance sheet date. If there are signs of impairment, the recoverable amount shall be estimated and impairment test shall be conducted. Goodwill, intangible assets with indefinite useful lives and intangible assets that have not yet reached the usable state shall be subject to impairment test every year regardless of whether there are signs of impairment.

If the impairment test results show that the recoverable amount of the asset is lower than its carrying amount, the impairment provision shall be withdrawn according to the difference and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of assets is determined according to the price of sales agreement in fair transaction; If there is no sales agreement but there is an active asset market, the fair value shall be determined according to the buyer's bid of the asset; If there is no sales agreement and an active asset market, the fair value of the asset is estimated based on the best available information. Disposal expenses include legal expenses related to the disposal of assets, relevant taxes, handling expenses and direct expenses incurred to make the assets marketable. The present value of the estimated future cash flow of an asset is determined by selecting an appropriate discount rate according to the estimated future cash flow generated during the continuous use and final disposal of the asset. The provision for asset impairment is calculated and recognized on the basis of individual assets. If it is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group is determined by the asset group to which the asset belongs. Asset group is the smallest asset portfolio that can generate cash inflow independently.

For the goodwill separately listed in the financial statements, the carrying amount of the goodwill shall be apportioned to the asset group or combination of asset groups expected to benefit from the synergy of business combination during the impairment test. If the test results show that the recoverable amount of the asset group or combination of asset groups containing the amortized goodwill is lower than its carrying amount, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the carrying amount of the goodwill allocated to the asset group or asset group combination, and then offset the carrying amount of other assets in proportion according to the proportion of the carrying amount of other assets other than goodwill in the asset group or asset group combination.

Once an asset impairment loss is recognized, it is not reversed in subsequent accounting periods.

24. Employee benefits

Employee benefits refers to all forms of remuneration or compensation given by the Company for services rendered by employees or for the termination of employment relationships. Employee benefits includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

i. Short-term remuneration

Short-term compensation is defined as compensation payable in full to employees, other than post-employment and termination benefits, within twelve months after the end of the annual reporting period in which the employees render the related services. The Company recognizes short-term compensation payable as a liability in the accounting period in which the employee performs the services and includes it in the cost of the related assets and expenses, depending on the beneficiary of the services provided by the employee.

ii. Post-employment benefits

Post-employment benefits are all forms of remuneration and benefits, other than short-term remuneration and termination benefits, provided by the Company to obtain services rendered by an employee after retirement or termination of employment with the Company.

The Company's post-employment benefit plans are classified as defined contribution plans and defined benefit plans.

The defined contribution plans for post-employment benefits are mainly for participation in the basic social pension insurance and unemployment insurance administered by local labour and social security institutions; the amounts to be contributed under the defined contribution plans are recognized as liabilities in the accounting period in which the employees render services to the Company and are charged to current profit or loss or to the cost of related assets.

No further payment obligations will arise after the Company has made regular payments of the above amounts in accordance with the rates set by the State.

iii. Termination benefits

Termination benefits are compensation given by the Company to employees for the termination of their employment relationship prior to the expiry of their employment contracts or to encourage voluntary redundancy, and a liability is recognized for compensation given for the termination of employment relationship with employees at the earlier of the time when the Company is unable to unilaterally withdraw the termination plan or the proposed redundancy and the time when costs associated with the restructuring involving the payment of termination benefits are recognized..The Company recognizes a liability arising from the termination of the employment relationship with the employee, which is also charged to current profit or loss.

The Company provides internal retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits refer to the salaries and social insurance contributions paid to employees who have not reached the retirement age set by the State and who have voluntarily retired from their jobs with the approval of the Company's management. The Company pays internal retirement benefits to internally retired employees from the date of commencement of internal retirement arrangements until the employees reach normal retirement age. For internal retirement benefits, the Company accounts for them in the same manner as termination benefits, and recognizes as a liability the salaries to be paid and social insurance contributions to be paid on behalf of internally retired employees from the date the employees cease to render service until the normal retirement date, etc., as a one-time charge to current profit or loss when the relevant recognition criteria for termination benefits are met. Differences arising from changes in actuarial assumptions and adjustments to benefit standards for internally retired benefits are charged to current profit or loss as incurred.

iv. Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits that qualify as defined contribution plans, the amount to be contributed is recognized as a liability in the accounting period in which the employee performs services for the Company and is charged to current profit or loss or the cost of the related asset. For other long-term employee benefits other than the above circumstances, the net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the above accounting policies for defined benefit plans.

25. Lease liabilities

The Company initially measures the lease liability at the present value of the lease payments outstanding at the commencement date of the lease term. In calculating the present value of the lease payments, the Company uses the interest rate embedded in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. Lease payments consist of:

1）Fixed payments, net of amounts related to lease incentives, and substantive fixed payments.

2）Variable lease payments that depend on an index or rate.

3）The lease payment amount includes the exercise price of the purchase option where the Company is reasonably certain that the option will be exercised.

4）Where the lease term reflects that the Company will exercise the option to terminate the lease, the lease payments include the amount required to be paid to exercise the option to terminate the lease.

5）The amount expected to be paid based on the residual value of the guarantee provided by the Company.

The Company calculates the interest expense on the lease liability over the lease term at a fixed discount rate and includes it in current profit or loss or the cost of the related asset.

Variable lease payments that are not included in the measurement of the lease liability should be charged to current profit or loss or to the cost of the related asset when they are actually incurred.

26. Projected liabilities

i. Criteria for recognition of projected liabilities

The Company recognizes a projected liability when the obligation associated with the contingency meets both of the following conditions.

（1）The obligation is a present obligation assumed by the Company.

（2）It is probable that the discharge of the obligation will result in an outflow of economic benefits to the Company.

(3) The amount of the obligation can be measured reliably.

ii. Measurement of projected liabilities

The Company's projected liabilities are initially measured at the best estimate of the expenditure required to settle the related present obligation.

In determining the best estimate, the Company considers the risks associated with the contingencies, uncertainties and the time value of money. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with separately as follows.

(1) Where there is a continuous range (or interval) of required expenditure and the likelihood of various outcomes within that range is equal, the best estimate is determined as the average of the middle of the range, i.e. the upper and lower amounts.

(2) Where there is no continuous range (or interval) of expenditure required, or where there is a continuous range but the probabilities of various outcomes within that range are not the same, the best estimate is determined as the most probable amount if the contingency relates to a single item; where the contingency relates to more than one item, the best estimate is determined on the basis of various probable outcomes and associated probabilities.

(3) Where the Company expects to be reimbursed by a third party for all or part of the expenditure required to settle a projected liability, the amount of reimbursement is recognized separately as an asset when it is virtually certain that it will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the projected liability.

27. Bonds Payable

i. General corporate bonds

For bonds payable measured at fair value and whose changes are included in the current profits and losses, the fair value shall be taken as the initial recognition amount, and the relevant transaction expenses shall be directly included in the current profits and losses, and the subsequent measurement shall be carried out according to the fair value.

For other types of bonds payable, the sum of their fair value and relevant transaction expenses shall be taken as the initial recognition amount, and the amortized cost shall be used for subsequent measurement. Premium or discount refers to the adjustment of interest expenses during the duration of bonds payable, which shall be amortized using the effective interest rate method during the duration of bonds.

ii. Convertible corporate bonds

The convertible corporate bonds issued by the company are divided into liabilities and equity component at initial recognition and processed separately. The liabilities component is recognized as bonds payable and equity component is recognized as capital reserves. In the division, the future cash flow of the liability component is discounted to determine the initial recognition amount of the liability component, and then the initial recognition amount of the equity component is determined according to the amount after deducting the initial recognition amount of the liability component from the total issue price. The transaction costs incurred in issuing convertible corporate bonds shall be apportioned between the liability component and the equity component according to their relative fair values respectively.

28. Other financial instruments such as preferred stocks and perpetual bonds

For financial instruments classified as equity instruments, the interest expense or dividend distribution shall be regarded as the profit distribution of the issuing enterprise, the repurchase and cancellation shall be treated as changes in equity, and the transaction expenses such as handling fees and commissions shall be deducted from equity.

For the financial instruments classified as financial liabilities, the interest expenditure or dividend distribution shall be treated according to the borrowing costs in principle, the gains or losses arising from the repurchase or redemption shall be included in the current profits and losses, and the transaction costs such as handling fees and commissions shall be included in the initial measurement amount of the issued instruments.

29. Revenue

The revenue shall be recognized when the client obtains control of the relevant product if the contract meets the following conditions at the same time: the parties to the contract have approved the contract and promised to fulfill their obligations; the contract clarifies the rights and obligations of the parties to the contract in relation to the transferred goods or the provision of labor services; The contract has clear payment terms related to the transferred goods; the contract has a commercial substance, that is, the performance of the contract will change the company's future cash flow risk, time distribution or amount; the consideration that the company is entitled to obtain due to the transfer of goods to client is likely to be recovered.

On the starting date of the contract, the Company identifies each individual performance obligation in the contract, and allocates the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation. When determining the transaction price, the influence of factors such as variable consideration, major financing components in the contract, non-cash consideration, and consideration payable to client are considered.

For each individual performance obligation in the contract, if one of the following conditions is met, the company will recognize the transaction price allocated to the individual performance obligation as revenue according to the performance progress during the relevant performance period: the client obtains and consumes the economic benefits brought by the company's performance at the same time as the company's performance; client can control the products under construction during the company's performance; the products produced by the Company during the performance have irreplaceable uses, and the company has the right to collect payment for the accumulated performance part of the contract during the entire contract period. The progress of performance is determined by the input method or output method according to the nature of the transferred goods. When the performance progress cannot be reasonably determined, if the cost incurred by the Company 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.

If the above conditions are not met, the Company will recognize the transaction price allocated to the individual performance obligation as revenue when the client obtains control of the relevant product. When judging whether the client has obtained control of the product, the Company considers the following signs: the Company enjoys the current right of collection for the product, that is, the client has the current payment obligation for the product; the Company has transferred the legal ownership of the product to the client, that is, the client has the legal ownership of the product; the Company has transferred the product to the client, that is, the customer has taken possession of the product; The Company has transferred the main risks and rewards of the ownership of the product to the client, that is, the client has obtained the major risks and rewards of the ownership of the product; the customer has accepted the product; other signs that the customer has obtained control of the product.

According to the contract, the company recognizes the revenue on the date when the rent should be collected. For financial leasing, the company recognizes the revenue according to the amount of non tax rental revenue, and for operating leasing, the company recognizes the revenue according to the amount of non tax rental revenue.

30. Government grants

i. Type

Government grants, which are monetary and non-monetary assets, are obtained by the Company from the government without consideration, excluding the capital invested by the government as the owner of the enterprise Government grants are classified as asset-related government grants and revenue-related government grants based on the recipients of the grants as specified in the relevant government documents.

For government grants that are not specified in government documents, the Company classifies them as asset-related government grants or revenue-related government grants based on the actual grant recipients. See notes to other current liabilities / other non current liabilities / non operating income items in note VIII to the financial statements for details of relevant judgment basis.

Government grants related to assets are government grants acquired by the Company for the acquisition or other formation of long-term assets. Government grants related to revenue are government grants other than those related to assets.

ii. Recognition of government grants

Government grants are recognized at the amount receivable if there is evidence that the company can meet the relevant conditions set out in the financial support policy at the end of the period and the financial support funds are expected to be received. Otherwise, government grants are recognized when they are actually received.

Government grants are measured at the amount received or receivable if they are monetary assets. Government grants that are non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, they are measured at a nominal amount (RMB1yuan). Government grants measured at nominal amounts are recognized directly in profit or loss for the period.

iii. Accounting treatment

According to the essence of economic business, the company determines whether a certain type of government subsidy business should be accounted with the total amount method or the net amount method. Generally, the company only selects one method for similar or similar government subsidy business, and consistently applies this method to this business. The government subsidies of the company are calculated by the total amount method.

Government grants related to assets should be written down to the carrying amount of the related assets or recognized as deferred income. Government grants related to assets that are recognized as deferred income are recognized in profit or loss over the useful lives of the assets constructed or purchased in accordance with a reasonable and systematic method.

Government grants related to revenue, which are used to compensate the enterprise for relevant expenses or losses in subsequent periods, are recognized as deferred income and charged to current profit or loss or reduced to relevant costs in the period in which the relevant expenses or losses are recognized; if they are used to compensate the enterprise for relevant expenses or losses already incurred, they are charged directly to current profit or loss or reduced to relevant costs when acquired.

Government grants that are related to the ordinary activities of the enterprise are included in other income or offset against related costs and expenses; government grants that are not related to the ordinary activities of the enterprise are included in non-operating income and expenses.

iv. For the policy preferential subsidized interest the Company shall make accounting treatment according to the following two ways obtained.

A. If the government allocates the interest subsidy funds to the loan bank, the loan bank provides loans to the company at a policy preferential interest rate. The fair value of the loan will be used as the book value of the loan and the borrowing costs will be calculated according to the effective interest rate method. The difference between the actual amount received and the fair values of the loan shall be recognized as deferred income. Deferred income shall be amortized over the period of the borrowing using the effective interest method to offset the related borrowing costs.

B. If the government directly allocates the subsidized interest to the company, the subsidized interest will be offset against the relevant borrowing costs.

v. If the confirmed government subsidy needs to be returned, it shall be handled as follows:

A. If there is any related deferred income, the book balance of the deferred income shall be written off, and the excess shall be included in the current profit and loss.

B、 In other cases, it will be directly included in the current profit and loss.。

31. Deferred income tax assets and deferred income tax liabilities

i. Basis for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences.

ii. Basis for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities for unpaid taxable temporary differences between the current and prior periods. However, it does not include the temporary difference arising from goodwill and transactions not arising from business combination, which will not affect the accounting profit or taxable income (or deductible loss) when the transaction occurs.

iii. Deferred income tax assets and deferred income tax liabilities are stated at net of offset when the following conditions are also met

（1）An enterprise has a legal right to settle current income tax assets and current income tax liabilities on a net basis.

（2）Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities, but in each future period in which the deferred income tax assets and deferred income tax liabilities are reversed in a material way, the taxable entities involved intend to settle current income tax assets and current income tax liabilities on a net basis or to acquire assets and settle liabilities simultaneously.

Generally, in individual financial statements, current income tax assets and liabilities, deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset. In the consolidated financial statements, for the enterprises included in the consolidation scope, the current income tax assets or deferred income tax assets of one party and the current income tax liabilities or deferred income tax liabilities of the other party are generally not offset, unless the enterprises involved have the legal right to settle on a net basis and intend to settle on a net basis.

32. Leasing

At the inception date of a contract, the Company assesses whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if one party to the contract cedes the right to control the use of one or more identified assets for a specified period of time in exchange for consideration.

i. Splitting of lease contracts

If the contract includes multiple separate leases at the same time, the company will split the contract and conduct accounting treatment for each separate lease.

When a contract contains both lease and non-lease components, the Company splits the lease and non-lease components, with the lease component being accounted for in accordance with the lease standard and the non-lease component being accounted for in accordance with other applicable corporate accounting standards.

ii. Consolidation of lease contracts

Two or more contracts containing leases entered into by the Company and the same counter-party or its related parties at the same or similar times are combined into one contract for accounting purposes when one of the following conditions is met.

（1）The two or more contracts are entered into for a general commercial purpose and constitute a package deal, the general commercial purpose of which cannot be understood unless considered as a whole.

（2）The amount of consideration for one of the two or more contracts is dependent on the pricing or performance of the other contract.

（3）The rights to use the assets ceded by the two or more contracts taken together constitute a single lease.

iii. Accounting for the Company as a lessee

At the inception date of the lease, the Company recognizes right-of-use assets and lease liabilities for leases, except for short-term leases and leases of low-value assets for which simplified treatment is applied.

iv. Accounting for the Company as a lessor

（1）Classification of leases

The Company classifies leases as finance leases and operating leases at the inception date of the lease. A finance lease is a lease that transfers substantially all the risks and rewards associated with ownership of the leased asset, and title to which may or may not ultimately pass. Operating leases are leases other than finance leases.

A lease is normally classified by the Company as a finance lease if one or more of the following circumstances exist.

1）At the end of the lease term, ownership of the leased asset is transferred to the lessee.

2）The lessee has an option to purchase the leased asset and the purchase price entered into is sufficiently low compared to the fair value of the leased asset at the time the option is expected to be exercised so that it is reasonably certain that the lessee will exercise the option at the inception date of the lease.

3）Although ownership of the asset does not pass, the lease term represents the majority of the useful life of the leased asset.

4）At the inception date of the lease, the present value of the lease receipt amount is almost equal to the fair value of the leased asset.

5) Leased assets are special in nature and can only be used by the lessee if no major alterations are made.

A lease may also be classified by the Company as a finance lease if one or more of the following indications exist.

1) If the lessee revokes the lease, any damage caused to the lessor by the revocation shall be borne by the lessee.

2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset are attributable to the lessee.

3) The lessee has the ability to continue the lease into the next period at a rent well below market level.

(2) Accounting for finance leases

On the commencement date of the lease term, the Company recognizes finance lease receivables for finance leases and derecognizes the finance lease assets.

Finance lease receivables are initially measured at the sum of the unguaranteed residual value and the present value of the lease receipts outstanding at the commencement date of the lease, discounted at the interest rate embedded in the lease, as the recorded value of the finance lease receivables. The amount of lease receipts comprises.

1) The amount of fixed payments, net of amounts related to lease incentives, and the amount of substantive fixed payments.

2) Variable lease payments that depend on an index or rate.

3) Where it is reasonably certain that the lessee will exercise the option to purchase, the amount of the lease receipt includes the exercise price of the option to purchase.

4) The lease term reflects the amount of lease receipts including payments required to be made by the lessee to exercise the option to terminate the lease if the lessee will exercise the option to terminate the lease.

5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party financially capable of meeting the guarantee obligation.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed lease embedded interest rate, and variable lease payments acquired that are not included in the net lease investment measurement are recognized in profit or loss as they are actually incurred.

(3) Accounting for operating leases

The Company recognizes lease receipts from operating leases as rental income using the straight-line method or other systematic and reasonable method in each period of the lease term; capitalized initial direct costs incurred in connection with operating leases are amortized over the lease term on the same basis as rental income is recognized and are recognized in profit or loss in the current period; variable lease payments acquired in connection with operating leases that are not included in the lease receipts are charged to current profit or loss when they are actually incurred.

33. Category held for sale

i. Basis for recognition of category held for sale

The company recognizes non current assets or disposal groups that meet the following conditions as held for sale components：

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

（2）The sale is most likely to happen, ie. the Company has already resolved a sale plan and obtained a certain purchase commitment, which is expected to be completed within one year.

The certain purchase commitment refers to the legally binding purchase agreement signed between the company and other parties, which contains important terms such as transaction price, time and sufficiently severe penalty for breach of contract, so that there is little possibility of major adjustment or cancellation of the agreement.

ii. Accounting method for category held for sale

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized. If the net amount of the fair value less the disposal expenses is lower than the original book value, the difference is recognized as the asset impairment loss included in the current profit and loss, and the provision for impairment of assets held for sale shall be made.

For the non current assets or disposal groups classified as held for sale on the acquisition date, the book value shall be measured initially as the lower of the initial measurement amount under the assumption that they are not classified as held for sale and the net amount of fair value less selling expenses.

The above principles are applicable to all non current assets, but do not include investment proprertities subsequently measured by fair value model, biological assets measured by net amount of fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts

34. Measurement of fair value

i. Financial instruments not measured by fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, accounts payable, non current liabilities and long-term borrowings due within one year, and equity instrument investments that are not quoted in the active market and whose fair value cannot be reliably measured.

The difference between the book value and the fair value of the above financial assets and liabilities not measured at fair value is very small, or according to the standards for recognition and measurement of financial instruments, the equity instrument investment that has no quotation in the active market and whose fair value cannot be measured reliably is measured at cost.

ii. Financial instruments measured by fair value

Financial instruments measured by fair value includes trust units, fund products, subordinated bonds and liabilities not measured by fair value.

The Company uses valuation techniques that are applicable in the current circumstances and that can be supported by sufficient data and other information. The valuation techniques used mainly include market approach, income approach and cost approach. The Company uses one or more of the valuation techniques consistent to measure the fair value, fully considers the reasonableness of each valuation result, and selects the amount that best represents the fair value in the current situation as the fair value.

The fair value measurement is divided into three levels based on the observability of the input value and the importance of the input value to the fair value measurement as a whole.

The input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained on the measurement date in an active market. An active market refers to a market in which the transaction volume and transaction frequency of related assets or liabilities are sufficient to continuously provide pricing information. The second level input value is the input value of the related assets or liabilities that is directly or indirectly observable except the first level input value, which includes: ①Quotes for similar assets or liabilities in active markets. ②Quotes of the same or similar assets or liabilities in inactive markets. ③Other observable input values except quotation, including observable interest rate, yield curve, implied volatility, credit spread, etc. during the normal quotation interval. ④The input value of market verification. The third level input value is the unobservable input value. The Company uses the third level of input only when there is no market activity in the relevant assets or liabilities or when market activities rarely result in the observable input value being unavailable or impractical.

When the company measures assets and liabilities at fair value, it uses the first level input value first, the second level input value second, and the third level input value last.

Iii. Accounting treatment methods

For the accounting treatment problems like measuring the relevant assets or liabilities at fair value, and the changes in fair value being included in the current period 's profit or loss or other comprehensive income, they are regulated by other relevant accounting standards that require or allow the Company to use fair value for measurement or disclosure. And it can refer to other parts in Note IV.

35. Asset securitization business

In applying the accounting policy for securitized financial assets, the Company has considered the degree of risk and reward of assets transferred to other entities, and the extent to which the Company exercises control over the entity:

When the Company has transferred almost all the risks and rewards of ownership of the financial asset, the Company will terminate the recognition of the financial asset. When the Company retains almost all the risks and rewards of ownership of the financial asset, the Company continues to confirm the financial asset. If the Company does not transfer or retain almost all the risks and rewards of ownership of the financial asset, the Company considers whether there is control over the financial asset. If the Company does not retain control, the Company terminates the recognition of the financial asset and recognizes the rights and obligations generated or retained during the transfer as assets or liabilities respectively. If the company retains control, the financial assets are recognized based on the continued involvement of the financial assets.

V Significant changes in accounting policies, accounting estimates and correction of errors in prior periods

To reflect financial situation and operating results of the company ,the Company implemented the Ministry of Finance's [2018 revision] No.35 of AS 21 - Leases effective January 1, 2021, and the Company has adjusted the earliest initial amount of relevant asset liability items involved.Affected by such changes, the balance of fixed assets on January 1, 2021 was reduced by 3,384,255,492.52 yuan, from 17,117,687,124.66 yuan to 13,733,431,632.14 yuan; the balance of right-of-use asstes was increased by 3,394,728,791.38 yuan, from 0.00 yuan to 3,394,728,791.38 yuan; the balance of lease liability was increased by 3,677,769,895.12 yuan, from 0.00 yuan to 3,677,769,895.12 yuan; the balance of the long-term accounts payable was reduced by 3,671,029,146.78 yuan, from 10,967,008,960.53 yuan to 7,295,979,813.75 yuan; the balance of the non current liabilities due within one year was increased by 3,732,550.52 yuan, from 23,561,356,308.45 yuan to 23,565,088,858.97 yuan.

During the reporting period, the Company did not have any significant changes in accounting estimates and any significant correction of errrors in prior periods.

VI TAXATION

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
Enterprise income tax	Taxable income	12.5%、15%、16.5%、20%、25%
VAT	Taxable value added	3%、6%、9%、13%
Urban maintenance and construction tax	Subject to turnover tax	1%、7%
Educational surcharge	Subject to turnover tax	3%

2. Notes of the taxpaying bodies with different enterprises income tax rate:

Company Name	Income tax rate
China Aviation International Holding Co., Ltd	16.50%
Golden Honest Shipping Limited	16.50%
Sun Faith Shipping Limited	16.50%
Fanni Shipping Limited	16.50%
Braving Wind Shipping Co., Limited	16.50%
Flourish Shipping Co. Limited	16.50%
Sino Shine Shipping Co., Limited	16.50%
Crown Ample Limited	16.50%
Pan Pacific Shipping Limited	16.50%
Honest Pleasure Limited	16.50%

Company Name	Income tax rate
Million Star Corporation Limited	16.50%
Goldway Shipping Limited	16.50%
Good Ocean Shipping Limited	16.50%
Good Trend Shipping Limited	16.50%
Great Shipping Limited	16.50%
Soar Vast Limited	16.50%
Soar Rise Limited	16.50%
Multi-Creative Limited	16.50%
Changyihai Limited	16.50%
Able Fantasy Limited	16.50%
Big Ocean Shipping Limited	16.50%
Fine Ocean Shipping Ltd	16.50%
Fast King Shipping Limited	16.50%
Easy Express Shipping Limited	16.50%
Brilliant Cherish Limited	16.50%
HongKong Koresyn Limited	16.50%
Ruihao Industry Limited	16.50%
Yishengda International Co., Limited	16.50%
Soar Great Limited	16.50%
One Star Shipping Limited	16.50%
Golden West Shipping Limited	16.50%
Golden North Shipping Limited	16.50%
Oriental Express Shipping Limited	16.50%
Soar Harmony Shipping Limited	16.50%
Hope Well Shipping Limited	16.50%
Soar Bright Shipping Limited	16.50%
Soar Park Shipping Limited	16.50%
Soar Rich Shipping Limited	16.50%
Glorious Luck Shipping Limited	16.50%
Merit Solar Limited	16.50%
Soar North Shipping Limited	16.50%
Soar Gain Shipping Limited	16.50%
Soar East Shipping Limited	16.50%
Soar Cheer Shipping Limited	16.50%
Soar Wealth Limited	16.50%
Lanqiong Leasing (Haikou) Co., Ltd.	15.00%
Landing Leasing (Haikou) Co., Ltd.	15.00%

Company Name	Income tax rate
Lanke Leasing (Haikou) Co., Ltd.	15.00%
Landong Leasing (Haikou) Co., Ltd.	15.00%
Lanye Leasing (Haikou) Co., Ltd.	15.00%
Lanming Leasing (Haikou) Co., Ltd.	15.00%
Lanmeng Leasing (Haikou) Co., Ltd.	15.00%
Lanbai Leasing (Haikou) Co., Ltd.	15.00%
Lanle Leasing (Haikou) Co., Ltd.	15.00%
Lanlei Leasing (Haikou) Co., Ltd.	15.00%
CAVIC AVIATION LEASING (IRELAND) CO., DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 16 AVIATION LEASING(IRELAND) CO., LIMITED	12.50%
CAVIC 17 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC AVIATION LEASING (IRELAND) 18 CO., LIMITED	12.50%
CAVIC 19 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 20 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC AVIATION LEASING (IRELAND) 21 CO., LIMITED	12.50%
CAVIC AVIATION LEASING FRANCE 21 SARL	12.50%
CAVIC AVIATION LEASING (IRELAND) 22 CO., DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC AVIATION LEASING (IRELAND) 23 CO., LIMITED	12.50%
CAVIC 24 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 25 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC AVIATION LEASING (IRELAND) 26 CO., DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 27 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 28 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 29 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 30 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 31 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 32 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 33 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 34 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 35 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 36 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 37 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 38 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 39 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 40 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 41 DESIGNATED ACTIVITY COMPANY	12.50%

Company Name	Income tax rate
CAVIC 42 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 43 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 44 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 45 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 46 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 47 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 48 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 49 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 50 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 51 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 52 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 53 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 54 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 55 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 56 DESIGNATED ACTIVITY COMPANY	12.50%
CAVIC 57 DESIGNATED ACTIVITY COMPANY	12.50%
SOAR POWER LIMITED	12.50%
AVIC Lanbo Leasing (Shanghai) Co.,Ltd.	5.00%
AVIC Lanzhou Leasing (Shanghai) Co.,Ltd.	5.00%
AVIC Lanhai Leasing (Shanghai) Co.,Ltd.	15.00%
AVIC LanhaoLeasing (Shanghai) Co.,Ltd.	5.00%
Lanjing Leasing (Tianjin) Co., Ltd.	5.00%
Lanwan Leasing (Tianjin) Co., Ltd.	5.00%
Lanzhao Leasing (Tianjin) Co., Ltd.	5.00%
AVIC Lanqiu Leasing (Tianjin) Co.,Ltd.	5.00%、10.00%
AVIC Lantuo Leasing (Tianjin) Co., Ltd.	5.00%、10.00%
AVIC Lanshuyihao Leasing (Tianjin) Co., Ltd.	5.00%、10.00%
AVIC Lanying Leasing (Tianjin) Co., Ltd.	5.00%、10.00%
Hanyue Limited	0%
Hanxing Limited	0%
Hanri Limited	0%
Hailan Limited	0%
Dan Oriental Ltd	0%
Soar fast Limited	0%
Soar quick Limited	0%
Soar Triumph Limited	0%
Soar Trophy Limited	0%

Company Name	Income tax rate
One Star Tokyo Limited	0%
One Star Cloud Limited	0%
One Star Melbourne Limited	0%
One Star Atlantic Limited	0%
Hanchen Limited	0%
One Star MSC LIMITED	0%
GREAT NAVIGATION LIMITED	0%
GREAT SPIRIT LIMITED	0%
GREAT ENERGY LIMITED	0%
GREAT APOLLO LIMITED	0%
Great Cheer Limited	0%
Great East Limited	0%
AVICIL Aquarius Limited	0%
AVICIL Capricorn Limited	0%
AVICIL Libra Limited	0%
AVICIL Scorpio Limited	0%
AVICIL Pisces Limited	0%
GREAT HONOR LIMITED	0%
GREAT HOPE LIMITED	0%
GREAT EPSILON LIMITED	0%
GREAT KAPPA LIMITED	0%
GREAT LAMDA LIMITED	0%
GREAT THITA LIMITED	0%
Great Chemical Tankers 5 Limited	0%
Great Chemical Tankers 6 Limited	0%
Great Kavala Limited	0%
Great Paros Limited	0%
Great Syros Limited	0%
Great Skiathos Limited	0%
Great Sifnos Limited	0%
Great Folegandros Limited	0%
Great Serifos Limited	0%
Glory Mercury Limited	0%
Glory Polaris Limited	0%
Glory Altair Limited	0%
Glory Sirius Limited	0%
HanJiang Limited	0%

Company Name	Income tax rate
Hanhe Limited	0%
Hanhu Limited	0%
Hanhai Limited	0%
GOOD HONOR SHIPPING LIMITED	0%
Glory Snow Limited	0%
Glory Arya Limited	0%
Great Intuition Limited	0%
Great Invention Limited	0%
Great Catalina Limited	0%
Great Monica Limited	0%
Star Bravo shipping limited	0%
Star Antares shipping limited	0%
Star Leo shipping limited	0%
Star Lyra shipping limited	0%
Star Maia shipping limited	0%
Star Hydra shipping limited	0%
Great Beryl Limited	0%
Great Mercury Limited	0%
Great Velocity Limited	0%
Great Orbit Limited	0%
Great Equinox Limited	0%
Great Antipsara Limited	0%
Great Kithira Limited	0%
Great Thasos Limited	0%
Hanyu 1 Limited	0%
Hanyu 2 Limited	0%
Hanyu 3 Limited	0%
Hanyu 4 Limited	0%
Hanyu 5 Limited	0%
Hanyu 6 Limited	0%
Soar Nice Limited	0%
Noble Celsius Shipping Limited	0%
Hanzhou 1 Limited	0%
Hanzhou 2 Limited	0%
GEM 2020 Limited	0%
JADE 2020 Limited	0%
Cool Bear Shipping Limited	0%

Company Name	Income tax rate
Cool Lan Shipping Limited	0%
GREAT RHEA LIMITED	0%
Glory Singapore Limited	0%
Glory Hongkong Limited	0%
Glory Hua Shan Limited	0%
Glory Tai Shan Limited	0%
Glory Heng Shan Limited	0%
Glory Song Shan Limited	0%
BIG LILY SHIPPING LIMITED	0%
BIG PEONY SHIPPING LIMITED	0%
Glory Brisbane Limited	0%
Glory Sydney Limited	0%
Psychic Award Shipping Limited	0%
Psychic Trophy Shipping Limited	0%
Psychic Triumph Shipping Limited	0%
Star Soho Shipping Limited	0%
Star Osceola Shipping Limited	0%
Star Memphis Shipping Limited	0%
Star Lombard Shipping Limited	0%
Han Ci Global Limited	0%
Han Bei Global Limited	0%
Han Xi Global Limited	0%
Han She Global Limited	0%
Honor Coral Limited	0%
Honor Crystal Limited	0%
Honor Pearl Limited	0%
Honor Ruby Limited	0%
Big G One Shipping Limited	0%
Big G Two Shipping Limited	0%
PSYCHIC BRIGHT SHIPPING LTD	0%
PSYCHIC WISE SHIPPING LTD	0%
PSYCHIC INTELLIGENT SHIPPING LTD	0%
PSYCHIC GRACE SHIPPING LTD	0%
PSYCHIC ELEGANT SHIPPING LTD	0%
Bright Rizhao Shipping Limited	0%
Han Zhi Limited	0%
Han Hui Limited	0%

Company Name	Income tax rate
BIG D SHIPPING LIMITED	0%
Bright Palais Shipping Limited	0%
Honor Iris Limited	0%
Honor Dahlia Limited	0%
Honor Ixora Limited	0%
Honor Jasmine Limited	0%
Bright Rose Shipping Limited	0%
Bright Flax Shipping Limited	0%
Bright Lotus Shipping Limited	0%
Bright Lilac Shipping Limited	0%
Great Veloce Limited	0%
Great Superior Limited	0%
Han Jue Limited	0%
Han Zheng Limited	0%
Han Jing Limited	0%
Great Purus One Limited	0%
Great Purus Two Limited	0%
Great Purus Three Limited	0%
Bright Cathty Shipping Limited	0%
Bright Dictador Shipping Limited	0%
Honor Mater Shipping Limited	0%
Honor Francesco Shipping Limited	0%
Honor Dochudson Shipping Limited	0%
Honor Sally Shipping Limited	0%
Glory Van General ltd	0%
GREAT LHOTSE LIMITED	0%
GREAT MAKALU LIMITED	0%
GREAT MANASIU LIMITED	0%
GREAT NUPTSE LIMITED	0%

VII BUSINESS COMBINATION AND FINANCIAL STATEMENT CONSOLIDATION

1. Basic information of subsidiaries in the consolidation for this period

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
1	Shanghai Yuanhang Machinery &	Shanghai	Shanghai	Electrome-chanical products trade	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
	Electronic Co., Ltd.							
2	AVIC Lanjing Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
3	AVIC Lanjun Leasing (Tianjin) Co.,Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
4	AVIC Lanwan Leasing (Tianjin) Co.,Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
5	AVIC Lanao Leasing (Tianjin) Co. Ltd	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
6	AVIC Lanfeng Leasing (Tianjin) Co.,Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
7	AVIC Lanhui Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
8	China Aviation International Holding Co.,Ltd	British Virgin Islands	Shanghai	Leasing	100		100	Investment Establishment
9	CAVIC AVIATION LEASING (IRELAND) CO., DESIGNATED ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
10	Lantai Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
11	AVIC Lanan Leasing (Tianjin) Co.,Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
12	AVIC Langang Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
13	AVIC Lanqi Leasing	Tianjin	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
	(Tianjin) Co., Ltd.							
14	AVIC Lanzhu Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
15	AVIC Lanhong Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
16	Lansai Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
17	AVIC Lanzhou Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
18	AVIC Lanbo Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
19	AVIC Lanxu Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
20	AVIC Lanhai Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
21	AVIC Lanhao Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
22	AVIC Lanliang Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
23	Lanchuan Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
24	AVIC Lanyun Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
25	AVIC Lanlin Leasing (Tianjin) Co., Ltd	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
26	AVIC Lanwen Leasing	Tianjin	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
	(Tianjin) Co., Ltd.							
27	AVIC Lanzhong Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
28	AVIC Lanyuan Leasing(Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
29	Lanshuo Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
30	AVIC Lanxia Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
31	AVIC Lanjiang Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
32	AVIC Lanheng Leasing(Tianjin) Co.,Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
33	AVIC Lanzhao Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
34	AVIC Lanfei Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
35	AVIC Lanfu Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
36	AVIC Lantu Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
37	AVIC Lankai Leasing (Tianjin) Company Limited.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
38	AVIC Lanrui Leasing(Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
39	AVIC Lantuo Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
40	AVIC Lanqin Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
41	AVIC Lanbei Leasing(Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
42	AVIC Lanhua Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
43	AVIC Lanqiu Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
44	Shanghai Hangrong Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate develop-ment	100		100	Investment Establishment
45	Soar Vast Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
46	CAVIC 16 AVIATION LEASING(IRELAND) CO., LIMITED	Ireland	Shanghai	Leasing	100		100	Investment Establishment
47	Soar Rise Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
48	CAVIC AVIATION LEASING (IRELAND) 18 CO., LIMITED	Ireland	Shanghai	Leasing	100		100	Investment Establishment
49	CAVIC AVIATION LEASING (IRELAND) 21 CO., LIMITED	Ireland	Shanghai	Leasing	100		100	Investment Establishment
50	Soar Great Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
51	Brilliant Cherish Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
52	CAVIC AVIATION LEASING (IRELAND) 22 CO., DESIGNATED ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
53	CAVIC AVIATION	Ireland	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
	LEASING (IRELAND) 23 CO., LIMITED							
54	CAVIC AVIATION LEASING (IRELAND) 26 CO., DESIGNATED ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
55	CAVIC 31 DESIGNATED ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
56	CAVIC 39 DESIGNATED ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
57	Golden Honest Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
58	Sun Faith Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
59	Flourish Shipping Co. Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
60	Sino Shine Shipping Co., Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
61	Fanni Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
62	Braving Wind Shipping Co., Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
63	Crown Ample Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
64	Million Star CorpOration Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
65	Honest Pleasure Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
66	Pan Pacific Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
67	Multi-Creative Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
68	Fast King Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
69	Easy Express Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
70	AVIC New Victor (Tianjin) Leasing Co., Ltd	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
71	CAVIC AVIATION LEASING FRANCE 21 SARL	France	Shanghai	Leasing	100		100	Investment Establishment
72	Able Fantasy Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
73	HongKong Koresyn Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
74	Ruihao Industry Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
75	Good Trend Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
76	Great Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
77	Goldway Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
78	Good Ocean Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
79	Yishengda International Co., Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
80	Fine Ocean Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
81	Changyihai Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
82	Golden West Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
83	Golden North Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
84	One Star Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
85	AVIC New Horizon Leasing (Shanghai) Co., Ltd	Shanghai	Shanghai	Leasing	100		100	Investment Establishment
86	Oriental Express Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
87	Big Ocean Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
88	CAVIC 24 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
89	CAVIC 25 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
90	CAVIC 27 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
91	Lanpeng No.1 Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
92	Landian No.1 Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
93	Lanshu No.1 Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
94	Lanyu No.1 Leasing (Tianjin) Co., Ltd.	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
95	Lanyong Leasing (Tianjin) Co., Ltd	Tianjin	Shanghai	Leasing	100		100	Investment Establishment
96	Hanyue Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
97	Soar Harmony Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
98	Hanxing Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
99	Soar Bright Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
100	Soar Park Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
101	Soar RICH SHIPPING LIMITED	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
102	Hope Well Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
103	Hailan Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
104	Hanri Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
105	CAVIC 28 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
106	CAVIC 29 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
107	CAVIC 30 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
108	CAVIC 33 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
109	CAVIC 35 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
110	CAVIC 36 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
111	CAVIC 37 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
112	CAVIC 38 DESIGNATE D ACTIVITY COMPANY	Ireland	Shanghai	Leasing	100		100	Investment Establishment
113	SOAR WISE LIMITED	Cayman	Shanghai	Leasing	100		100	Investment Establishment
114	One Star Atlantic Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
115	One Star Melbourne Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
116	One Star Tokyo Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
117	One Star Cloud Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
118	Soar Triumph Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
119	Soar Trophy Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
120	Great Navigation Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
121	Great Spirit Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
122	Great Energy Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
123	Great Apollo Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
124	One Star MSC Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
125	HanChen Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
126	Soar East Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
127	Soar Gain Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
128	Soar North Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
129	Soar Cheer Shipping Limited	Hong Kong	Shanghai	Leasing	100		100	Investment Establishment
130	Great Cheer Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
131	Great East Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
132	AVICIL Pisces Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
133	GREAT HONOR LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
134	GREAT HOPE LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
135	AVICIL Aquarius Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment

No.	Name of subsidiaries	Place of registration	Place of principal business	Business nature	Shareholding percentage		Voting rights (%)	Acquisition Method
					Direct	Indirect		
136	AVICIL Capricorn Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
137	AVICIL Libra Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
138	AVICIL Scorpio Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
139	GREAT EPSILON LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
140	GREAT KAPPA LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
141	GREAT LAMDA LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
142	GREAT THITA LIMITED	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
143	Great Chemical Tankers 5 Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
144	Great Chemical Tankers 6 Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
145	Great Kavala Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
146	Great Paros Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
147	Great Syros Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
148	Great Skiathos Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
149	Great Sifnos Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
150	Great Folegandros Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
151	Great Serifos Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
152	Glory Arya Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
153	Glory Snow Limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment
154	Star Bravo shipping limited	Marshall Islands	Shanghai	Leasing	100		100	Investment Establishment