南极电商
NANJIDS.COM

Nanji E-commerce Co., Ltd.

Annual Report 2019

April 2020

南极电商股份有限公司

英文年报披露说明

南极电商股份有限公司（以下简称“本公司”）为了更好地服务越来越多的境外投资者，首次披露英文年报（以下简称“本报告”），旨在向境外投资者更详细地展示公司的经营与财务信息，传递公司的投资价值。

本次英文版年报翻译过程涉及众多消费品行业、电子商务行业和财务会计的专业术语，公司已努力确保年报原文内容得到准确的传递，但仍可能会存在不恰当之处。

本英文版年报译自中文版年报，在对中、英文版的理解上发生歧义时，以中文版为准。欢迎本英文年报的阅读者在发现问题或难以理解的内容时，发邮件至公司董事会秘书（caoyitang@nanjids.com）询问与交流，也帮助公司提升后续版本的翻译质量。我们诚挚地欢迎您的批评、指正与建议。

Nanji E-Commerce Co., Ltd.

Disclosure Statement of the Annual Report (English Version)

Nanji E-Commerce Co., Ltd. (hereinafter as “the Company”) discloses the first annual report in English (hereinafter as “the Report”) to better serve international investors, and aims to comprehensively disclose the Company's business situation and financial information, and present the investment value of the Company to international investors.

As the Annual Report’s translation involves many professional terms of the consumer goods industry, E-commerce industry, and financial accounting, the Company has made great efforts to ensure the accurate translation of the original content, but there may still be some mistranslations.

This English version is translated from the Chinese version. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail. Any reader of the Report is welcome to send an email to the Board Secretary (caoyitang@nanjids.com) for inquiry if encountering any problems or incomprehensible contents, and at the same time help the Company improve the translation quality of subsequent reports. We sincerely welcome your criticism, correction, and suggestions.

Letter to Shareholders

In 2019, Nanji E-commerce Co., Ltd. (hereinafter referred to as "the Company") generated the operating revenue of RMB 3.907 billion, with a year-on-year increase of 16.52%, of which RMB 1.398 billion yuan was achieved by Nanji Business Units (“NJBU”) , with a year-on-year increase of 34.66%. And with an increase of 36.06% year on year, the net profit attributable to shareholders of the Company amounted to RMB 1.206 billion, of which RMB 1.099 billion was achieved by NJBU, with a year-on-year increase of 44.81%. At the same time, the Company achieved the net operating cash flow of RMB 1.255 billion, with a year-on-year increase of 127.59%, of which RMB 176.72 million was achieved by Timelink, with the net amount changed from negative to positive. In a word, the Company has maintained steady growth.

In 2019, the Company further enhanced the business and management capabilities in eight aspects, including the consumer traffic, efficiency, value chain, data empowerment, organization, culture, sharing, and risk control:

1. Traffic optimization: complied with the traffic rules of the E-commerce channels, promoted the large licensed store strategy, and achieved better results;

2. Efficiency improvement: the product categories covered by the Company's brands focused on the products with medium and high frequency of purchase, and the Company took advantage of the digital measures to achieve the precise allocation of resources of suppliers and distributors, thus facilitating the rapid response of the supply chain;

3. Data empowerment: The Company made full use of the big data empowerment, and independently developed the data management and business intelligence tools "Nanji Data Cloud" and "Nanji Middle Platform", centering on the E-commerce platform;

4. Value chaining: 1) design empowerment: cooperated with the excellent design service companies to further enhance the Company's commodity image; 2) gallery sharing: established the abundant product-packaging and logistics-packaging photo gallery for utilization by partners;

5. Organizational evolution: The Company established branches in various major industrial zones to provide the licensed suppliers with one-to-one and inch-by-inch services in quality management, intellectual property management, packaging management, etc.;

6. Cultural self-motivation: The Company encouraged the employees and partners to find out their own value points at the Company's platform to achieve the self-motivation and self-fulfillment through the employee work logs, employee thoughts refinement, client ideas sharing meeting, study tour and other measures;

7. Risk control: The Company has established strategic cooperative relations with many third-party quality inspection agencies to provide quality consultation, quality management training, sampling inspection, and other services for suppliers;

8. Value sharing: The Company has implemented the Stock Options Incentive Plan. In the first phase, 122 employees were granted with 13,597,200 stock options in 2019. And allowing the employees to share the benefits of the Company's growth is one of the sources of the Company's healthy and sustainable development.

Since 2020, although the coronavirus epidemic at the beginning of the year has brought many challenges, the Company, from top to bottom level, has been fighting hard to win the battle against the epidemic situation. We and our partners have responded actively and quickly and tried our best to create a safe and healthy work environment for employees. Furthermore, we have sent the urgently needed goods and materials to the anti-epidemic areas and fulfilled our social responsibility. We believe that with the concerted efforts, we can definitely achieve the final victory.

We will gradually launch new products in 2020. During the coronavirus pandemic, the Company launched the anti-bacterial and health products, such as “75% alcohol”. In addition, we have been actively expanding our new business including the internet celebrity business, and have been more diverse and effective in the sales channel operations. We, on one hand, will train more licensed stores to perform the live streaming in stores, and on the other hand, will establish a new supply chain system and a new portfolio of live streamers on Tik Tok and Kuaishou, combining with the live broadcasting product requirements.

Therefore, there are both challenges and opportunities for our Company in the year of 2020. Although there are certain uncertainties in the external environment, we will continue to enhance our business and management capabilities in eight aspects, including the traffic, efficiency, value chain, data empowerment, organization, culture, sharing, and risk control, and strive to build a world-class consumer goods giant!

Many thanks to all shareholders for your trust, understanding, and support towards the management team of the Company!

Nanji E-commerce Co., Ltd.

Chairman: ZHANG Yuxiang

April 15, 2020

Table of Contents

Section 01 Important Notice, Table of Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors, and senior executives of the Company guarantee that the Annual Report is authentic, accurate, and complete, without any false record, misleading statement, or significant omission, and will assume the joint and several legal liabilities.

ZHANG Yuxiang, the Company's legal representative and person in charge of accounting, and SHI Yiwei, the finance manager, jointly state that: they guarantee that the Financial Report of the Annual Report is authentic, accurate, and complete.

All directors attended the Board Meeting for reviewing this Report.

The forward-looking statements such as future plans and development strategies in this Annual Report shall not constitute a substantial commitment to investors by the Company. The Company asks the investors to carefully read the full text of this Annual Report, and pay special attention to "(III) Possible risks" of "IX. Prospect of the Company's Future Development" in "Section 04 Management Discussion & Analysis" of this Annual Report.

The Company's proposal for the distribution of profit reviewed and approved by this Meeting of the Board of Directors is that: based on 2,437,913,476 shares, the Company will distribute cash dividend of RMB 1.24 (tax inclusive) and 0 bonus share (tax inclusive) for every 10 shares to all shareholders, and increase 0 share for every 10 shares to all shareholders by transferring the capital reserve.

Definitions

Term	refers to	Description
China, PRC	refer to	The People's Republic of China
Company, the Company, listed company, NJDS	refer to	Nanji E-commerce Co., Ltd., which is the parent company in law
Nanji Business Units, NJBU	refer to	The listed company's entities other than Beijing Timelink Network Technology Co., Ltd.
Shanghai NJDS, NJDS (Shanghai)	refer to	Nanji E-Commerce (Shanghai) Co., Ltd., which is a wholly-owned subsidiary of the listed company, a subsidiary-in-law, and the main body for the preparation of the Company's financial statements
Fengnan Investment	refers to	Shanghai Fengnan Investment Center LLP
Xiaodai	refers to	Shanghai Xiaodai Finance Lease Co., Ltd.
Guangzhou XiEnEn, XiEnEn	refer to	Guangzhou XiEnEn Culture Communication Co., Ltd.
Timelink	refers to	Beijing Timelink Network Technology Co., Ltd.
Beijing Henri Jayer, Henri Jayer	refer to	Beijing Henri Jayer Technology Co., Ltd.
RAYAS	refers to	Xinjiang RAYAS Network Technology Co., Ltd.
VIVO	refers to	Vivo Mobile Communications Co., Ltd.
CCPL	refers to	CARTELO CROCODILE PTE LTD
GMV	refers to	Abbreviation of "Gross Merchandise Volume", with the meaning of the transaction amount
APP	refers to	Abbreviation of Application, which generally refers to "the mobile phone software"
SKU	refers to	Abbreviation of "Stock Keeping Unit", which refers to the smallest available unit of goods
H5	refers to	Abbreviation of HTML5, which is the fifth version of HTML, with the full name of the "HyperText Markup Language"
Ali	refers to	"Tmall Mall", "Taobao.com" and other E-commerce trading platforms affiliated to Alibaba Network Technology Co., Ltd.
VIP.com	refers to	E-commerce trading platform affiliated to Vipshop (China) Co., Ltd.
JD.COM	refers to	E-commerce trading platform affiliated to Beijing Jingdong Century Trade Co., Ltd.
Social E-commerce	refers to	Social E-commerce platforms, such as PDD, Aikucun, Yunji, and Beidian.
Online	refers to	E-commerce sales channels, such as Ali, JD.COM, PDD, and VIP.com.
Offline	refers to	Traditional sales channels, such as offline stores, shopping mall counters, and supermarket channels.

CSRC	refers to	China Securities Regulatory Commission
Accounting Firm	refers to	RSM China CPA LLP (former name: Huapu Tianjian Certified Public Accountants LLP)
Reporting Period, the Reporting Period	refer to	Year 2019
RMB, 10,000 RMB, 100 million RMB	refer to	RMB (yuan), RMB 10,000 yuan, RMB 100 million yuan

Section 02 Company Profile and Key Financial Indicators

I. Company Information

Stock Abbreviation	NJDS	Stock Code	002127
Stock abbreviation changed (if any)	N/A		
Listing stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	南极电商股份有限公司		
Chinese abbreviation of the Company	南极电商		
Name of the Company in foreign language (if any)	Nanji E-Commerce Co., LTD		
Abbreviation of the name of the Company in foreign language (if any)	NJDS		
Legal representative of the Company	ZHANG Yuxiang		
Registered address	8/F, Huiying Building, No.388 Dunhuang Road, Shengze Town, Wujiang District, Suzhou, Jiangsu		
Postal code of the registered address	215228		
Office address:	7/F-10/F, Building 3, The Springs Center, No.99 Jiangwancheng Road, Yangpu District, Shanghai		
Postal code of the registered address	200438		
Company website	http://www.nanjids.com/		
E-mail	nanjids@nanjids.com		

II. Contact Person and Contact Information

	Secretary of the Board of Directors	Representative of Securities Affaires
Name	CAO Yitang	SHI Yuting
Address	10/F, Building 3, The Springs Center, No.99 Jiangwancheng Road, Shanghai	10/F, Building 3, The Springs Center, No.99 Jiangwancheng Road, Shanghai
Tel	021-63461118-8122	021-63461118-8885
Fax	021-63460611	021-63460611
E-mail	caoyitang@nanjids.com	shiyuting@nanjids.com

III. Information Disclosure &Location of Annual Report

Company's Designated Information Disclosure Media	Securities Times
Website designated by CSRC for publishing the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report is available for inspection	Office of the Secretary of the Board of Directors of the Company

IV. Change of Registered Information

Organization code	91320500714954842N
Changes of the main businesses of the Company since listed (if any)	According to the resolution of the Second Extraordinary General Meeting of the Company in 2014, it was agreed that the Company's business scope would be changed to: the production and sales of textiles and apparel, accessory, and embroidery; sales of raw and auxiliary materials, textile additives, thread spinner and thread spinner accessories related to the Company's business; self-management and agency of the import and export business for all kinds of commodities and technologies (except for the commodities and technologies that are restricted for operation or prohibited for import & export by the State); operation of the processing with imported materials and "processing and compensation trades (i.e., processing with supplied materials, processing with supplied samples, assembling with supplied parts, and compensation trade)" business; industrial investment, investment management, and investment consulting. The registration of relevant industrial and commercial changes has been completed on December 1, 2014. According to the resolution of the First Extraordinary General Meeting of the Company in 2016, it was agreed that the Company's business scope would be changed to: Internet retail and foreign trade; foreign investment, investment management & consulting, enterprise management information consulting; E-commerce technical support & information consulting, business consulting, and marketing planning; conference services, brand design, brand management, PR activities planning, cultural & art exchange activities planning, corporate image planning, exhibition & display services, photography services, cultural & educational information consulting; agricultural products processing & sales; development, transfer, consulting, and service in terms of the network technology, information technology and textile technology; quality management consulting & technical services; sales of knitwear & textile, apparel & accessory, leather products, bags & suitcases, shoes & hats, beddings, craft gifts, washing products, pet supplies, cosmetics, skin-care products, photographic equipment, toys, audio equipment & apparatus, labor protection products, metal products, furniture, household appliances, kitchen supplies, communication equipment, electronic products, water treatment & purification equipment, hardware & electrical equipment, cultural & educational stationeries, office supplies, clothing fabrics, clothing accessories. (Any business item, which is required to be approved according to laws, may not be operated until it is approved by the competent authority.) The registration of relevant industrial and commercial changes has been completed on March 2, 2016.

	According to the resolution of the 2016 Annual General Meeting of the Company, it was agreed to add the content of "sales of prepackaged foods (excluding the refrigerated & frozen foods)" in the business scope of the Company, and the registration of relevant industrial and commercial changes has been completed on June 8, 2017. According to the resolution of the Fourth Extraordinary General Meeting of the Company in 2017, it was agreed to add the content of "design, production, agency, launch of various advertisements; and software research & development" in the business scope of the Company; and the registration of relevant industrial and commercial changes has been completed on November 22, 2017. According to the resolution of the First Extraordinary General Meeting of the Company in 2020, it was agreed to change the registered address of the Company to 8/F, Huiying Building, No.388 Dunhuang Road, Shengze Town, Wujiang District, Suzhou, Jiangsu, and the registration of relevant industrial and commercial changes has been completed on March 13, 2020.
Changes of controlling shareholders (if any) during the reporting period	No change

V. Other Related Information

Accounting firm employed by the Company

Name of accounting firm	RSM China CPA LLP
Office address of accounting firm	No. 920-926 of Beijing Foreign Trade Building, No. 22 Fuchengmenwai Street, Xicheng District, Beijing
Names of the signing accountants	CHU Shiwei and KONG Lingli

Any sponsor institution engaged by the Company to perform continuous supervision duties during the reporting period:

□ Applicable (A) √ Not applicable (N/A)

Any financial adviser engaged by the Company to perform continuous supervision duties during the reporting period:

√ Applicable (A) □ Not applicable (N/A)

Name of financial advisor	Office address of financial advisor	Name of main financial consultant	Period of continuous supervision
Donghai Securities Co., Ltd.	6/F, Donghai Securities Mansion, No. 1928 Dongfang Road, Pudong New Area, Shanghai	WANG Zhongyao and WANG Yueyu	The period of continuous supervision lasted from December 2015 to December 31, 2018. After December 31, 2018, the continuous supervision was conducted for the unused funds raised by issuing shares to purchase assets and raise the supporting funds in 2015.
CITIC Securities South China Co., Ltd. (former name: Guangzhou Securities Co., Ltd.)	19/F & 20/F, West Tower, Guangzhou International Finance Center, No.5 West Zhujiang Road, Tianhe District,	ZHANG Yu and YU Lihua	The period of continuous supervision lasted from December 2017 to December 31, 2018. After December 31, 2018, the continuous

	Guangzhou		supervision was conducted for the unused funds raised by issuing shares to purchase assets and raise the supporting funds in 2017.

VI. Key Accounting Information and Financial Indicators

Whether the Company needs to make the retroactive adjustment or restatement for the accounting data of previous years?

√ Yes □ No

Rationale for the retroactive adjustment or restatement

Other reasons

	Year 2019	Year 2018		Change YoY	Year 2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue (RMB)	3,906,848,236.41	3,352,859,972.47	3,352,859,972.47	16.52%	985,786,831.11	985,786,831.11
Net profit attributable to shareholders of the listed company (RMB)	1,206,136,918.38	886,472,236.97	886,472,236.97	36.06%	534,291,649.78	534,291,649.78
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	1,147,929,618.05	841,191,770.57	841,191,770.57	36.46%	501,301,653.39	501,301,653.39
Net cash flow from operating activities (RMB)	1,254,911,826.62	551,386,932.66	551,386,932.66	127.59%	537,793,308.69	537,793,308.69
Basic EPS (RMB/share)	0.49	0.36	0.36	36.11%	0.34	0.23
Diluted EPS (RMB/share)	0.49	0.36	0.36	36.11%	0.34	0.23
Weighted average return on net assets	28.13%	26.05%	26.05%	2.08%	27.26%	27.26%
	At the end of 2019	At the end of 2018		Increase or decrease of YoY	At the end of 2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB)	5,484,815,012.19	4,549,248,714.71	4,549,248,714.71	20.57%	3,820,524,278.42	3,820,524,278.42
Net assets attributable to the shareholders of the listed company (RMB)	4,858,727,120.86	3,738,582,158.34	3,738,582,158.34	29.96%	3,021,168,578.39	3,021,168,578.39

VII. Accounting Data Differences under Domestic and Overseas Accounting Standards

1. Difference of net profit and net asset disclosed according to IFRS (International Financial Reporting Standards) and CAS (Chinese Accounting Standards)

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

2. Difference of net profit and net asset disclosed according to overseas accounting standards and CAS

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

VIII. Key Financial Indicators by Quarters

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	824,328,152.30	810,066,302.83	1,012,778,700.10	1,259,675,081.18
Net profit attributable to shareholders of the listed company	122,050,417.60	264,170,858.03	215,876,565.20	604,039,077.55
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	118,975,641.84	242,576,049.56	204,208,165.29	582,169,761.36
Net cash flow from operating activities	91,167,763.93	58,984,344.11	141,781,097.22	962,978,621.36

Whether the above-mentioned financial indicators or their total number are significantly different from the financial indicators related to the quarterly reports and semi-annual reports disclosed by the Company?

□ Yes √ No

IX. Items and amounts of non-recurring profits or losses

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

Item	2019	2018	2017	Remark
Gains/losses on disposals of non-current assets (including offsetting amount for the provision of impairment of assets)	-34,285.41	-1,211,529.23	100,541.10	—
Tax refunds or reductions with ultra vires approval or without official approval				—

documents				
Government grants recognized in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	25,146,036.05	18,442,213.20	17,830,092.35	—
Funds occupation fee recognized in current profit or loss from non-financial companies				—
The excess of attributable fair value of net identifiable assets over the consideration paid for subsidiaries, associates or joint ventures recognized by the Company				—
Gains or losses on non-monetary assets exchange				—
Gains on entrusted investments or asset managements	33,933,372.78	23,715,571.43	8,966,777.19	—
Provision for impairment of each asset due to force majeure such as a natural disaster				—
Gains or losses on debt restructuring				—
Corporate restructuring charge, such as expenditure for staff resettlement and integration cost				—
Gains /losses from excess of fair value in non-arm's length transactions				—
Net gains/losses of subsidiaries arising from business combination under common control from the beginning of the reporting period till the combination date				—
Gains /losses arising from contingencies other than those related to principal activities of the Company				—
Gains /losses arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment except effective				—

hedging transactions related to the Company's principal activities				
Reversal of provision for impairment of accounts receivable or contract assets tested for impairment individually	100,000.00	2,282,922.39	3,261,941.88	—
Gains /losses arising from entrusted loans to other entities				—
Gains /losses arising from changes in fair value of investment properties adopting fair value model for subsequent measurement				—
Impact of one-off adjustment of current profits or losses based on the requirements of taxation and accounting laws and regulations				—
Custody fee income from the entrusted operation				—
Other non-operating income/expenses except for items mentioned above	10,199,020.48	8,535,035.43	6,957,271.45	—
Other non-recurring profits or losses defined				—
Less: Income tax effect	11,113,272.14	6,479,265.19	4,114,543.78	—
Minority interest effect (after tax)	23,571.43	4,481.63	12,083.80	—
Total	58,207,300.33	45,280,466.40	32,989,996.39	--

Provide explanations for classifying non-recurring profit or loss items defined or listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or Losses*, and for classifying non-recurring profit or loss items listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or Losses* as recurring profit or loss items.

□ Applicable (A) √ Not applicable (N/A)

The Company has not classified non-recurring profit or loss items defined or listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Profits or Losses* as recurring profit or loss items during the reporting period.

Section 03 Business Overview of the Company

I. Main Business of the Company during the Reporting Period

NJDS mainly focuses on the E-commerce channels and strives to build the world-class consumer goods giant with brand licensing and industry chain services.

During the reporting period, the Company continued to enhance its business and management capabilities in eight aspects, including the consumer traffic, efficiency, value chain, data empowerment, organization, culture, sharing, and risk control, and continued to consolidate its competitive advantages.

(I) Overview of Sales Side

1. During the reporting period, the main brand of the Company – NANJIREN (meaning "Antarctican") took the household as the usage scenario to provide the distinctive basic products with high cost-performance, penetration of consumption tier and consumption cycle to consumers on various E-commerce channels, such as Ali, JD.COM, Social E-commerce, and VIP.com. And the brands of the Company had about 100,000 product links in all E-commerce channels. The statistically available GMV of the Company in various E-commerce channels has reached RMB 30.559 billion, with a year-on-year increase of 48.92%. Of which, the GMV of NANJIREN brand is RMB 27.138 billion, with a year-on-year increase of 52.86%.

NANJIREN brand is a leading consumer product brand focusing on the E-commerce channels.

2. NANJIREN brand has attracted numerous visitors, purchasers, and repeat purchasers in various E-commerce channels with high conversion rate. During the reporting period, the number of pieces paid at the licensed stores of the Company on the Ali platform was nearly 335 million, and the times of payment was more than 288 million; and the monthly average number of visitors in NANJIREN underwear category on the Ali platform was about 51.15 million. In addition, the monthly average price per order was about RMB 49.76, with a monthly average conversion rate of 20.28%.

NANJIREN brand enjoyed a low customer acquisition cost on major E-commerce platforms.

3. The Company has timely complied with the transaction rules of the E-commerce channels, promoted the large store strategies, and achieved good results;

GMV of NANJIREN in Seclected Large Core Licensed Stores on Various E-commerce Platforms (Unit: RMB 10K)

STORE NAME	MAIN CATEGORIES	YEAR 2018	YEAR 2019	YEAR-ON-YEAR GROWTH RATE
Nanjiren Official Flagship Store	Women's/men's underwear/loungewear	57,984.85	120,040.33	107.02%
Nanjiren Youxuan Specialty Store	Bedding	35,771.22	74,318.75	107.76%
Nanjiren Dushang Specialty Store	Bedding	8,577.81	48,908.87	470.18%
Nanjiren Weihao Specialty Store	Bedding	2,930.05	28,227.53	863.38%
Nanjiren Ensheng Specialty Store	Men's wear	9,119.87	24,682.93	170.65%
Nanjiren Ouchi Specialty Store	Men's wear	3,166.70	23,953.19	656.41%
Nanjiren Mingtao Specialty Store	Women's/men's underwear/loungewear	6,911.12	17,753.06	156.88%
Nanjiren Taipinhui Specialty Store	Personal care/health care/massage device	7,112.91	16,643.12	133.98%
Nanjiren Shendian Specialty Store	Women's wear/Female accessory	4,313.89	14,856.30	244.38%
Nanjiren Moya Specialty Store	Bedding	4,339.35	13,648.14	214.52%
Nanjiren Yumu Specialty Store	Bedding	54.64	10,300.00	18751.93%
Nanjiren Erfeng Specialty Store	Home fabric	2,537.86	10,067.11	296.68%
Nanjiren Qi'an Specialty Store	Beauty device	708.24	9,235.58	1204.01%
Nanjiren Official Discount Flagship Store	Women's/men's underwear/loungewear	2,829.55	9,149.63	223.36%
Nanjiren Official Outlets Store	Women's/men's underwear/loungewear	567.16	9,101.72	1504.80%

The capacity of developing hot-selling product, abundant supply chain, and rapid response of NANJIREN brand, have quickly formed the scale effect of the licensed stores.

4. The marginal costs and marketing costs for the category expansion of NANJIREN brand were low, mainly due to the stable flow, the numerous users, and the high repeat purchase rate. Taking Nanjiren Official Flagship Store as an example, there were about 6,500 SKUs during the reporting period, which had been about 4,800 SKUs in the same period last year, with a year-on-year increase of 35.42%. In 2019, the proportion of direct promotion fee in GMV was about 0.87%, which was about 1.04% in 2018, with a year-on-year decrease of 16.35%. During the reporting period, the GMV of this flagship store reached RMB 1.200 billion, which was RMB 580 million in 2018, with a year-on-year increase of 107.02%.

NANJIREN brand had obvious advantages in category expansion and marketing costs.

5. During the reporting period on the Ali platform: the GMV of NANJIREN's strong category "Women's/ Men's underwear/loungewear" was RMB 6.495 billion, which was RMB 4.657 billion in 2018, with a year-on-year increase of 39.47%. In addition, the market share of this category was 8.42%, which was 6.69% in 2018, ranking the first in the segment on the Ali platform. And the GMV of "bedding" was RMB 3.503 billion, which had been

RMB 2.195 billion in 2018, with a year-on-year increase of 59.59%. The market share of bedding was 8.03%, which was 5.87% in 2018, ranking the first in the segment on the Ali platform.

The market shares of NANJIREN's strong categories have further increased, and there will still be plenty of room for growth.

6. The Company made full use of the big data for empowerment, and independently developed the data management and business intelligence tools "Nanji Data Cloud" and "Nanji Middle Platform", centering on the E-commerce platform.

NANJI DATA CLOUD MODULE	FUNCTION
Nanji Intelligence	The data analysis of the Company and industries, providing the in-depth analysis, suggestion, optimization and a small amount of forecasting services, which has deepened the market data insights, and horizontally accumulated the market core data since 2018, and made the vertical support to the market data monitoring in more details.
Nanji Research & Design	Understand the market dynamics and recommend the hot-selling products, through analyzing the data of various categories and subcategories on the market. Form the process-based product selection tool, through the continuous integration with the actual business, covering the operation method summaries from industry judgment, price segment analysis, comprehensive scoring for commodities, to consumer traffic and comment for hot-selling products.
Nanji Analysis	Provide the analysis of the operating status of various departments of the Company on different platforms.
Nanji Real-time	Provide the GMV real-time data of E-commerce channels, and develop the real-time monitoring system, which fully supports the performance monitoring and large-screen scene for "Double 11" and "Double 12" campaigns.
Nanji Public Relation	Monitor and collect the public sentiment information of the entire network related to the Company to form analysis results in briefs, reports, charts, etc. During the Reporting Period, the monitoring coverage and monitoring quantity was increased.
Activity Billboard	Add the function of activity monitoring to support the monitoring and analysis of activity performance by the business departments.
Business Unit Statement	Achieve the support of customized statement for the business units, and make changes based on the organizational requirements.

NANJI MIDDLE PLATFORM MODULE	FUNCTION
Client Management	Combine with the data of the Company and industry to provide the visual in-depth analysis for the client business data, generate the client assessments, provide the reference indicators for the subsequent business development, assist in the rapid formulation of business plans, make the in-depth exploration for the high-quality clients, and reduce the risk of bad debts.
Audit Management	Establish an audit management system for client trademark use, packaging image, and product quality, formulate the specific specification, requirements and commodity/product audit plans, make the statistics for the audit information and assessment, provide basis for the customer's rectification plans and continue to track the processing process, and guarantee the consumer's interests and the brand image of NJDS.
Label Management	Customize the labels by qualitative and quantitative means and make the accurate portraits for the customers through automatic analysis and independent judgment of various departments, based on the accumulation of client data to help the Company to perform the accurate marketing, provide reference in subsequent business, and conduct the business risk early-warning, and speed up the flow rate of business processes.
Nanji Approval	Provide the convenient entry to the order management, support the business departments and customers to complete the contract signing and deliver the electronic licensing letters; and provide the intelligent approval process, support all departments to strictly control approval standards as per the department level, and improve the business efficiency.

The data management tools of the Company have greatly improved the collaborative efficiency between the distributors and the suppliers, and the operation efficiency of the sales side.

Based on the large user base of the Company, highly competitive product cost-performance, abundant supply chains, and accurate grasp of platform traffic rules, the Company's products are popular among consumers at different levels in China. The Company's GMV is expected to continue to grow at a medium to high speed in the future. In addition, the Company will strive to become a world-class consumer goods giant.

(II) Brand Licensing

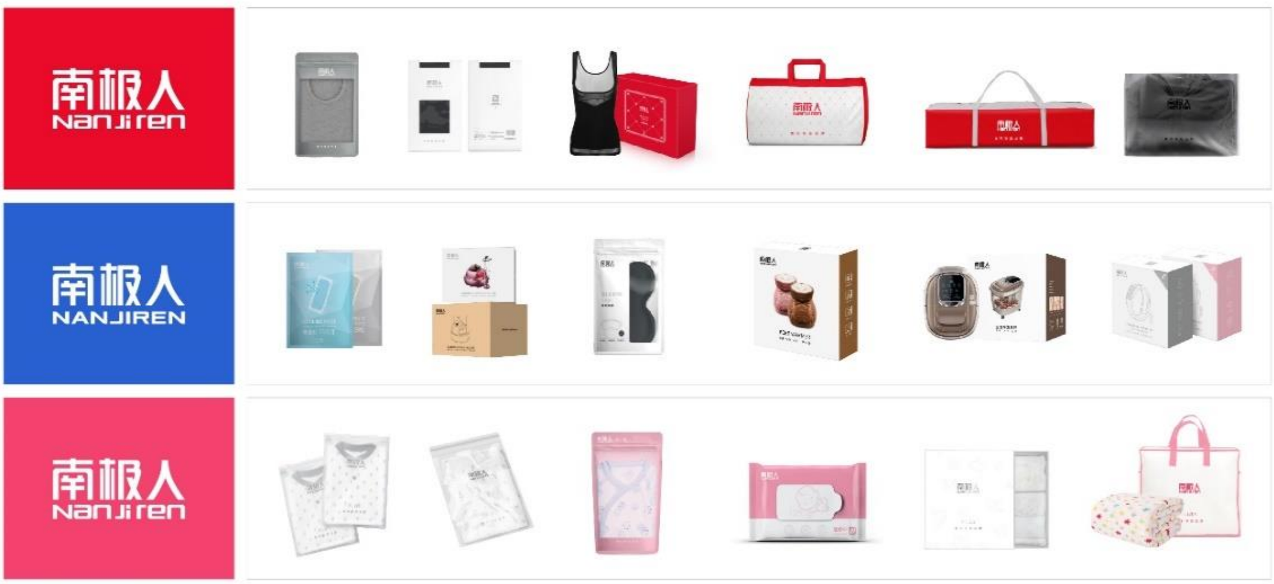
During the reporting period, the suppliers and distributors were responsible for all production and sales of the products.

During the reporting period, the Company had 1,113 licensed suppliers (including about 500 main licensed suppliers), 4,513 licensed distributors, and 5,800 licensed stores respectively. The division of work was clearer at different levels of the Company’s licensed stores. The large comprehensive stores sold the "hot-selling products and hot-selling product groups", and the medium-scale stores conducted the distribution through the supply chain system, while the small stores identified and tested the distinctive products, which fully reflected the trend of the rise of large comprehensive stores under the changes in E-commerce traffic rules. The Company took advantage of the situation and promoted the large store strategies. Furthermore, the Company supported the medium-scale stores to conduct the distribution through the industrial chain service providers, and implemented the exit mechanism for the stores with poor performance or with behaviors in the negative list.

(III) Brand Management

1. Brand gallery sharing service

The Company has continued to attach importance to the upgrading and promotion of brand image. During the reporting period, the Company has established the abundant product-packaging and logistics-packaging photo gallery for clients, including 43 packaging pictures in the gallery of the textile & apparel category, 79 packaging pictures in the gallery of the healthy living category, and 20 packaging pictures in the gallery of the maternal & infant category. Meanwhile, the Company reviewed 778 packaging pictures in the textile & apparel category provided by clients. Thus, both the consistency of the Company's brand image and the customized demands of partners are satisfied at the same time.



2. Introduction of brand partners

During the reporting period, the Company has signed an agreement with an integrative innovation-design service company - Lkker ("Lkker Technology Co., Ltd."), which will help the Company to achieve the upgrade and innovation for the brand products, and further enhance the product image and brand image of the Company.

3. Brand promotion

In order to further enhance the brand awareness, the Company has focused on promoting the new positioning of NANJIREN, i.e., "My Family Brand", allowing more consumers to know that the products of NANJIREN has covered many aspects of family life, including underwear, men's/ women's wear, maternal & infant products, outdoor products, bags & suitcases, shoes, home textiles, and household appliances, so as to increase consumer awareness of NANJIREN brand. The Company has carried out brand promotion in multiple scenes. During the reporting period, the Company sponsored the Tmall “Double Eleven” Carnival Night, and advertised on high-speed rail trains.

The Company will continue to invest in the image upgrading, advertising, crossover marketing and other aspects of NANJIREN brand to create a nationally famous family brand, which shall be widely popular among Chinese consumers.

(IV) Overview of Supply Side

1. For the factories, the stable order, scale production, healthy cash flow, and low inventory are the key elements for "good and cheap goods", which have built the existing **competitive advantage of NANJIREN brand**.

2. **With a large user base and high repeat purchase rate**, the Company has been operating in the E-commerce field for nearly 10 years. Its licensed distributors have got **strong customer acquisition ability with low customer acquisition cost**, which has provided a guarantee for the licensed factories obtaining enough production orders.

3. The Company has adhered to the correct pricing strategy: " **no low price for low purchase frequency, cost-performance for mid-frequency, high cost-performance for high-frequency**."

The Company has complied with the general trend of consumption upgrading and penetration into low-tier markets, and has been committed to building the world-class consumer goods giant based on E-commerce channels, making the client's capital turnover and inventory turnover be higher than those of traditional consumer brands.

Thus, our clients can still achieve a satisfactory return on investment, even if under a low gross profit margin.

4. **Supply chain data empowerment**: the Company has conducted the in-depth digital guidance to the supply chain partners, making the consumer demands as the starting point of the business to solve the problems of "Information Island". The key indicators and analysis of the entire production and sales process for both the sales side and the supply side were open to all supply chain partners, allowing the entire supply chain to respond to the market changes quickly.

1) Data empowerment on sales side: set up the data warehouse and establish the long-term available underlying data services

Based on the business situations of the Company, the data application department of the Company has sorted out and designed the data warehouse system, containing the two major E-commerce platforms, i.e., Ali and JD.com. It can effectively support the commercialization of the new products and the development of the original products, and have considerable performance in the overall computing efficiency and data stability at the same time. With the implementation of this program, the accumulation and empowerment of data of the Company can be realized in a long term.

Based on the business situations of the Company, the information development department of the Company has conducted the statistics for and has sorted out the various brand licensing of the Company for the licensed stores on different E-commerce platforms and daily GMV data, as well as factory licensing for different suppliers and trademark procurement data. In addition, it has established the unified control relation of product categories, business data attribution criteria, and differentiation management standards, and has stored the data in more details to accommodate the rapidly increasing data volumes and increasingly complex business standards to achieve the multi-dimensional integration and rapid data analysis finally.

NANJI DATA CLOUD MODULE	FUNCTION
Nanji Intelligence	The data analysis of the Company and industries, providing the in-depth analysis, suggestion, optimization and a small amount of forecasting services, which has deepened the market data insights, and horizontally accumulated the market core data since 2018, and made the vertical support to the market data monitoring in more details.
Nanji Research & Design	Understand the market dynamics and recommend the hot-selling products, through analyzing the data of various categories and subcategories on the market. Form the process-based product selection tool, through the continuous integration with the actual business, covering the operation method summaries from industry judgment, price segment analysis, comprehensive scoring for commodities, to consumer traffic and comment for hot-selling products.

2) Data empowerment on supply side: quality data, equipment data, personnel data, warehousing data, production capacity data, commodity evaluation, etc.

In addition to the business intelligence module development, during the reporting period, the data application department and the business units of the Company has achieved a number of joint projects, including the model research of product selection, shampoo industry research, pet industry research, and industry research of beauty makeup. At present, the Company has been able to make the deep research for the existing market and perform the incremental market exploration, with the construction and improvement of data infrastructure, as well as the establishment of relevant analysis teams, which can match with more in-depth specialized analysis.

During the reporting period, the data-level development was mainly based on the iterative optimization of supporting data products for business development, aiming at realizing the possibility of supporting data empowerment in the vertical scenario. In addition to continuing to help the suppliers and distributors to improve production and operation efficiency from the product perspective, the Company has also been more proactive in jointly develop the business growth plans, and conducting the in-depth development and implementation, which has achieved results in many new projects.

Enable the factory management to understand the data and make use of the data, and help the factory to conduct accurate production, improve quality, reduce cost, improve turnover, and reduce inventory, so as to achieve higher production and operation efficiency.

5. Quality management

The Company has continued to promote the quality management for its suppliers, and has made the following measures during the reporting period:

1) **Contracted with the third-party quality inspection agencies**: as of the end of the reporting period, the Company has established the strategic partnerships with 13 third-party quality inspection agencies, among which 7 were added during the reporting period, in order to provide the quality consulting, quality management training, sampling inspection, and other services for suppliers, and further improve the inspection and monitoring network of the Company.

2) **Optimized the organizational structure**: during the reporting period, the Company has further optimized the organizational structure of the quality management team to be closer to the business, improve efficiency, and achieve the total quality management. In addition, it has assigned relevant personnel to work in the front-line of the business units to understand the demands, pain points and difficulties of the quality management of the business units, and to solve the quality problems in the first place. Meanwhile, the Company has continued to increase its investment in quality management, and hired much more senior industrial experts to investigate, coach and rectify the quality management processes, personnel and organizations for the cooperative factories.

3) **Investigated and guided the suppliers**: during the reporting period, the Company has investigated 320 factories, compiled 12 Quality Management Operation Instructions in different categories in total, distributed them to the factories, and sent the industry experts to perform training. Furthermore, the Company has required the factories to get to the designated institutions for testing as per the regions, aiming at further improving the quality control of the factory.

2019 NJDS Quality Management Operation Instructions

S/N	NAME OF OPERATION INSTRUCTIONS
1	NJDS Operation Instructions for Quality Label and Dimension Standards - Thermal, Cotton Wool, and Figure-shape Underwears
2	NJDS Operation Instructions for Quality Label and Dimension Standards - Outdoor Sports Products
3	NJDS Operation Instructions for Quality Label and Dimension Standards - Home Textiles and Home Products
4	NJDS Operation Instructions for Quality Label and Dimension Standards - Infants and Children Products
5	NJDS Operation Instructions for Quality Label and Dimension Standards - Apparel Accessories
6	NJDS Operation Instructions for Quality Label and Dimension Standards - Loungewears and Pajamas
7	NJDS Operation Instructions for Quality Label and Dimension Standards - Underpants
8	NJDS Operation Instructions for Quality Label and Dimension Standards - Men's Wear and Women's Wear
9	NJDS Operation Instructions for Quality Label and Dimension Standards - Bras
10	NJDS Operation Instructions for Quality Label and Dimension Standards - Socks
11	NJDS Quality Control Manual - Bags & Suitcases
12	NJDS Quality Control Manual - Shoes

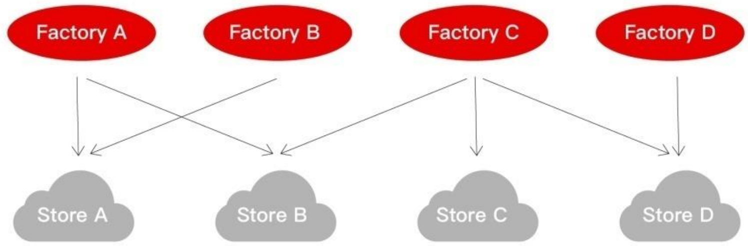
4) **Further improved the licence & termination mechanism of the supply chain partners**: the Company has formulated the negative list system, strictly screened the licence of supply chain partners, and carried out the follow-up detection for the licensed supply chain partners, performed the training, transformation and even elimination for those failing to meet the standards to create the genuine domestic products.

5) **Formulated and implemented the "Mysterious Buyer" Plan**: during the reporting period, the Company formulated the "Mysterious Buyer" Plan, which means that the Company's spot check staff have purchased the products of the Company in name of customers. And spot check staff have purchased a total of about 30,000 products licensed by the Company, and inspected the compliance of the certificate of quality, care label, packaging, appearance, and trademark use for the products. This plan has been carried out gradually.

6. Industry chain service provider

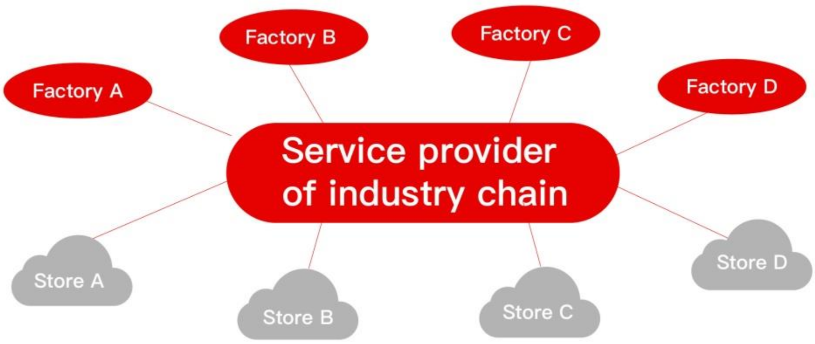
The Company has learned the supply chain management experience from the excellent retail enterprise such as "7-Eleven", forging ahead on the road to becoming the industrial chain service provider with NJDS characteristics. At present, a large number of high-quality supply chain companies in China are facing fierce competition, but lack of stable orders, sufficient funds, and competitive brands. The Company can help the supply chain partners to carry out the industrial upgrading, acquire consumer traffic from the E-commerce channels more efficiently, and develop the hot-selling products effectively through our brands and services. The Company encourages the supply chain partners to provide services such as "drop shipping" based on the consumer demands, and is committed to realizing the status of "no bad debts in the suppliers and no out-of-season inventories in the distributors."

1) Traditional Production & Sales Model



Problems: due to difficulties in product selection and long order cycle time, the inventory risks might occur in the stores, and the bad debt risks might occur in the factories.

2) Nanjiren Industrial Chain Service Provider Model



Services to the stores: picture sharing, warehousing, drop shipping, after-sales services, etc.

Services to the factories: system integrating, accurate product selection, omni-channel store coverage, etc.

Results: ① the distributors had few out-of-season inventories, ② the suppliers had few bad debts, ③ the efficiency of the industrial zone was enhanced accordingly, and ④ the assistance was offered to many medium-sized stores to find the new development direction.

Case: in the past, Nanjiren loungewear business has not developed well due to the difficulty in product selection among multiple product styles, the pressure of the stock-up inventory, and the high threshold of supplier cooperation. In 2019, the Company adopted a new service model of the industry chain. In addition, the GMV of Nanjiren loungewear in the Ali channel reached RMB 1.175 billion in 2019, with a year-on-year increase of 159.96%, ranking first in this category of Ali channel, and fully reflecting the advantages of the new model.

The industrial chain service providers cultivated by the Company can promote the continuous development of high-quality factories, and at the same time, continue to attract new high-quality factories to cooperate with the Company, gradually improving the comprehensive competitiveness of the licensed industrial chain.

(V) Timelink's service

The main business of Timelink, a wholly-owned subsidiary of the Company, has been focusing on the mobile internet marketing business, i.e., the advertising marketing business on the mobile terminal, promoting APP and delivering advertisements for clients in these mobile terminals as an agent of the mobile information flow supplier.

1. Information flow suppliers: mainly including VIVO, Xiaomi, Tencent App Store, Toutiao, etc. Timelink enjoys a stable cooperation relationship with these information flow providers.

2. Advertising clients: mainly including the high-quality clients, such as Tik Tok, Taobao, VIP.com, 360 IOU, and

Money Station, whose demands for advertisements were stable with low payment risk.

3. Cash flow optimization: during the reporting period, the net operating cash flow of Timelink changed from negative to positive, achieving the amount of RMB 176,717,476.52.

4. Business innovation: performed the business innovation through combining with the market situations and the advantages of the Company, deployed the internet celebrity advertising brokerage business, and enriched the business of the Company.

Timelink can keep sustainable, stable and healthy development for a long time, based on the operating principle of "Guaranteeing Stability and Controlling Risks".

II. Major Changes in Key Assets

1. Major Changes in Key Assets

Key assets	Explanations for major changes
Long-term equity investments	In 2019, the Company has signed the Transfer Agreement for XiEnEn's equity investment, which thus has not met the recognition criteria for the long-term equity investment, then was transferred to the account of "assets classified as held for sale".
Fixed assets	At the end of 2019, the fixed assets amounted to RMB 6,718,909.97, with an increase of 122.35% compared with the beginning of the year, mainly due to the relocation of the actual operating address of the Company in 2019 and the increased procurement of office equipment.
Held-for-trading financial assets	At the end of 2019, the held-for-trading financial assets amounted to RMB 1.49 billion, with an increase of 231.01% compared with the beginning of the year, mainly due to the increased procurement of finance products by the Company.
Notes receivable	At the end of 2019, the notes receivable amounted to RMB 73,506,158.00, with an increase of 82.31% compared with the beginning of the year, mainly because some clients have increased the amount settled by bank acceptance bills.
Advances to suppliers	At the end of 2019, the advances to suppliers amounted to RMB 229,302,915.74, with a decrease of 58.52% compared with the beginning of the year, mainly due to the decrease in the prepaid information flow fees made by the subsidiary – Timelink at the end of the year
Other receivables	At the end of 2019, other receivables amounted to RMB 88,075,286.90, with an increase of 47.16% compared with the beginning of the year, mainly due to the increase in the purchase margin to supplier paid by the subsidiary – Timelink within the year.
Inventories	At the end of 2019, the inventories were RMB 5,471,862.14, with an increase of 62.77% compared with the beginning of the year, mainly due to the increase in the procurement of ready-to-wear conducted by the subsidiary – Cartelo Cale(Shanghai) Trading Co., Ltd. within the year, which launched the offline children's wear business in 2019.
Long-term deferred expenses	At the end of 2019, the long-term deferred expenses amounted to RMB 7,282,365.40, with

	an increase of 6,574.14% compared with the beginning of the year, mainly due to the increase in the renovation costs for the newly-leased office building by the Company within the year.
Other non-current assets	At the end of 2019, other non-current assets amounted to RMB 1,886,792.26, with a decrease of 87.42% compared with the beginning of the year, mainly because due to the input VAT to be deducted was expected to be deducted completely within the coming year, thus the Company has reclassified its balance to the account of “non-current assets maturing within one year”.

2. Key Overseas Assets

√ Applicable (A) □ Not applicable (N/A)

Details of assets	Method of formation	Asset size	Location	Operating model	Control measures to guarantee asset safety	Earning status	Proportion of the Company’s net assets	Significant risk of impairment?
CCPL	Equity acquisition	RMB621,847,417.61	Samoa	Brand licensing	Measure to prevent the trademark infringements	Good	12.80%	No
UNIVERSAL NEW LIMITED	Equity acquisition	RMB 50 million	British Virgin Islands (BVI)	Brand licensing	Measure to prevent the trademark infringements	Good	1.03%	No

III. Analysis on Core Competitiveness

(I) Competitive advantages of the brand licensing and service business

1. Accumulated a huge consumer base through the past ten years of operation

The NANJIREN brand had numerous visitors and purchasers on various E-commerce platforms with a high conversion rate. In 2019, the number of pieces paid at the licensed stores of the Company on the Ali platform was nearly 335 million, and the times of payment was more than 288 million; and the monthly average visitor number in NANJIREN underwear category on the Ali platform was nearly 51.15 million. In addition, the monthly average order price was RMB 49.76, with a monthly average conversion rate of 20.28%.

NANJIREN brand products are popular among consumers in China.

2. The Company enjoys a good credit in various industrial zones through nearly ten years of supply chain cooperation

The Company has established the continuous and stable cooperative relationship with a large number of high-quality suppliers and distributors, and has formed the good relations with factories in the industrial zone, through nearly 10 years of operation. On one hand, the Company has taken advantage of the data empowerment to provide assistance in resource referral, R&D, traffic management, data analysis & application for suppliers, so as to help them to develop the hot-selling products, realize the transformation from low-frequency to high-frequency on product usage, reduce the inventories, and improve the capital turnover rate, and help the factories to achieve low-cost transformation, and get out of the predicament with the unstable orders and difficulties in getting loans; on the other hand, the Company has implemented the policy of "Client First" in benefit distribution, which has eased the funding pressure of supply chain partners and established the good credit trust system, thus forming the "competition barrier".

3. The Company's organization has optimized continuously to adapt to changes in the market and consumption.

The Company has continued to maintain small steps of change and innovation, and insisted on self-transformation, which has allowed the organization to adapt to the changes of the market and the enterprise management demands, through such measures as organization and process reengineering, information development, culture and performance management.

In terms of organizational structure, the front business units have been dynamically performing the integration and adjustment, according to the differentiation of category in E-commerce industry and the supply chain integration needs of the Company, cultivating the generalists in management comprehensively; in terms of the team development, the Company has constantly introduced the professional talents to enrich the staff team; and in terms of the process management, the Company has continuously optimized the process based on business and management requirements, thus enhancing the organizational efficiency.

4. Roadmap to build a world-class consumer goods giant based on E-commerce channels

The Company believes:

1) Consumer traffic is the essence of E-commerce;

The NANJIREN brand had a good consumer traffic scale in different major E-commerce channels, with the obvious comparative advantages in number of visitors, purchasers, and repeat purchasers, which made the brand more competitive;

2) Efficiency is the essence of retail;

The NANJIREN brand has focused on the products with high- or medium frequency of usage, and the precise allocation for the resources of suppliers and distributors can help the supply chain to respond to the market quickly;

3) Value chain is the essence of business;

The brands, products and services of the Company have formed the foundation of the value chain of our business. A good brand is a trust endorsement, and can exceed the expectations. Although the products and services of NANJIREN brand have gained certain achievements, there will be still much space for improvement;

4) Good organization can achieve sustainable competitiveness;

The Company has continued to enhance its competitiveness through such methods as talent recruitment, organization optimization, and process transformation, and there will still be much space for improvement;

5) Good culture can generate self-motivation force;

The Company has encouraged the employees to find out their own value points on the platform of the Company to achieve self-motivation and self-fulfillment. There is still a certain distance for the Company to become one of the world's top excellent enterprises;

6) Sharing is the essence of platform;

Allowing the employees, clients and shareholders to share the benefits of the Company's growth is the source of the healthy and sustainable development of the Company’s platform. And it is the responsibility of the Company to bring the long-term returns to employees, clients and shareholders.

7) Risk control allows the Company to develop healthily;

Good risk control can make the Company invincible. The Company has always advocated the business moralities of conducting the operation according to laws, performing the business in an honest and trustworthy way, and attached importance to the quality management and anti-corruption management, with the aim to pursue the long-term healthy development.

(II) Timelink's competitive advantages in business

1. Timelink had abundant high-quality client resources

Relying on the abundant internet marketing industry experience and resource accumulation of the management team, Timelink has quickly explored a series of high-quality clients, such as Toutiao, Alibaba Group, Suning.com, Mogujie, iQiyi, and Netease, who have high demands for service capability and quality. In addition, the good cooperative relationship with them has reflected the excellent business capabilities of Timelink. During the business exploration and development, Timelink has quickly established a good reputation and brand influence.

2. Diversified high-quality information flow resources

Timelink not only had high-quality mobile information flow suppliers, such as VIVO and Xiaomi, but also was the core agent of the mainstream information flow suppliers, such as Tencent App Store and Toutiao. These are the core media resources of Timelink. In addition, Timelink has expanded the small and medium-sized business (“SMB”) in Xiaomi's information flow. The wholly-owned subsidiary of Timelink - RAYAS has obtained the SMB exclusive agency qualification for Xiaomi Advertising in 2019, which has expanded the client resources and enriched the client types for Timelink. It can help to improve the market share, resource advantage, and the popularity of Timelink, laying a good foundation of information flow resources for the steady development.

3. Professional business team with excellent marketing and flow integration capabilities

Relying on the experienced business team and diversified information flow resources, Timelink can realize the more diversified flow integration strategy in the advertising plan setting, develop the targeted plan based on the actual demands of the client, select the appropriate media resources for the clients, fully improve the promotion efficiency of the advertising plan, reduce the advertising costs for clients, and gradually gain full recognition from more clients. The professional mobile internet marketing team of Timelink has provided not only the capability guarantee for its business realization, but also the early data accumulation for the gradual improvement of its business support system, and the technical guarantee for the design indicator setting.

4. Gradually improved business support system

Based on the industry dynamics and market demands, Timelink has developed and used the big data analysis and application systems, such as real-time marketing delivery monitoring system, market monitoring platform for mobile application, and real-time bidding system for advertisements, to effectively track the delivering dynamics, timely adjust the marketing plans, and improve the delivery efficiency. With the continuous increase of the business scale of Timelink, the numbers of staff, advertising channels, and clients have been increasing accordingly. Hence, Timelink has developed the integrated management platform that can make the unified management of business and organization better and reduce management costs.

Section 04 Management Discussion & Analysis

I. Overview

(I) Business overview

1. Company Mission: To help China's high-quality supply chains achieve continuous success, and provide high cost-performance products and services to Chinese families!

2. Company Vision: To become a world-class consumer goods giant!

3. Overall business performance:

During the reporting period, the statistically available GMV for the licensed brand products of the Company amounted to RMB 30.559 billion, with a year-on-year increase of 48.92%; the total number of licensed suppliers of the Company was 1,113, including about 500 main licensed suppliers; and the total number of licensed distributors was 4,513, and the number of licensed stores was 5,800.

During the reporting period, the Company achieved an operating revenue of RMB 3,906,848,236.41, with a year-on-year increase of 16.52%; and the net profit attributable to shareholders of the listed company was RMB 1,206,136,918.38, with a year-on-year increase of 36.06%.

During the reporting period, the Company continued to strengthen the management towards the accounts receivable.

1) The accounts receivable of NJBU (excluding the factoring business) amounted to RMB 605,576,004.51, with a year-on-year increase of 38.26%;

2) The accounts receivable for the factoring business of the Company amounted to RMB 24,282,084.36, with a year-on-year decrease of 85.45%;

3) The accounts receivable for the business of Timelink amounted to RMB 159,846,041.33, with a year-on-year increase of 33.51%;

During the reporting period, the net operating cash flow of the Company has been significantly improved and amounted to RMB 1.255 billion, with a year-on-year increase of 127.59%, of which, the net operating cash flow for NJBU amounted to RMB 1,078,194,350.10, with a year-on-year increase of 86.18%. In addition, the net operating cash flow of Timelink amounted to RMB 176,717,476.52, which changed from negative to positive.

4. Memorabilia in 2019

JAN

The 10th Annual Meeting of the NANJI Community - "China-based, World Orientation"

MAR

Joint Project Meeting for Key Accounts of NANJIREN

APR

Attendees of NANJI Community Nantong Study Tour visited the partners of "NANJIREN Home Textile Flagship Store" and "NANJIREN Youxuan Specialty Store" and their factories, focusing on the exchange of the product quality control and operation methods, and seeking the common development.

MAY

Obtained the SMB Exclusive Agency Qualification for Xiaomi Advertising in 2019

The wholly-owned subsidiary of Timelink - RAYAS has obtained the SMB exclusive agency qualification for Xiaomi Advertising in 2019, which has expanded the client resources and enriched the client types for Timelink. In addition, it can help to improve the market share.

JUN

NJDS GMV Exceeded RMB 10 billion

On June 16, the statistically available GMV of the licensed brand products of the Company exceeded RMB 10 billion, which was 96 days earlier than that of 2018.The Company accurately grasped new changes in domestic consumption trends and consumption habits, adhered to the strategic positioning of "Innovative Enterprise in the Consumer Goods Industry", and provided the "Good but Not Expensive" domestic excellent products to consumers.

JUL

NANJIREN Home Life Summit

"NANJIREN Home Life Summit 2019" was held in Yuyao of Zhejiang province, with the theme of "NANJIREN: to make difference, integrate resources, and build a world-class brand". The Summit demonstrated and shared the potentials for the Company's future development, and the advantages of the business model of the Company's partner - Zhejiang ShangweiE-Commerce Co., Ltd.

Launch of NJDS Puning Industry Chain Service Center

AUG

Changsha Study Tour of NANJI Community

Attendees of NANJI Community Changsha Study Tour visited the partner - "NANJIREN Jiashi Specialty Store", and shared the experience of warehouse management and efficient operation. Growth is the eternal melody of enterprise development. Hence, the aim of the NJDS "Study Tour" is to allow the partners of the Company to continue to grow through sharing.

SEP

Implementation of 2019 SOIP

The Company granted the stock options to the directors, middle and senior management, and key technical (business) personnel (excluding the independent directors and supervisors) of the Company at the exercise price of RMB 6.7/share. The number of incentive object for the initial grant was 122, with the stock options of 13,597,200 shares, accounting for 0.55% of the total shares of the Company.

OCT

Relocation of Company's Headquarter

The operating office of the Company's headquarter was moved to the Springs Center in Yangpu District of Shanghai from the original office building in Huangpu District of Shanghai, to provide employees with a more modern and comfortable office environment.

NOV

Obtained the Core Agent Qualification of Network Service Industry on OPPO Platform in 2020

Henri Jayer, a wholly-owned subsidiary of Timelink, obtained the core agent qualification of network service industry on OPPO platform in 2020, further providing the advertising clients with the diversified traffic distribution channel and multi-dimensional marketing choice, expanding the advantages of Timelink traffic resources, and helping to optimize the business structure of Timelink.

NOV

Sponsored the Tmall"Double Eleven" Carnival Night, with the Double Eleven GMV exceeding RMB 1.5 billion

The Company conducted the sponsorship cooperation with the Tmall "Double 11" Carnival Night for the first time and achieved good results. And the NANJIREN brand became one of brands with over RMB 1 billion GMV on the Tmall"Double Eleven" Festival, and ranked Top 5 on Tmall "Double Eleven" export brand ranking; in addition, the total statistically available GMV for the licensed brand of the Company exceeded RMB 1.5 billion on that day.

DEC

Super Retail Summitof NANJI Selection

On December 19, the Company held the "Super Retail Summit of NANJI Selection", which gathered about 100 supply chain partners from the related industries to discuss the operation in the Company' s offline retail project.

(II) Brand analysis

The main brands of the Company include NANJIREN, Cartelo Crocodile, and Classic Teddy.

1. **NANJIREN brand** is positioned as a family lifestyle brand for the mass market, which has strived to become a world-class consumer product brand based on the E-commerce channel. In 2019, the NANJIREN brand's GMV amounted to RMB 27.138 billion, with a year-on-year increase of 52.86%, which has become one of the leading brands of E-commerce consumer products.

2. **Cartelo Crocodile brand** is positioned as an international fashion brand popular with young people, aiming at providing consumers with products of international fashion and quality at acceptable prices, and striving to become an influential brand in the its segment. In 2019, Cartelo Crocodile brand's GMV amounted to RMB 2.986 billion, with a year-on-year increase of 27.94%.

3. **Classic Teddy brand** is positioned as an international brand, which focuses on the maternal & infant and Co-Branding business, and strives to become a model of international brand cooperation. In 2019, the GMV of Classic Teddy brand amounted to RMB 228 million, with a year-on-year increase of 45.61%.

(III) Channel analysis

In 2019, the GMV of the licensed stores of the Company ("the Company's total GMV") amounted to RMB 30.559 billion on various E-commerce platforms, with the specific breakdown as follows:

1. GMV achieved at the Ali channel amounted to RMB 20.317 billion, with a year-on-year increase of 39.13%, accounting for 66.48% of the Company's total GMV;

2. GMV achieved at the JD.com channel amounted to RMB 4.682 billion, with a year-on-year increase of 31.50%, accounting for 15.32% of the Company's total GMV;

3. GMV achieved at major Social E-commerce channels amounted to RMB 3.965 billion, with a year-on-year increase of 124.89%, accounting for 12.97% of the Company's total GMV;

4. GMV achieved at the VIP.com channel amounted to RMB 1.445 billion, with a year-on-year increase of 200.35%, accounting for 4.73% of the Company's total GMV.

(IV) Category analysis

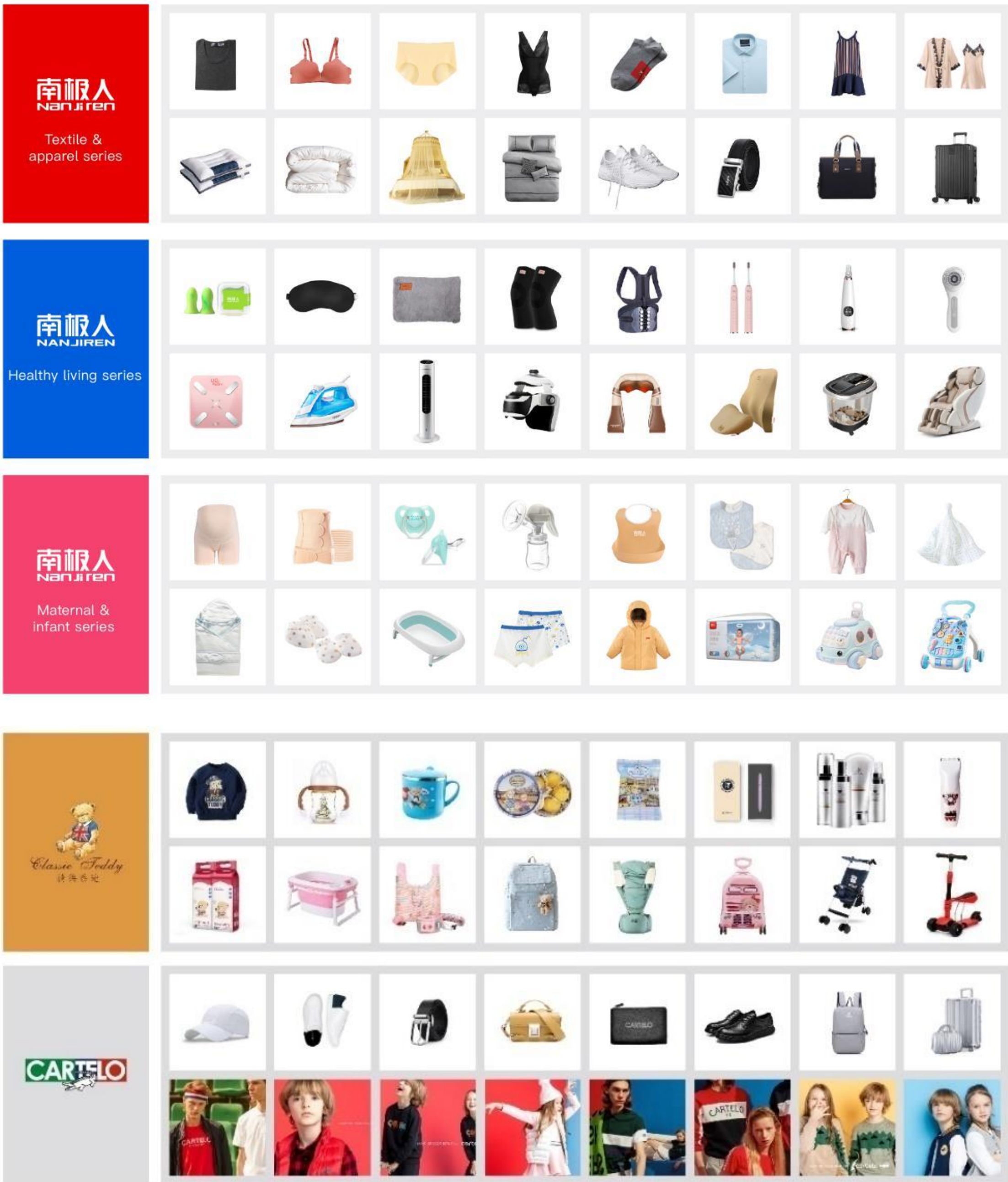
1. Category positioning overview

1) The product of NANJIREN brand is positioned as a multi-category of new fast-moving consumer product, which covers various aspects of family life and enjoys a large expansion space;

2) The product of Cartelo Crocodile brand is positioned as a sports fashion-clothing product, which reflects the international trend;

3) The product of Classic Teddy brand is positioned as the product of the maternal & infant category, which reflects the cuteness & leisure style.

(The analysis of the major categories is as follows)



2. Analysis of Underwear Category

1) Category segmentation

The Company's primary category of "women's underwear/men's underwear/loungewear" (hereinafter referred to as "underwear category") included such sub-categories as underpants, socks/leggings/silk stockings/leg-shaping stockings, pajamas/loungewear suits, thermal suits, thermal blouses, thermal pants, bras, nightdress, suspenders/vests/T-shirts, tube tops, shaping waistbands/waist clips, robes/bathrobes, nipple covers, pajama pants/lounge pants, shaping jumpsuits, bodybuilding pants, bra sets, shaping blouses, pajama jackets, inserts/breast pads, shoulder straps, two-piece shaping sets, etc.

2) Category strategy

The underwear category of the Company involved such brands as NANJIREN, Cartelo Crocodile, and Classic

Teddy, where NANJIREN is the main brand.

NANJIREN has preferably achieved the accurate matching of "people, goods, market, and time" through the "Eight Coverage" strategies for the underwear category, and grasped the new consumption trends, clarified the brand positioning and data empowerment to develop the hot-selling products, identified and maintained the accurate target consumers, quickly penetrated into the blue ocean market segment, to make the consumers become true fans of NANJIREN, and further establish the advantage barrier for the NANJIREN underwear category, transforming from the crowd scale advantage to the fans scale advantage.

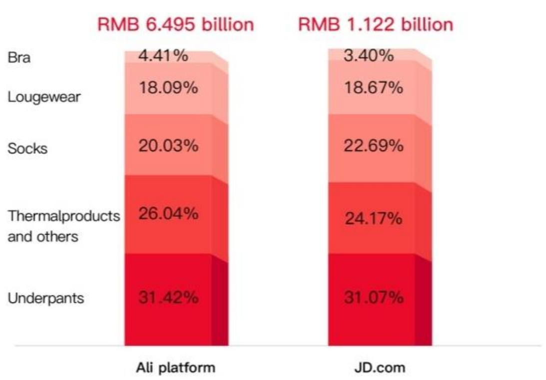
EIGHT COVERAGE	STRATEGY DESCRIPTION
CATEGORY	Gradually penetrated into the level-2 and level-3 categories
PRICE	Penetrated into the medium price level in a differenciation manner
STYLE	Covered the different styles according to the different preference of young consumers
AGE	Covered different age groups of the old, the middle-aged and the young people
MATERIAL AND FUNCTION	Covered the different materials and functions by combining with the consumption scenario, search habit, consumption experience, and industry trend
USAGE SCENARIO	Gradually penetrated into the different usage scenarios, focusing on the usage scenario of consumer products and consumption trends
MARKETING SCENARIO	Created the new trend products, seasonal best-selling products, hot-selling products sold in daily sales, hot-selling products in large sales promotion, hot-selling products for live streaming, co-branding hot-selling products, etc.
SALES CHANNEL	Covered all major E-commerce platforms, and improved the product exposure and exhibition under different shopping habits and scenarios

3) Operational performance

① GMV ranking

In 2019, the GMV of the four sub-categories, including underpants, thermal underwear, socks and loungewear of NANJIREN brand, ranked first and the GMV of bra subcategory ranked fifth on Ali platform respectively; in addition, the GMV of the four sub-categories, including underpants, thermal underpants, socks and loungewear of NANJIREN brand ranked first, and the GMV of bra sub-category ranked second on JD.com platform respectively.

GMV of NANJIREN Underwear Subcategories in 2019



② GMV performance

In 2019, the statistically available GMV for the underwear categories of the Company's all brands amounted to RMB 8.967 billion, with a year-on-year increase of 46.20%, of which:

- ✓ GMV from the Ali platform amounted to RMB 6.523 billion, with a year-on-year increase of 38.78%;
- ✓ GMV from the JD.com amounted to RMB 1.131 billion, with a year-on-year increase of 24.38%;
- ✓ GMV from major Social E-commerce platform amounted to RMB 754 million, with a year-on-year increase of 131.14%;
- ✓ GMV from VIP.com amounted to RMB 538 million, with a year-on-year increase of 190.20%;
- ✓ GMV from other online platforms amounted to RMB 21 million, with a year-on-year increase of 71.65%.

3. Analysis of Bedding Category

1) Category segmentation

The Company's primary category of "beddings" included such subcategories as bedding sets/four-piece sets/multiple-piece sets (collectively referred to as "bedding sets"), quilts, pillows/pillow interiors/health care pillows/cervical pillows (collectively "pillows"), and mattresses/bed mats/protective mattress pads/tatami mattresses (collectively referred to as "mattresses"), quilt covers, casual blankets/blankets/flannelette blankets, bed sheets, fitted sheets, mosquito nets, pillowcases, bed skirts, bed covers, children's beddings, pillow towels, bed curtains, sleeping bags, summer sleeping mats/bamboo mats/rattan mats/straw mats/leather mats, bedspreads, bedding's accessories, customized beddings, fabric cakes/cake towels, electric blankets, etc.

2) Category strategy

The beddings category of the Company involved such brands as NANJIREN, Cartelo Crocodile, NANJIREN home, Classic Teddy, and NANJIREN+, where NANJIREN is the main brand.

The bedding category of NANJIREN brand aimed at setting up the diversified consumption scenarios to create the image of "NANJIREN, the World for your Home", and concentrating the resources to achieve the empowerment of the "Home" category to create the comprehensive store portfolios. The comprehensive stores, taking NANJIREN Youxuan Specialty Store as an example, had such features as multiple SKUs, multiple hot-selling products, and high consumer traffic and conversion rate, etc.

3) Operational performance

① GMV ranking

In 2019, the GMV of the four sub-categories, including bedding sets, quilts, mattresses and pillows of NANJIREN brand ranked first on Ali platform.

② **GMV performance**

In 2019, the statistically available GMV for the "beddings" categories of the Company's all brands amounted to RMB 5.356 billion, with a year-on-year increase of 75.78%, of which:

✓ GMV from the Ali platform amounted to RMB 3.560 billion, with a year-on-year increase of 56.35%;

✓ GMV from the JD.com amounted to RMB 928 million, with a year-on-year increase of 60.58%;

✓ GMV from major Social E-commerce platform amounted to RMB 792 million, with a year-on-year increase of 383.06%;

✓ GMV from VIP.com amounted to RMB 51,030,102.06, with a year-on-year increase of 91.76%;

✓ GMV from other online platforms amounted to RMB 24,280,237.15, with a year-on-year increase of 1,836.07%.

4. Analysis of Men's wear Category

1) Category segmentation

The Company's primary category of "men's wear" included such sub-categories as men's casual pants, T-shirts, jeans, shirts, down jackets, knitted shirts/sweaters, hoodies, jackets, cotton-padded clothes, vests/waistcoats, down pants, wind coats, suit pants, woolen overcoats, leather clothing, Polo shirts, suits, business suits, cotton-padded trousers, leather pants, western-style suits, and folk costume.

2) Category strategy

The men's wear category of the Company involved such brands as NANJIREN, Cartelo Crocodile, and NANJIREN+, where NANJIREN is the main brand

The men's wear category strategies of NANJIREN brand focused on the mission of "Sticking to the original aspiration of the good products with fair prices to become the most popular brand for men's wear", and conducted the multi-category development, created the high cost-performance goods, covered the multiple-age consumers, developed the promising category with the much younger styles, continuously promoted the new hot-selling products, improved the traffic efficiency, and formed the industry-leading position of NANJIREN men's wear.

3) Operational performance

① **GMV ranking**

In 2019, the GMV of the four sub-categories, including men's casual pants, jeans, shirts, and cotton-padded clothes of NANJIREN brand ranked second, and the GMV of the five subcategories, including men's T-shirts, knitted shirts/sweaters, hoodies, vests/waistcoats, down pants ranked third on Ali platform respectively. In addition, the GMV of the two subcategories, including men's casual pants and jeans, ranked second, and the GMV of the three subcategories, including men's jackets, hoodies, and cotton-padded clothes, ranked third respectively on JD.com.

② **GMV performance:**

In 2019, the statistically available GMV for the men's wear categories of the Company's all brands amounted to RMB 4.949 billion, with a year-on-year increase of 48.97%, of which:

✓ GMV from the Ali platform amounted to RMB 3.061 billion, with a year-on-year increase of 44.65%;

✓ GMV from the JD.com amounted to RMB 789 million, with a year-on-year increase of 42.69%;

✓ GMV from major Social E-commerce platform amounted to RMB 887 million, with a year-on-year increase of 45.57%;

✓ GMV from VIP.com amounted to RMB 148 million, with a year-on-year increase of 1,992.53%;

✓ GMV from other online platforms amounted to RMB 65,191,900.64, with a year-on-year increase of 75.35%.

5. Analysis of Women's wear Category

1) Category segmentation:

The Company's primary category of "women's swear/female accessory" (hereinafter referred to as the "women's swear category") included such sub-categories as women's pants, bust skirts, shoulder vests, suits, dresses, large-sized women's wear, jeans, POLO shirts, T-shirts, middle-aged and elderly women's wear, woolen coats, fur clothing, leather coats, woolen sweaters, short coats, waistcoats, down jackets, hoodies/woolen sweaters, business suits, shirts, wind coats, cotton-padded clothes/cotton-padded sweaters, woolen knitted sweaters, lace shirts/chiffon shirts, etc.

2) Category strategy

The women's wear category of the Company involved such brands as NANJIREN and Cartelo Crocodile, where NANJIREN is the main brand. Main strategies of NANJIREN women's wear categories are as follows:

①Developed multiple categories, changing the previous situation that the GMV of the core product of women's wear - "trouser" accounted for more than 80% of the Company's total GMV of women's wear. During the reporting period, the Company has developed key women's wear sub-categories, such as T-shirts, hoodies, jeans, and downwear.

②Developed the comprehensive store as benchmark. NANJIREN Women's Wear Flagship Store has served as the benchmark for multi-category licensed stores, and has gradually cultivated the consumption habits for the consumers of NANJIREN women's wear.

③Focused on the emerging low-tier market, so that the prices and images of our women's wear products would meet the market development trends.

④Established a multi-category hot-selling product portfolio, and formed a breakthrough in "trend" by combining with the "Point – Line - Surface" comprehensive efforts.

⑤Continuously improved the appearance and quality of women's wear products and the consumer experience.

⑥Continuously recruited the Taobao brands with powerful strength as the in-depth partners of the Company to improve the capabilities of the operation and supply chain of the women'swear category.

3) Operational performance

① GMV ranking

In 2019 on Ali platform, the annual GMV of NANJIREN women's wear ranked the ninth, where the annual GMV of leggings sub-category ranked the first, the best ranking of down pants and bust skirts sub-category was No.1 among the monthly GMV rankings, the best ranking of women's casual pants sub-category was No.4 among the monthly GMV rankings, and the best ranking of women's sweaters sub-category was sixth among the monthly GMV rankings respectively.

② **GMV performance**

In 2019, the statistically available GMV for the women's wear categories of the Company's all brands amounted to RMB 1.848 billion, with a year-on-year increase of 61.48%, of which:

✓ GMV from the Ali platform amounted to RMB 1.409 billion, with a year-on-year increase of 43.65%;

✓ GMV from JD.com amounted to RMB 129 million, with a year-on-year increase of 22.76%;

✓ GMV from major Social E-commerce platform amounted to RMB 259 million, with a year-on-year increase of 338.95%;

✓ GMV from the newly-expanded platform - VIP.com amounted to RMB 51,754,045.48;

✓ GMV from other newly-expanded platforms amounted to RMB 261,951.00;

6. Analysis of Children's wear and Maternal & infant Categories

1) Category segmentation

① **The Company's primary category of "children's wear/baby's wear/parent-child clothing" (hereinafter referred to as the "children's wear category")** included such sub-categories as children's pants, T-shirts, children's underwear, children's socks, hoodies/woolen sweaters, children's loungewear, shoulder vests, backward-dressing coats/dust-coats, children's outdoor clothing, belly bands/abdomen bibs/navel protective bands, capes/mantles, children's swimwear, boob tube tops, suits, coats/jackets/overcoats, skirts, down garment/down sweater, children's accessory, baby suits/jumpsuits/rompers, woolen sweaters/knitted sweaters, cotton-padded jackets/cotton-padded clothes, school uniforms/customized school uniforms, parent-child clothing/parent-child fashionable dresses, hats/scarfs/masks/gloves/ear-muffs/foot-muffs, children's accessories, shirts, waistcoats, children's dresses, baby gift sets, etc.

② **The Company's primary category of "infant & children products" (hereinafter referred to as the "maternal & infant category")** included such sub-categories as cloth diapers/urine pads, pull-up diapers, intensive care diapers, paper nappies, paper diapers, skin-care products for baby bath, baby sleeping bags/summer sleeping mats/pillows/beddings, baby buggies/baby walkers, water cups/cutleries/grinding products/accessories, children's cribs/baby cribs/cradles/dining chairs, wet tissues, bottles/bottle related products, collision prevention/remaindering/safety/protection products, straps/walk learning belts/travel supplies, disinfection/milk warming/small-household appliances, children's rooms/tables/chairs/furniture, haircuts/nail clippers/other personal care products, teething gels/toothbrushes/toothpaste, cleaning solutions/laundry detergents/softeners, mosquito repellent products, pacifier/pacifier related products, etc.

③ **The Company's primary category of "maternity wear/maternity products/nutrition products" (hereinafter referred to as the "maternity & infant category")** included such sub-categories as maternity wear, loungewear/nursing wear/long underwear, maternity pants/belly pants, nursing bras/underpants/antenatal care pants, maternal skin-care/washing & cleaning/wrinkles-removing products, pre-delivery supplies, breast pumps / accessories, breast-feeding supplies, binding belts/corsets/pelvis belts, radiation protection products, maternal nutrition products, postpartum nutrition products, maternity caps/socks/shoes, mummy packages/bags, maternity make-up products, maternity repair devices, maternity exercise/yoga/fitness products, etc.

2) Category strategy

The children's wear and maternity & infant category of the Company involved such brands as NANJIREN, Cartelo

Crocodile, and Classic Teddy, where NANJIREN is the main brand.

The strategies of children's wear and maternal & infant category of NANJIREN brand included: To further improve the consumer experience through product innovation, packaging upgrading, quality upgrading and product's visual image optimization; and to achieve more accurate insights and meet the differentiated demands of different consumers, and achieve the efficient matching of "people, goods, market, and time", continue to promote the product iteration and upgrading, gather the excellent supply chain resources, create the one-stop NANJIREN multi-categories shopping experience for different ages, and care for the healthy growth of every child through data analysis.

3) Operational performance

① GMV ranking:

In 2019, the GMV of the three sub-categories of NANJIREN brand, including children's underwear, children's socks, and maternity loungewear/nursing wear/thermal underwear ranked first, and the GMV of the five sub-categories, including children's pants, children's loungewear, baby sleeping bags/summer sleeping mats/pillows/beddings, nursing bras/underpants/antenatal care pants, and maternity pants/belly pants ranked second, and the GMV of the sub-category of children's shoulder vests ranked third, and the GMV of the sub-category of children's hoodies/woolen sweaters ranked fourth, and the GMV of the sub-category of children's T-shirts ranked fifth, on Ali platform respectively; in addition, the GMV of the three sub-categories of NANJIREN brand, including children's underwear, children's hoodies/woolen sweaters, and baby sleeping bags/summer sleeping mats/pillows/beddings ranked first, and the GMV of the three sub-categories, including children's socks, children's loungewear and down garment/down sweater ranked second, and the GMV of the sub-category of children's pants ranked third, on JD.com respectively.

② GMV performance:

In 2019, the statistically available GMV for the children's wear and maternity & infant categories of the Company's all brands amounted to RMB 3.170 billion, with a year-on-year increase of 31.36%, of which:

✓ GMV from the Ali platform amounted to RMB 2.193 billion, with a year-on-year increase of 21.08%;

✓ GMV from the JD.com amounted to RMB 415 million, with a year-on-year increase of 16.00%;

✓ GMV from major Social E-commerce platform amounted to RMB 278 million, with a year-on-year increase of 189.76%;

✓ GMV from the VIP.com amounted to RMB 265 million, with a year-on-year increase of 133.94%;

7. Analysis of Healthy Living Category

1) Category segmentation

①Healthy Living & Fashion Technology Business Group I ("HLFTBG I"): responsible for the management and operation of fourteen primary categories, including large home appliances, automobile accessories/electronic/cleaning/refitted products, family/personal cleaning tools, 3C digital accessories, stationery & electrified education products/stationery commodities/business supplies, kitchen/cooking utensils, tableware, kitchen appliances, storage & clear-up tools, medical equipment, office equipment/consumable materials/related service products, automobile parts/maintenance/beauty/repair & maintenance products, Internet medical/healthcare products, audio & video appliances, of which, the core categories were large home appliances and kitchen appliances, and there were 26 level-2 categories in the large home appliance category, and 46 level-2 categories in the kitchen appliance category on Tmall.com.

②**HLFTBG II**: responsible for the management and operation of four primary categories, including "personal care/health care/massage devices", "pet/pet food and supplies", "beauty and body care device", and "washing & cleaning detergent/sanitary napkins/toilet paper/aromatherapy products", of which, the core category was "personal care/health care/massage device", and there were 23 level-2 categories on Tmall.com.

③**HLFTBG III**: responsible for the management and operation of two primary categories, including domestic electrical appliances and household daily products, of which, there were 52 level-2 categories in domestic electrical appliance category and 24 level-2 categories in household daily product category on Tmall.

The above categories are collectively referred to as the "Healthy Living Category".

2) Category strategy:

The healthy living category of the Company mainly involved NANJIREN brand, and the strategies of NANJIREN healthy living category mainly included:

① Category strategies of the domestic electrical appliance and household daily product

✓ Expand the new products to achieve the multi-category coverage

✓ Expand the sales channels to achieve the multi-channel coverage

✓ Take advantage of the data to drive the accuracy of product development and improve the operation efficiency

✓ Create a number of comprehensive stores

② Category strategies of the personal care/health care/massage device

The product hierarchy, which had been developed by the Company through centering on the personal care scenario, included five sub-categories, i.e., personal care appliances, health care device, massage device, beauty &body care device, and oral care products, which combined with the analysis and application of market data to provide more diversified and personalized goods for different consumer demands. In addition, the Company would grasp the consumption trends at a deeper level, clarify the positioning, fully penetrate the blue ocean market with the concept of "New National Trends, New Domestic Goods" through centering on the "Data Empowerment, Marketing Intelligence Change", and build a nation-wide healthy living brand.

3) Operational performance

① GMV ranking

Domestic electrical appliances: in 2019, the GMV of the two sub-categories of NANJIREN brand, including electric blankets and shoe dryers ranked first, and the GMV of the sub-category of lint removers ranked second on Ali platform respectively;

Household daily products: in 2019, the GMV of the two subcategories of NANJIREN brand, including hot-water bags and electric blankets ranked first, the GMV of the subcategory of warm pastes/pocket warmers/warm products ranked second, and the GMV of the two sub-categories, including protective tools and shoe tools ranked third on Ali platform respectively;

In 2019, the GMV of the personal care/health care/massage device category of NANJIREN brand ranked sixth on

Ali platform;

② **GMV performance**

In 2019, the statistically available GMV for the personal care/health care/massage device of the Company's all brands amounted to RMB 1.334 billion, with a year-on-year increase of 27.87%, of which:

✓ GMV from the Ali platform amounted to RMB 600 million, with a year-on-year increase of 24.96%;

✓ GMV from JD.com amounted to RMB 469 million, with almost no year-on-year change.

✓ GMV from major Social E-commerce platforms amounted to RMB 257 million, with a year-on-year increase of 190.74%;

✓ GMV from VIP.com amounted to RMB 5,065,388.71, with a year-on-year increase of 1,130.34%

✓ GMV from other platforms amounted to RMB 3,363,067.49;

In 2019, the statistically available GMV for the domestic electrical appliance of the Company's all brands amounted to RMB 538 million, with a year-on-year increase of 56.36%, of which:

✓ GMV from the Ali platform amounted to RMB 350 million, with a year-on-year increase of 28.88%;

✓ GMV from JD.com amounted to RMB 112 million, with a year-on-year increase of 67.59%;

✓ GMV from major Social E-commerce platform amounted to RMB 74,438,685.10, with a year-on-year increase of 1,172.63%;

✓ GMV from VIP.com amounted to RMB 1,553,185.62;

✓ GMV from other platforms amounted to RMB 243,356.85;

In 2019, the statistically available GMV for the household daily product of the Company's all brands amounted to RMB 620 million, with a year-on-year increase of 11.16%, of which:

✓ GMV from the Ali platform amounted to RMB 468 million, with a year-on-year increase of 4.89%;

✓ GMV from JD.com amounted to RMB 89,669,635.96, with a year-on-year increase of 3.37%;

✓ GMV from major Social E-commerce platform amounted to RMB 41,898,141.98, with a year-on-year increase of 500.82%;

✓ GMV from VIP.com amounted to RMB 17,061,878.15, with a year-on-year increase of 12,122.10%.

(V) Mobile Internet marketing business

1. Information flow suppliers: during the reporting period, the Company's wholly-owned subsidiary - Timelink has continued to consolidate the cooperation advantages of the existing mainstream suppliers, and has become the SMB exclusive agent of Xiaomi information flow at the same time; in addition, it has become the core agent of Tecent App Store with the highest traffic consumption; and by virtue of the continuous high-quality customer service and industry reputation, it has become the core agent of VIVO in E-commerce and financial industries with the highest traffic consumption; furthermore, while consolidating the existing information flow resources, Timelink has become the core agent of -Toutiao's Tik Tok media, and has started to expand the business of short video information streaming media.

2. Advertising clients: To strictly screen the client qualification, improve capital usage efficiency and reduce operational risk while ensuring capital security; at the same time, 657 new clients were developed during the reporting period. In addition, while maintaining the existing APP clients of E-commerce, Internet service, finance, educational tools and other industries, H5 type clients were developed to enrich the client portfolios and obtain new performance growth resources.

II. Main Business Analysis

1. Overview

Please refer to "I. Overview" of "Section 04 Management Discussion & Analysis" for the relevant contents.

2. Revenues and Costs

(1) Composition of operating revenue

Unit: RMB

	Year 2019		Year 2018		Change YOY
	Amount	Percentage of operating revenue	Amount	Percentage of operating revenue	
Total operating revenue	3,906,848,236.41	100%	3,352,859,972.47	100%	16.52%
By industries					
Modern service	1,395,896,981.58	35.73%	1,035,152,447.16	30.87%	34.85%
Mobile Internet service	2,508,135,146.01	64.20%	2,316,017,013.90	69.08%	8.30%
Sales of goods	2,816,108.82	0.07%	1,690,511.41	0.05%	66.58%
By products					
Brand comprehensive service	1,240,912,123.46	31.76%	899,930,249.10	26.84%	37.89%
Distributor brand licensing service	65,447,600.05	1.68%	33,855,541.77	1.01%	93.31%
Mobile Internet media delivery service	2,431,170,375.39	62.23%	2,200,794,790.65	65.64%	10.47%
Mobile Internet traffic integration service	76,964,770.62	1.97%	115,222,223.25	3.44%	-33.20%
Web celebrity traffic monetization service	46,601,214.37	1.19%	47,231,969.73	1.41%	-1.34%
Factoring service	35,912,907.06	0.92%	44,730,658.99	1.33%	-19.71%
Sales of goods	2,816,108.82	0.07%	1,690,511.41	0.05%	66.58%

Park platform service	0.00	0.00%	3,045,398.33	0.09%	-100.00%
Other services	7,023,136.64	0.18%	6,358,629.24	0.19%	10.45%
By regions					
China	3,906,848,236.41	100.00%	3,352,859,972.47	100.00%	16.52%

(2) Industry, product or region accounting for more than 10% of the operating revenue or operating profit of the Company

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	YoY change in the operating income	YoY change in the operating costs	YoY change in the gross profit margin
By industries						
Modern service	1,395,896,981.58	102,043,903.85	92.69%	34.85%	48.89%	-0.69%
Mobile Internet service	2,508,135,146.01	2,299,176,177.70	8.33%	8.30%	8.34%	-0.04%
By products						
Brand comprehensive service	1,240,912,123.46	82,396,270.02	93.36%	37.89%	55.33%	-0.75%
Mobile Internet media delivery service	2,431,170,375.39	2,248,875,980.36	7.50%	10.47%	9.75%	0.61%
By regions						
China	3,906,848,236.41	2,402,698,452.04	38.50%	16.52%	9.36%	4.03%

The data of the Company's main business in the most recent year was adjusted according to the statistic scale at the end of reporting period in case of any adjustment on the statistic scale of the data of Company's main business within the reporting period

□ Applicable (A) √ Not applicable (N/A)

(3) Are the Company’s sales of goods greater than sales of service?

□ Yes √ No

(4) Fulfillment of significant sales contracts signed by the Company as of the reporting period

□ Applicable (A) √ Not applicable (N/A)

(5) Composition of operating cost

By Product

Unit: RMB

By Product	Item	Year 2019		Year 2018		Change YOY
		Amount	% of operating cost	Amount	%of operating cost	
Brand comprehensive service	Purchasing cost	78,890,844.18	3.28%	42,544,897.05	1.94%	1.34%
Brand comprehensive service	Wage cost	3,502,083.24	0.15%	7,434,868.01	0.34%	-0.19%
Brand comprehensive service	Advertising and publicity expense	0.00	0.00%	3,061,885.88	0.14%	-0.14%
Brand comprehensive service	Depreciation of fixed assets	3,342.60	0.00%	4,137.97	0.00%	0.00%
Distributor brand licensing service	Wage cost	3,368,603.48	0.14%	1,176,646.52	0.05%	0.09%
Web celebrity traffic monetization service	Image licensing fee	12,313,041.34	0.51%	12,320,788.51	0.56%	-0.05%
Web celebrity traffic monetization service	Service cost	854,565.81	0.04%	110,179.42	0.01%	0.03%
Factoring service	Interest expense	252,904.93	0.01%	501,094.33	0.02%	-0.01%
Mobile Internet media delivery service	Media delivery cost	2,248,875,980.36	93.60%	2,049,096,952.29	93.26%	0.34%
Mobile Internet traffic integration service	Traffic integration cost	50,300,197.34	2.09%	73,140,122.52	3.33%	-1.24%
Park platform service	Service cost	0.00	0.00%	356,336.53	0.02%	-0.02%
Sales of goods	Purchasing cost	1,478,370.49	0.06%	6,367,857.11	0.29%	-0.23%
Other services	Service cost	2,858,518.27	0.12%	1,026,121.72	0.05%	0.07%

Note

(6) Did the scope of consolidation change during the reporting period?

√ Yes □ No

1. Business combination not under common control: none

2. Business combination under common control: none

3. Disposal of subsidiaries: none

4. Change of consolidated scope caused by other reasons

(1) Establishment of subsidiaries

① Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd. was a newly established holding subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 30 million, and the equity held by the Company accounted for 86.67%. The registered capital of RMB 26 million was paid as of December 31, 2019.

② Shanghai Aosang Cultural Communication Co., Ltd. was a newly established holding subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 96%. As of December 31, 2019, no capital was contributed.

③ Xinjiang Jingshang E-commerce Co., Ltd. was a newly established holding subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. As of December 31, 2019, the registered capital of RMB 100,000 was paid.

④ Xinjiang Yuduocheng E-commerce Co., Ltd. was a newly established holding subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. As of December 31, 2019, the registered capital of RMB 100,000 was paid.

(2) Liquidation of subsidiaries

① Shanghai Shuimishang Culture communication Co., Ltd. has completed the liquidation and cancellation in July 2019 and has finished the industrial and commercial change procedures.

② Shanghai Aosang Cultural Communication Co., Ltd. has completed the liquidation and cancellation in September 2019 and has finished the industrial and commercial change procedures.

(7) Significant change or adjustment of business, product or service of the Company during the reporting period

□ Applicable (A) √ Not applicable (N/A)

(8) Major clients and major suppliers

Major clients of the Company

Sales amount from the top five clients of the Company in total (RMB)	1,187,357,783.55
Proportion of the sales amount from the top five clients of the Company in total to the annual total sales amount	30.39%
Proportion of the sales amount from related parties of the sales amount from the top five clients of the Company to the annual total sales amount	0.00%

Information on the top five clients of the Company

S/N	Client name	Sales amount (RMB)	% of the annual total sales amount
1	Shenzhen Qianhai Xinzhijiang Information Technology Co., Ltd.	492,260,132.50	12.60%
2	Beijing Mai *** Co., Ltd.	270,401,252.54	6.92%
3	Fuzhou 360 Network Petty Loan Co., Ltd. (Note 1)	168,452,185.57	4.31%
4	Beijing Zi ***Co., Ltd. (Note 2)	163,616,946.84	4.19%
5	Taobao (China) Software Co., Ltd. (Note 3)	92,627,266.10	2.37%
Total	--	1,187,357,783.55	30.39%

Other information of major clients

√ Applicable (A) □ Not applicable (N/A)

Note 1: The operating revenue from Fuzhou 360 Network Petty Loan Co., Ltd. in the current period was calculated according to the consolidated scope, including the sales amounts from its related companies - Shanghai Qiyu Information Technology Co. Ltd., 360 Technology Group Co., Ltd., Guangrui Hengyu (Beijing) Technology Co., Ltd., Beijing Qicai Tianxia Technology Co., Ltd. and Ningbo Qihuan Information Technology Co., Ltd.

*Note 2: The total operating revenue from Beijing Zi***Co., Ltd. in the current period was calculated according to the consolidated scope, including the sales amounts from its related companies - Beijing Zi***Technology Co., Ltd., Beijing Zhen***Co., Ltd., Beijing Yue*** Co., Ltd., Jin *** Co., Ltd., and Beijing Micro*** Co., Ltd.*

Note 3: The total operating revenue from Taobao (China) Software Co., Ltd. in the current period was calculated according to the consolidated scope, including the sales amounts from its related company - Alibaba (China) Network Technology Co., Ltd. and Zhejiang Tmall Technology Co., Ltd.

Main suppliers of the Company

Procurement amount of the top five suppliers of the Company in total (RMB)	2,164,826,798.05
Proportion of the procurement amount of top five suppliers of the Company in total to the annual total procurement amount	90.10%
Proportion of the procurement amount of related parties of the procurement amount of the top five suppliers of the Company in total accounting to the annual total procurement amount	0.00%

Information on the top five suppliers of the Company

S/N	Supplier name	Amount of procurement (RMB)	% of the annual total procurement amount
1	Guangzhou Xiaomi Information Service Co., Ltd.	837,607,461.12	34.86%

2	Vivo Mobile Communications Co., Ltd. (Vivo Communications Technology)	681,980,492.68	28.38%
3	Shenzhen Tencent Computer System Co., Ltd.	537,926,678.09	22.39%
4	Huawei Software Technology Co., Ltd.	72,326,033.79	3.01%
5	Hubei Jinri Toutiao Technology Co., Ltd.	34,986,132.37	1.46%
Total	--	2,164,826,798.05	90.10%

Other information of major suppliers

□ Applicable (A) √ Not applicable (N/A)

3. Expenses

Unit: RMB

	Year 2019	Year 2018	Change YOY	Explanations for significant change
Selling and distribution expenses	118,640,571.55	111,353,414.51	6.54%	No significant change occurred in current year.
General and administrative expenses	80,441,335.12	56,800,814.91	41.62%	The administrative expenses in current period increased by 41.62% compared with the previous period, mainly due to the Company's business scale expansion, personnel increase, and the corresponding increase in salaries, office building rentals, property fees and utilities charges.
Financial expenses	-463,079.95	5,207,249.27	-108.89%	There was a decrease in the financial expenses in the current period compared to the previous period, mainly due to the following reasons: on the one hand, the subsidiary Timelink's loans have decreased during the current period, and the outstanding loans at the end of the period were all new loans by Timelink in the second half of the year; On the other hand, as a result of the Company's operating accumulation, the cash and cash equivalents have increased, hence, the interest incomes have increased.
Research and development expenses	43,304,603.95	37,800,843.09	14.56%	No significant change occurred in current year.

4. Research and development ("R&D") investment

√ **Applicable (A)** □ Not applicable (N/A)

An important operation model of the Company is the "Brand Operation Model", the Company has managed multiple brands, inducing NANJIREN, NANJIREN+, NANJIREN Home, Cartelo Crocodile, Classic Teddy, etc. And the related operating activities involved brand promotion, design, production, distribution, warehousing & logistics, etc. There were a large number of partners, such as licensed factories, E-commerce platforms, distributors, etc. In the course of the long-term operation, the Company has been reducing costs and improving the profitability of the Company and partners through continuously improving the information-based system, optimizing and integrating the supply chains.

Timelink, acquired through major asset restructuring in 2017, has mainly operated the mobile Internet media delivery services and mobile Internet traffic integration services. Such businesses have continued to optimize delivery effects and better serve the clients through the information-based system, such as traffic management and data analysis.

Since the E-commerce industry and the consumer goods industry had higher and more diverse requirements on the supply chains and products, hence, there would be still much space for improvement in terms of the mutual matching, response speed, cost control, product quality tracking & design, as well as in terms of the accuracy of the information and computational accuracy for all supply chain aspects. The Company has kept pace with the times, developed and optimized information system, and integrated the information of relevant partners quickly and completely, explored and utilized the information value, improved the control and management efficiency, explored the core value of supply chain integration, and enhanced comprehensive competitive strength for the brand's supply chain system fundamentally.

R&D investment of the Company

	Year 2019	Year 2018	% of change
Number of R&D personnel (person)	116	147	-21.09%
Proportion of the number of R&D personnel in total number of personnel	17.96%	25.17%	-7.21%
Amount invested in R&D (RMB)	43,304,603.95	37,800,843.09	14.56%
Proportion of R&D investment in operating revenue	1.11%	1.13%	-0.02%
Amount of R&D investment capitalization (RMB)	0.00	0.00	
Proportion of capitalization in the R&D investment	0.00%	0.00%	

Reasons for the significant change in the proportion of total R&D investment in operating revenue compared with the previous year

□ Applicable (A) √ Not applicable (N/A)

Reasons and its reasonable explanations for the substantial change of the capitalization rate of R&D investment

□ Applicable (A) √ Not applicable (N/A)

5. Cash flow

Unit: RMB

Item	Year 2019	Year 2018	Change YOY
Subtotal of cash inflow from operating activities	3,882,659,498.99	3,663,697,173.41	5.98%
Subtotal of cash outflow from operating activities	2,627,747,672.37	3,112,310,240.75	-15.57%
Net cash flow from operating activities	1,254,911,826.62	551,386,932.66	127.59%
Subtotal of cash inflow from investment activities	5,185,506,764.61	5,074,915,196.31	2.18%
Subtotal of cash outflow from investment activities	6,781,234,142.02	5,539,015,113.31	22.43%
Net cash flow from investment activities	-1,595,727,377.41	-464,099,917.00	243.83%
Subtotal of cash inflow from financing activities	150,000,000.00	90,360,000.00	66.00%
Subtotal of cash outflow from financing activities	211,415,913.02	448,822,830.50	-52.90%
Net cash flow from financing activities	-61,415,913.02	-358,462,830.50	-82.87%
Net increase / (decrease) in cash and cash equivalents	-402,122,128.86	-271,448,414.96	48.14%

Explanation of the main influence factors for the significant changes of relevant data on a year-on-year basis

√ Applicable (A) □ Not applicable (N/A)

1) The net cash inflow from operating activities has increased significantly compared with the previous period, because the Company's operating performance in the current year has increased significantly, with good payment collection, compared with the previous year.

2) The net cash outflow from investment activities has increased significantly compared with the previous year, because that the Company has increased the purchase of financial products.

3) The net cash outflow from financing activities has decreased significantly compared with the previous year, because that the Company had more cash dividends and repurchased shares in the previous year. In addition, the Company only repurchased shares and did not pay the cash dividends during the current year.

Explanation of the reasons for the material difference between the net cash flow from operating activities of the Company and the net profits of the current year during the reporting period

□ Applicable (A) √ Not applicable (N/A)

III. Non-Main Business Analysis

□ Applicable (A) √ Not applicable (N/A)

IV. Analysis of Assets and Liabilities

1. Significant change in asset composition

Implementation of new financial instrument standards, new revenue standards or new lease standards, and adjustment and implementation of the relevant items in the financial statements at the beginning of the year by the Company since 2019

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

	At the end of 2019		At the beginning of 2019		Change in proportion	Explanations for significant change
	Amount	Proportion of total assets	Amount	Proportion of total assets		
Cash and cash equivalents	1,280,832,033.28	23.35%	1,189,754,162.14	26.15%	-2.80%	The cash and cash equivalents were mainly current deposits. And the decrease in proportion in the total assets were because that the growth rate of cash and cash equivalents was lower than that of the total assets. In addition, the incremental funds of the Company were mainly used to purchase financial products.
Accounts Receivable	789,704,130.20	14.40%	724,583,591.63	15.93%	-1.53%	The decrease in proportion of the accounts receivable of the Company in the total assets was because that the Company has strengthened its collection of accounts receivable, and the increase rate in the accounts receivable was lower than that of the revenue.
Inventories	5,471,862.14	0.10%	3,361,669.70	0.07%	0.03%	No significant change occurred in current year.
Long-term equity investments	0.00	0.00%	14,230,858.19	0.31%	-0.31%	The Company has signed the Transfer Agreement for XiEnEn's equity investment in 2019, which has not met the recognition criteria for the long-term equity investments and was transferred to the account of “asset

						classified as held for sale”.
Fixed assets	6,718,909.97	0.12%	3,021,813.45	0.07%	0.05%	The Company's actual business address changed in 2019, and the procurement of the office equipment increased.
Short-term borrowings	100,105,694.45	1.83%	70,360,000.00	1.55%	0.28%	The short-term borrowings were all guaranteed loans for the business of Timelink, mainly due to the expansion of the business and the increase in financing demands.
Notes receivable	73,506,158.00	1.34%	40,318,407.59	0.89%	0.45%	Mainly due to the reason that some clients have increased the amount settled by bank acceptance bills.
Held-for-trading financial assets	1,490,000,000.00	27.17%	450,140,057.98	9.89%	17.28%	Due to the reason that the Company has increased the procurement of financial products.
Advances to suppliers	229,302,915.74	4.18%	552,797,861.17	12.15%	-7.97%	Due to the reason that the subsidiary Timelink's prepaid information flow payments decreased at the end of the current year.
Other receivables	88,075,286.90	1.61%	59,849,623.62	1.32%	0.29%	Due to the reason that the purchase margins paid to the supplier by the subsidiary Timelink increased.
Assets classified as held for sale	15,441,091.08	0.28%		0.00%	0.28%	The Company has signed the Transfer Agreement for XiEnEn's equity investment in 2019, which has not met the recognition criteria for the long-term equity investment and was transferred to the account of “asset classified as held for sale”.

2. Assets and liabilities measured at fair value

√ Applicable (A) □ Not applicable (N/A)

Item (Unit: RMB)	Opening balance	Gains/(losses) arising from changes in fair value in current period	Accumulated Fair Value Changes recognized in Equity	Provision for Impairment in Current Period	Amount of Purchase in Current Period	Amount of Sales in Current Period	Other changes	Closing balance
Financial assets								
1. Held-for-trading financial assets (excluding the derivative financial assets)	450,140,057.98				6,182,000,000.00	5,142,140,057.98		1,490,000,000.00
4.Other equity instrument investment	100,000.00							100,000.00
Total of items above-mentioned	450,240,057.98				6,182,000,000.00	5,142,140,057.98		1,490,100,000.00
Financial liabilities	0.00							0.00

Content of other changes

Did significant changes occur for the Company's major asset measurement attributes during the reporting period?

□ Yes √ No

3. Asset with restricted rights as of the end of the reporting period

By the end of the reporting period, the amount of the frozen cash and cash equivalents of the Company was RMB 3.2 million, which was caused by a litigation. Because of the infringement caused by a client of the Company, the Company became a joint defendant involved in the contentious matter, and as of April 15, 2020, the plaintiff and the defendant signed a Settlement Agreement, hence, the Company should not have to bear the liability for compensation.

V. Analysis of Investments

1. General situation

□ Applicable (A) √ Not applicable (N/A)

2. Significant Equity Investment Obtained During the Reporting Period

□ Applicable (A) √ Not applicable (N/A)

3. Significant Non-equity Investment Ongoing During the Reporting Period

□ Applicable (A) √ Not applicable (N/A)

4. Financial Assets Measured at Fair Value

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

Asset type	Initial investment cost	Gains/(losses) arising from changes in fair value in current period	Accumulated fair value changes recognized in equity	Amount of purchase during the reporting period	Amount of sales during the reporting period	Accumulated investment income	Closing balance	Source of funds
Trust product				50,000,000.00	50,000,000.00	1,684,110.29		Self-owned fund
Others	450,140,057.98			6,132,000,000.00	5,092,140,057.98	32,309,204.51	1,490,000,000.00	Self-owned fund
Others	100,000.00						100,000.00	Self-owned fund
Total	450,240,057.98	0.00	0.00	6,182,000,000.00	5,142,140,057.98	33,993,314.80	1,490,100,000.00	--

5. Use of Proceeds

√ Applicable (A) □ Not applicable (N/A)

(1) Overall Use of Proceeds

√ Applicable (A) □ Not applicable (N/A)

(Unit: RMB 10,000)

Year of Funding	Method of Funding	Total Proceeds	Total of Proceeds Used in	Total Accumulated	Total Proceeds with	Total Accumulated	Proportion of Total Accumulat	Total Unused Proceeds	Use and allocation of unused	Proceeds Idled for over Two

			Current Year	Proceeds used	Change of Use during the reporting period	Proceeds with Change of Use	ed Proceeds with Change of Use		Proceeds	Years
Year 2015	Directed placement	27,113.02	0.24	28,205.08	0.24	20,201.19	74.51%		0	
Year 2017	Directed placement	39,149.3	6,928.51	39,194.49	45.31	45.31	0.12%		0	
Total	--	66,262.32	6,928.75	67,399.57	45.55	20,246.5	30.56%	0	--	0
Description for overall use of proceeds										
1. In 2019, Nanji E-commerce (Shanghai) used a total of RMB 2,402.10 of the raised funds. Considering that the projects to be invested by raised funds of the Company were completed, the Company transferred the surplus raised funds for the irrevocable supplement to working capital, and completed the related procedures for closing the above-mentioned special account for raised funds. The accumulated current interest income of the special account of the raised funds for the current year was RMB 5.15, and the net amount was RMB -1,314.85 after deducting the service fee expense of RMB 1,320.00. As of December 31, 2019, the amount of accumulated used raised funds was RMB 282,050,850.14, all of the raised funds were used up, and the accounts of the raised funds were completely closed. 2. In 2019, the Company used a total of RMB 69,285,068.09 of the raised funds, including RMB 68,832,000.00 for the cash consideration of the acquisition payment of Timelink, RMB 99,255.35 for the accumulated current interest income of the special account of the raised funds for the current year, RMB 594.81 for deducting the service fee expense, RMB 453,068.09 for the balance of the raised funds. In addition, considering that the projects to be invested by raised funds of the Company were completed, the Company transferred the surplus raised funds of RMB 453,068.09 for the irrevocable supplement to working capital, and completed the related procedures for closing the above-mentioned special account for raised funds. As of December 31, 2019, the amount of accumulated used raised funds was RMB 391,944,859.13.										

(2) Statement of Committed Investment Projects of Proceeds

√ Applicable (A) □ Not applicable (N/A)

(Unit: RMB 10,000)

Committed Investment Projects and Uses of Excess Proceeds	Project Changed (Partially Changed)	Committed Total Investment Amount from Proceeds	Total Investment Amount after Adjustment (1)	Amount Invested During the Reporting Period	Accumulated Investment Amount as of 31/12/2019 (2)	Investment Progress As of 31/12/2019 (%) (3)=(2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Whether feasibility of project has changed significantly
Committed investment projects										
E-commerce ecological service platform establishment project	Yes	8,000	4,000						N/A	Yes

Flexible supply chain service platform establishment project	Yes	14,000	5,000		28.58	0.57%			N/A	Yes
Brand building project	Yes	8,000	18,255.87		4,157.05	22.77%			N/A	Yes
Cash payment for acquisition of Timelink	No	39,330.3	39,330.3	6,883.2	39,149.18	99.54%		11,032.12	N/A	No
Irrevocable supplement to working capital	Yes			45.55	45.55				N/A	No
Subtotal of committed investment projects	--	69,330.3	66,586.17	6,928.75	43,380.36	--	--	11,032.12	--	--
Investment of excess proceeds										
NONE										
Total	--	69,330.3	66,586.17	6,928.75	43,380.36	--	--	11,032.12	--	--
Status of and reason for planned progress or estimated income not achieved (of a specific project)	N/A									
Description of major changes in project feasibility	1. Project of "E-commerce ecological service platform establishment" With the gradual development of the Company’s brand licensing business, and the gradual normalization of the E-commerce services, the business connotation, data technology system of the E-commerce ecological service platform would be closely related to the daily business operations of the Company. The update and improvement of the relevant data system for the E-commerce ecological service platform has accelerated, it would be necessary to make adjustments accordingly with the business changes. Hence, the relevant investment should not be too large. In addition, the relative investment amount for data intelligence platform, photo shooting, store decoration, and operation & maintenance improvement has become smaller, and own funds can used for subsequent E-commerce platform system construction. The termination of this committed project would not affect the implementation of the normal E-commerce ecological services of the Company. Furthermore, it could improve the fund utilization efficiency through increasing the investment of own funds, according to the business development of the Company. The Company has planned to terminate this committed project and transfer the remaining balance of the raised funds for the project to the "brand building" project funds, in order to take advantage of the raised funds more fully and effectively, and protect the interests of the Company and all shareholders, according to the business development of the Company. 2. Project of "flexible supply chain service platform establishment" As the Company has formulated the business strategies with the "Brand Portfolio Development" as the core, according to the actual business development, continued to consolidate and expand the brand portfolio and expanded the peripheral business of the brand portfolio, hence, the business of flexible supply chain parks has declined. In addition, the Company has performed the equity transfer or cancellation for partial subsidiaries of the flexible supply chain system through the comprehensive evaluation, according to the actual situations. The Company has planned to terminate the committed project and transfer the remaining balance of the raised funds of the project to the "brand building" project funds, in order to improve the									

	utilization efficiency of the raised funds more fully and effectively, and protect the interests of the listed company and all shareholders, according to the business development of the listed company. 3. Project of "brand building" The Company has planned to transfer the balance of the unused raised funds of the "E-commerce ecological service platform establishment" and "flexible supply chain service platform establishment" projects to the "brand building" project. The Company has planned to introduce other brands through acquisition, cooperation, and new establishment, etc., to better build the brand matrix of the listed company, improve the overall brand influence of the listed company, and meet the diversified and multi-level consumer demands, as well as promote the brands of the listed company to improve the brand image and brand awareness and reputation at the same time.
Amount, use and progress of use of excess proceeds	N/A
Changes in location of investment projects using proceeds	N/A
Changes in implementation model of investment projects using proceeds	N/A
Pre-investment and replacement of investment projects using proceeds	A Before the proceeds were fully available, as of October 10, 2017, the actual investment amount of the Company by investing its self-owned funds of RMB 63,348,320.74 in the committed investment projects in advance. After the proceeds were fully available, the 35th Meeting of the 5th Board of Directors and the 31st Meeting of the 5th Board of Supervisors of the Company were held on December 1, 2017, in which the *Proposal on Replacing the Invested Self-owned Funds with Raised Funds* was reviewed and approved to agree that the Company could replace the self-owned funds already invested in the committed investment projects with the proceeds of RMB 59,091,791.04.
Supplementing working capital temporarily with idled proceeds	N/A
Amount of and reason for balance in proceeds during project implementation	A As the committed investment projects of the Company were completed, the Company transferred all the surplus proceeds of RMB 2,402.10 for the irrevocable supplement to working capital on June 26, 2019. As of December 31, 2019, the accumulated investment amount was RMB 282,050,850.14, all of the proceeds have been used up, and the accounts of proceeds have been completely closed. In addition, the relevant information has been stated in the Annual Report.
Usage and allocation of the unused proceeds	As of December 31, 2019, all of the proceeds have been used up, and the accounts of proceeds have been completely closed.
Defects and other issues	N/A

that occurred in the use and disclosure of proceeds	

(3) Statement of Altered Investment Projects of Proceeds

√ Applicable (A) □ Not applicable (N/A)

(Unit: RMB 10,000)

Project After Change	Original Committed Project	Total Amount to Invest in Projects Using Proceeds After Change (1)	Actual Amount Invested During the Reporting Period	Actual accumulated investment by the end of the period (2)	Investment progress by the end of the period (3)=(2)/(1)	Date When Project Reaches Scheduled Availability Status	Benefits Achieved During the Reporting Period	Achievement of Expected Benefits	Significant Changes to Project Feasibility
Brand building project	E-commerce ecological service platform establishment project, flexible supply chain service platform establishment project, and brand building project	23,453.55	0	24,019.21	102.41%	July 01, 2018		N/A	No
Total	--	23,453.55	0	24,019.21	--	--	0	--	--

Reasons for change, decision-making procedures and information disclosure (by project)	I. Reason for change: as of April 30, 2017, the fund utilization rates of the two projects "E-commerce ecological service platform establishment" and "flexible supply chain service platform establishment" were relatively low, and these two projects have not promoted the business development of the Company by using the proceeds. The progress of the brand building project was basically in line with the expectations. And the main expenditure was for the "Classic Teddy" series of Chinese text and graphic trademarks category 1-35, acquired by the Company in November 2016. The Company has established the Classic Teddy Division, and has begun to expand its business in the fields of home textiles, children's wear, and maternal & infant products, etc. 1. Project of "E-commerce ecological service platform establishment" With the gradual development of the Company's brand licensing business, and the gradual

	normalization of the E-commerce services, the business connotation, data technology system of the E-commerce ecological service platform would be closely related to the daily business operations of the Company. The update and improvement of the relevant data system for the E-commerce ecological service platform has accelerated, it would be necessary to make adjustments accordingly with the business changes. Hence, the relevant investment should not be too large. In addition, the relative investment amount for data intelligence platform, photo shooting, store decoration, and operation & maintenance improvement has become smaller, and own funds can used for subsequent E-commerce platform system construction. The termination of this committed project would not affect the implementation of the normal E-commerce ecological services of the Company. Furthermore, it could improve the fund utilization efficiency through increasing the investment of own funds, according to the business development of the Company. The Company has planned to terminate this committed project and transfer the remaining balance of the raised funds for the project to the "brand building" project funds, in order to take advantage of the raised funds more fully and effectively, and protect the interests of the Company and all shareholders, according to the business development of the Company. 2. Project of "flexible supply chain service platform establishment" As the Company has formulated the business strategies with the "Brand Portfolio Development" as the core, according to the actual business development, continued to consolidate and expand the brand portfolio and expanded the peripheral business of the brand portfolio, hence, the business of flexible supply chain parks has declined. In addition, the Company has performed the equity transfer or cancellation for partial subsidiaries of the flexible supply chain system through the comprehensive evaluation, according to the actual situations. The Company has planned to terminate the committed project and transfer the remaining balance of the raised funds of the project to the "brand building" project funds, in order to improve the utilization efficiency of the raised funds more fully and effectively, and protect the interests of the listed company and all shareholders, according to the business development of the listed company.. II. Decision-making procedure: The 26th Meeting of the 5th Board of Directors and the 22nd Meeting of the 5th Board of Supervisors of the Company reviewed and approved the *Proposal on Changing the Purpose of the Raised Funds*; the independent directors of the Company have issued an independent opinion about agreeing to change the purpose of the raised fund; in addition, the independent financial advisor has issued the *Verification Opinion of Donghai Securities Co., Ltd. on the Change of the Purpose of Raised Funds by Nanji E-commerce Co., Ltd.*; and the Third Extraordinary General Meeting of the Company in 2017 has voted through the *Proposal on Changing the Purpose of the Raised Funds*. III. Information disclosure: On May 26, 2017, and June 22, 2017, the listed company disclosed the *Resolution on the 26th Meeting of the 5th Board of Directors of NJDS*, *Independent Director's Independent Opinion on the Relevant Proposal on the 26th Meeting of the 5th Board of Directors of the Company*, *Resolution on the 22nd Meeting of the 5th Board of Supervisors of NJDS*, *Verification Opinion of Donghai Securities Co., Ltd. on the Change of the Purpose of Raised Funds by Nanji E-commerce Co., Ltd.*, and *Proposal on Changing the Purpose of the Raised Funds and Resolution Announcement of the Third Extraordinary General Meeting of Nanji E-commerce Co., Ltd. in 2017* on

	www.cninfo.com.cn and Securities Times respectively to disclose the change for the purpose of the raised funds in this period.
Status of and reason for planned progress or estimated income not achieved (of a specific project)	N/A
Description of major changes in project feasibility after changes	N/A

VI. Sale of Major Assets and Equity

1. Sale of major assets

□ Applicable (A) √ Not applicable (N/A)

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

2. Sale of major equity

□ Applicable (A) √ Not applicable (N/A)

VII. Analysis of Major Companies Controlled or Participated by the Company

√ Applicable (A) □ Not applicable (N/A)

Major subsidiaries and equity participation companies that affect the Company's net profit by more than 10%

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenues	Operating profits	Net profits
Nanji E-commerce (Shanghai) Co., Ltd.	Subsidiary	Sales of the clothing fabrics, clothing accessories, and knitwear & textiles, etc., business information consulting, and enterprise management consulting, etc.,	780,195,690.00	2,513,337,566.70	2,273,548,333.51	584,714,232.24	465,390,253.24	418,038,247.71
Xinjiang Juchang E-commerce Co., Ltd.	Subsidiary	E-commerce (excluding value-added telecommunications and financial business), E-commerce information consulting, business consulting, and marketing planning;	10,000,000.00	425,634,609.92	379,376,854.47	321,363,056.15	258,551,987.35	258,551,988.25

		Foreign trade and enterprise management information consulting, etc.						
Xinjiang NANJIREN E-commerce Co., Ltd.	Subsidiary	E-commerce (excluding value-added telecommunications and financial business), E-commerce information consulting, business consulting, and marketing planning; Foreign trade and enterprise management information consulting, etc.	10,000,000.00	245,790,565.39	203,128,910.51	239,671,971.75	186,191,614.68	186,191,667.29

Acquisition and disposal of subsidiaries during the reporting period

□ Applicable (A) √ Not applicable (N/A)

Description for the major companies controlled and participated by the Company

Nanji E-commerce (Shanghai) Co., Ltd., with the registered capital of RMB 780,195,690.00, has mainly engaged in the brand licensing, E-commerce service, flexible supply chain park business, and a small amount of goods sales business, etc. By the end of the reporting period, the total assets of Nanji E-commerce (Shanghai) amounted to RMB 2.513 billion, with a YOY increase of 23.86%. It achieved a total operating revenue of RMB 585 million, with a YOY increase of 14.28%, achieved an operating profit of RMB 465 million, with a YOY increase of 11.81%, and achieved a net profit of RMB 418 million, with a YOY increase of 10.85%.

Xinjiang Juchang E-commerce Co., Ltd., with the registered capital of RMB 10,000,000.00, has mainly engaged in the brand licensing, E-commerce service, flexible supply chain park business, and a small amount of goods sales business, etc. By the end of the reporting period, the total assets of Xinjiang Juchang E-commerce amounted to RMB 426 million, with a YOY increase of 166.52%. It achieved a total operating revenue of RMB 321 million, with a YOY increase of 65.34%, achieved an operating profit of RMB 259 million, with a YOY increase of 114.17%, and achieved a net profit of RMB 259 million, with a YOY increase of 113.99%.

Xinjiang NANJIREN E-commerce Co., Ltd., with the registered capital of RMB 10,000,000.00, has mainly engaged in the brand licensing, E-commerce service, flexible supply chain park business, and a small amount of goods sales business, etc. By the end of the reporting period, the total assets of Xinjiang NANJIREN E-commerce amounted to RMB 246 million, with a YOY increase of 909.28%. It achieved a total operating revenue of RMB 240 million, with a YOY increase of 775.21%, achieved an operating profit of RMB 186 million, with a YOY increase of 1,007.81%, and achieved a net profit of RMB 186 million, with a YOY increase of 1,002.56%.

VIII. Structured Entity Controlled by the Company

□ Applicable (A) √ Not applicable (N/A)

IX. Prospect of the Company's Future Development

(I) Industry Structure and Development Trend

1. Total Retail Sales of Consumer Goods

According to the statistical data released by the National Bureau of Statistics, the total retail sales of consumer goods amounted to RMB 41.1649 trillion for the whole year of 2019, with a YOY increase of 8.0%, of which, the retail sales of commodities amounted to RMB 36.4928 trillion, with a YOY increase of 7.9%. According to the statistics for the place of business, the urban retail sales of consumer goods amounted to RMB 35.1317 trillion, with a YOY increase of 7.9%; in addition, the rural retail sales of consumer goods amounted to RMB 6.0332 trillion, with a YOY increase of 9.0%. The online retail sales of physical commodities amounted to RMB 8.5239 trillion in 2019, with an increase of 19.5% compared with the previous year, when calculating according to the comparable statistic scale, accounting for 20.7% of the total retail sales of consumer goods, with an increase of 2.3% compared with the previous year. E-commerce channels have still maintained the vitality and steady growth, providing a good economic environment for the business development of the Company.

2. Internet Advertising Industry

According to the description of the *Forecast of the Development Scale of China's Internet Advertising Industry and Development Trend of Advertising Revenue in 2019* issued by China Industry Information Network (www.chyxx.com) in November 2019, the market size of China's Internet advertisement amounted to RMB 401 billion in 2019, with a YOY increase of 14.28%; in addition, the market size for 2020 is estimated at RMB 441.48 billion, with a growth rate of 10.1%. At the same time, with the gradually-prominent advantages of the improvement of targeted Internet advertisement and higher media quality, the client’s recognition of Internet advertising has gradually enhanced, and the market size of Internet advertising is expected to continue to grow in the future.

(II) Development Strategy and Planning of the Company

The Company will continue to stick to the mission of "helping China's high-quality supply chain to achieve continuous success, and providing high cost-performance products and services to Chinese families", believe in the vision of "becoming a world-class consumer goods giant", stick to the values of “Diligent, Cooperative, Result-oriented, Sustainable, Shareable, and Felicific”, and will take the following strategic measures in the future:

1. Further enrich the brand portfolios, optimize the supply chain services, and continuously improve the

competitive advantages

The Company will continue to enrich the brand portfolio, by appropriately acquiring the brands suitable for the Company's operation while maintaining the number of existing brands, horizontally and vertically enriching the product categories, and further improving the cost-performance of products. At the same time, the Company will continue to improve the effectiveness of supply chain services and help the business partners in performance improvement, especially in supply chain services such as data analysis and application, consumer traffic management, and effectively making the services match with the partner demands. In the meantime, the Company will explore the business collaboration between Timelink and NJBU, leverage the channel and experience advantages of Timelink in the mobile information flow, explore the effective way to utilize mobile traffic for brands or products licensing business, and improve the payment conversion rate.

2. Continue to improve corporate governance

The Company is committed to continuously improving the corporate governance, and will continue to optimize the comprehensive budget, process management, data management, etc., and strengthen the promotion of management tools for business. At the same time, the Company will continue to strengthen the collaboration between business units and functional departments, improve the work efficiency, and also lay the foundation for training versatile employees.

3. Continue to conduct the business innovation and optimize the business structure

The Company will expand the internet celebrity advertising business, online live streaming sales business and offline retail business through combining with the market trends and the Company's advantages of traffic and supply chain, etc. The Company will develop more internet celebrities and advertising clients on platforms such as Xiaohongshu and Tik Tok. In addition, the Company also plans to develop its own brand live streaming or live streaming services for other brands on short video platforms such as Kuaishou.

4. Continually implement the talent strategic plan

Talent is the key factor for the Company to maintain healthy and sustainable development, and is an important guarantee for consolidating the existing business and expanding the new business. And the Company currently has diversified training, incentive, and training measures, especially the implementation of talent incubation mechanism of the "Amoeba Small Business Division Mechanism" in the business units of the Company, which is conducive to the rapid and comprehensive growth of talents. At the same time, the Company also pays attention to recruiting professional and excellent external talents to supplement the fresh blood and maintain organizational vitality. In addition, it will also continue to implement the equity incentive and partnership plans to allow the employees and the Company to share the value of growth.

(III) Possible risks

1. Dependency risks at the E-commerce channel

At present, the products under the Company's trademarks are mainly sold on E-commerce channels such as Ali, JD.com, PDD, VIP.com, etc. Therefore, the operating rules and merchant policies, etc., of the E-commerce platform may have a certain impact on the sales side of the brand licensing and supply chain service of the Company. However, on the one hand, the Company maintains a good cooperative relationship and interaction with the E-commerce platforms, on the other hand, the sales scale and supply chain volume of the Company's brands are gradually expanding, therefore, this potential risk would not pose a significant impact on the long-term development and normal operation of the Company.

2. Risk of uncertain performance in new business

During the reporting period, the Company has set up a joint venture with its related parties, and has planned to cooperate with the high-quality supply chain partners to develop the offline retail business by making the price difference of commodity sales and consumer membership fees as the main revenue sources but not assuming the inventory risk. The main purpose is to deploy the offline channels for NJDS, develop the own consumer traffic entrance, explore the high-quality supply chain, develop the new model of offline retail, and provide the broader consumers with the high-quality domestic products, through the development and operation of the offline retail projects of the joint venture. However, this project involves the business related to offline retail and bears risks such as large investment, long learning curve, and profitability uncertainty, etc.

3. Risk in profit stability and diversified development of Timelink

Timelink has a certain degree of dependency risks on key suppliers, mainly because the key information flow suppliers, such as Tencent App Store, Xiaomi Store, VIVO Store, etc., occupy the high-quality and stable traffic resources of the mobile application market. Hence, Timelink has established a long-term relationship with Tencent and Xiaomi with the stable procurement policy. In the future, Timelink will further strengthen its cooperation with Tencent, Xiaomi and VIVO, and strengthen the innovative cooperation of information flow resources of Xiaomi, etc., on the basis of the existing application market cooperation. At the same time, Timelink will further strengthen its own competitive strength on the supply side. In addition to the existing high-quality information flow suppliers, it will further expand cooperation with the high-quality information flow suppliers, such as Toutiao and Tik Tok, and strengthen the depth and breadth of cooperation with the mainstream information flow suppliers. In addition, Timelink will continue to maintain the mobile Internet flow integration marketing business and increase the flexibility of its own media delivery strategy. On the client side, Timelink will have keen insight into the industry development trend, and continue to explore the new high-quality clients, while strengthening the cooperation with existing high-quality clients and increasing the business size.

4. Risk of accounts receivable

NJBU has improved the status of accounts receivable by improving the client management and the performance evaluation system for business personnel, etc. The YOY growth rate of accounts receivable was lower than that of operating revenue. The Company has accelerated the payment collection of accounts receivable through the normalized tracking management of accounts receivable.

X. Reception of Research, Communication, Interviews and Other Activities

1. Information on reception of research, communication, interviews and other during the reporting period

√ Applicable (A) □ Not applicable (N/A)

Reception time	Reception mode	Type of reception object	Disclosure index
February 28, 2019	Phone calls	Institutional investors	*Record of Investor Relation Activities of February 28, 2019*, disclosed at http://irm.cninfo.com.cn on March 1, 2019
May 09, 2019	Field research	Institutional investors	*Record of Investor Relation Activities of May 9, 2019*, disclosed at http://irm.cninfo.com.cn on May 10, 2019
May 24, 2019	Phone calls	Institutional investors	*Record of Investor Relation Activities of May 24, 2019*, disclosed at http://irm.cninfo.com.cn on May 24, 2019
August 22, 2019	Field research	Institutional investors	*Record of Investor Relation Activities of August 22, 2019*, disclosed at http://irm.cninfo.com.cn on August 23, 2019
October 18, 2019	Phone calls	Institutional investors	*Record of Investor Relation Activities of October 18, 2019*, disclosed at http://irm.cninfo.com.cn on October 19, 2019

Section 05 Important Matters

I. Profit Distribution and Increase of Share Capital by Conversion of Capital Reserves for the Common Share of the Company

Status of formulation, execution, or adjustments made to profit distribution policy for common shareholders, especially the cash dividend policy, during the reporting period.

□ Applicable (A) √ Not applicable (N/A)

The Company’s plan (proposal) for profit distribution to common shareholders and plan (proposal) for increase of share capital by conversion of capital reserves for the recent three years (including this reporting period):

In 2019, according to the *Proposal for Distribution of Profit 2019* reviewed and approved at the 24th Meeting of the 6th Board of Directors of the Company, it's planned to distribute a cash dividend of RMB 1.24 per 10 shares (tax inclusive) to all shareholders, based on the number of the total share of 2,437,913,476 after deducting the repurchased shares (16,956,927 shares) in the repurchase special account, and the cash dividends with the total amount of RMB 302,301,271.02 would be distributed, and the remaining undistributed profit of the parent company amounted to RMB 39,453,999.35, which would be temporarily used to supplement the working capital or the Company’s development, and would be carried forward for the subsequent annual distribution. In addition, the Company would not transfer capital reserve to share capital and would not distribute the bonus shares.

In 2018, the *Proposal for Distribution of Profit 2018* was reviewed and approved at the 11th Meeting of the 6th Board of Directors of the Company: no profit distribution would be made in 2018, and no capital reserve would be transferred to share capital.

In 2017, according to the *Proposal for Distribution of Profit 2017* reviewed and approved at the 40th Meeting of the 5th Board of Directors of the Company, the Company planned to distribute a cash dividend of RMB 0.62 per 10 shares (tax inclusive) to all shareholders, based on the base number of the total share of 1,636,580,269 of the Company as of December 31, 2017, with the total amount of RMB 101,467,976.68, and part of the source of funds were dividends from subsidiary; at the same time, the Company planned to convert 818,290,135 shares (the specific total number of shares of conversion shall be subject to the implementation) to all shareholders by increasing 5 shares per 10 shares through conversion of capital reserves. The above-mentioned proposal for distribution of profit should be reviewed and approved by the General Meeting of Shareholders of the Company.

Cash dividends distributed to common shareholders in the most recent three years (including the reporting period)

Unit: RMB

Year	Amount of cash dividends (tax inclusive)	Net profit attributable to common shareholders of the Company in consolidated statements	Proportion of cash dividends in net profit attributable to common shareholders of the Company in consolidated statements	Amount of cash dividends in other forms (such as share repurchase)	Proportion of the amount of cash dividends in other forms in the net profit attributable to common shareholders of the Company in consolidated statements	Total amount of cash dividends (including other forms)	Proportion of the total amount of cash dividends (including other forms) in the net profit attributable to common shareholders of the Company in consolidated statements
Year 2019	302,301,271.02	1,206,136,918.38	25.06%	84,058,578.41	6.97%	386,359,849.43	32.03%
Year 2018	0.00	886,472,236.97	0.00%	67,597,253.12	7.63%	67,597,253.12	7.63%
Year 2017	101,467,976.68	534,291,649.78	18.99%	0.00	0.00%	101,467,976.68	18.99%

The Company made a profit in the reporting period and the profit distributable to the common shareholders of the parent company was positive, but it did not put forward a proposal for cash dividend distribution to common shares:

□ Applicable (A) √ Not applicable (N/A)

II. Proposal for Profit Distribution and Conversion of Capital Reserves into Share Capital for the Reporting Period

√ Applicable (A) □ Not applicable (N/A)

Number of bonus shares per 10 shares (shares)	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	1.24
Conversion of capital reserves into share capital per 10 shares (share)	0
Share base of the distribution proposal (share)	2,437,913,476
Amount of cash dividends (RMB) (tax inclusive)	302,301,271.02
Amount of cash dividends in other forms (such as share repurchase) (RMB)	84,058,578.41
Total amount of cash dividends (including other forms) (RMB)	386,359,849.43
Distributable profit (RMB)	341,755,270.37
Proportion of the total amount of cash dividends (including other forms) in the total amount for profit distribution	100.00%

Cash dividend policy
Others
Details of proposal for profit distribution and conversion of capital reserves into share capital
In 2019, according to the *Proposal for Distribution of Profit 2019*reviewed and approved at the 24th Meeting of the 6th Board of Directors of the Company, the Company planned to distribute a cash dividend of RMB 1.24 per 10 shares (tax inclusive) to all shareholders, based on the base number of the total share of 2,437,913,476 after deducting the repurchased shares (16,956,927 shares) in this purchase special account, and the cash dividends with the total amount of RMB 302,301,271.02 would be distributed, and the remaining undistributed profit of the parent company amounted to RMB 39,453,999.35, which would be temporarily used to supplement the working capital or the Company's development, and would be carried forward for the subsequent annual distribution. In addition, the Company would not convert capital reserve to share capital and would not distribute the bonus shares.

III. Fulfillment of Commitments

1. Commitments made by the Company's actual controllers, shareholders, related parties, acquirers, and others that were fulfilled during the reporting period and those not fulfilled as of the end of the reporting period

√ Applicable (A) □ Not applicable (N/A)

Commitment	Committed by	Commitment type	Commitment details	Committed time	Commitment period	Fulfillment status
Commitments made during conversion to joint-stock company limited						
Commitments stated in the Report of Acquisition or Equity Change Report						
Commitments made during asset restructuring	CHEN Jun; GE Nan; LIU Rui; YU Hanqing; ZHANG Ming;	Restricted sale of shares	As a shareholder of Timelink, I hereby make the following irrevocable commitments and warranties: 1. The new shares subscribed from NJDS through this restructuring shall not be transferred to any third party within 12 months from the date of listing; in addition, subject to the compliance of the above-mentioned lockup period, I agree to relieve the restriction on sales of the subscribed shares of NJDS in the following manner after 12 months from the date of listing to make the	November 9, 2017	2018-11-08	Normal

			Performance Compensation Agreement signed between the listed company and me more exercisable: (1) 12 months after the date of the end of the share issuance, and after the NJDS announcing the *Special Audit Report* of Timelink in 2017, if the audited cumulative net profit amount realized by Timelink at the end of 2017 is not less than the cumulative committed net profit amount as of the end of 2017, then I can transfer 30% of the shares of the listed company obtained in this transaction; (2) Upon 2018 *Special Audit Report* of Timelink issued by NJDS, if Timelink's audited ending accumulative realized net profit in 2018 is not less than the ending accumulative committed net profit as of 2018, I can transfer 60% shares of the listed company obtained from this transaction; (3) Upon 2019 *Special Audit Report* of Timelink issued by NJDS, if Timelink's audited ending accumulative realized net profit in 2019 is not less than the ending accumulative committed net profit as of 2019, I can transfer 90% shares of the listed company obtained from this transaction; After 48 months this transaction was approved by CSRC, I can transfer 100% shares of the listed company obtained from this transaction; In case of failure in reaching the performance commitment, I can transfer the listed company shares obtained according to the above mentioned agreement after performing compensation in the current period. As for other provisions imposed by relevant laws, regulations or CSRC and exchange rules on lockup period of shares held by Timelink shareholders, it is a must to follow the			

			requirement of such provisions simultaneously.			
	NJDS - ESOP II; ZHANG Yuxiang	Restricted sale of shares	I/ESOPII make(s) the following commitments for restricted circulation or transfer of RMB common shares of NJDS subscribed during this transaction: 1. shares of NJDS subscribed through this private placement shall not be transferred within 36 months from the ending date of issuance and shall be subject to relevant regulations of CSRC and Shenzhen Exchange after 36 months. 2. As for company shares increased due to distribution of bonus shares, conversion of capital reserves into share capital and other reasons, such agreements shall be followed after issuing shares to raise supporting proceeds. 3. As for other provisions imposed by relevant laws, regulations or CSRC and exchange rules on lockup period of NJDS shares subscribed by me this time, it is a must to follow the requirement of such provisions simultaneously.	November 9, 2017	2020-11-08	Normal
	GE Nan; LIU Rui; YU Hanqing	Commitments on horizontal competition, related-party transaction and occupation of funds	I. Commitments on avoiding horizontal competition: (I). as of the signing date of this commitment letter, I have never engaged in business involving horizontal competition with NJDS and other companies under its control including Timelink. (II). In order to avoid new (or possible), direct (or indirect) business competition with the listed company's production and operation, during the period I hold NJDS shares after this reorganization, I hereby make the following commitments: 1. I will not directly engage in product production and/or business operation that are the same with or similar to those of the listed company in case of not in favor of the	January 24, 2017	9999-12-31	Normal

			listed company; 2. I will not invest in any enterprise which constituted or may constitute competition with the listed company's product production and/or business operation; 3. I promise that I will prompt enterprises under my direct or indirect control and enterprises where I served as director and senior executive (collectively "related parties") not to directly or indirectly engage in, take part in or conduct any activity under competition with the listed company's product production and/or business operation; 4. In case of my participated enterprises engaging in product production and/or business operation under competition with the listed company, I will avoid becoming such enterprises' controlling shareholder or obtaining such enterprises' actual controlling right; 5. In case of the listed company further expanding its product or business scope thereafter, I and/or related parties will not undergo competition with the listed company's product or business after expansion. If I and/or related parties undergo competition with the listed company's product or business after expansion, I will in person and/or cause affiliated enterprises to take measures to exit such competition in a manner serving the best interests of the listed company, including but not limited to: (1) stop manufacturing products which constituted or may constitute competition; (2) stop operating business which constituted or may constitute competition; (3) transfer business under competition to an unrelated third party; (4) Include business under competition in the operation of the listed company. (III). I			

			confirm that each commitment listed in the commitment letter is independent. The validity of every other commitment shall remain unaffected if any single commitment is deemed as invalid or terminated. II. Commitments on reducing and regulating related-party transactions with Nanji E-commerce Co., Ltd.: as for related-party transactions that may be conducted after this transaction between NJDS and me, enterprises under my control and enterprises where I served as director and senior executive, I hereby make the following commitments: "after the completion of this transaction, I, enterprises under my control and enterprises where I served as director and senior executive (hereinafter referred to as "related parties") will reduce related-party transactions with NJDS to the greatest extent, and for inevitable related-party transactions, the related parties and NJDS shall sign an agreement according to laws, implement legal procedures and perform information disclosure obligation and handle relevant reporting and approval matters according to relevant laws, regulations, *Articles of Association of Nanji E-commerce Co., Ltd.* and other provisions, and promise not to damage legal interests of NJDS and other shareholders through related-party transactions."			
	CHEN Xiaojie; CHEN Ye; CUI Yifeng; HU Xianghuai; HU Xiaowei;	Commitments on horizontal competition, related-party transaction and occupation of funds	I. Letter of commitment on avoiding horizontal competition: (I). as of the signing date of this commitment letter, I have never engaged in business involving horizontal competition with NJDS and other companies to be under its control including Timelink. (II). In order to avoid new (or possible), direct	January 24, 2017	9999-12-31	Normal

	LING Yun; LIU Nannan SHEN Chenxi; WAN Jieqiu; XU Lifang; XU Beibei; YANG Bin; YU Weimin; ZHANG Yanni; ZHANG Yuxiang		(or indirect) business competition with the listed company's production and operation, during the period I serve as NJDS's director/supervisor/senior executive after this transaction, I hereby make the following commitments: 1. I will not directly engage in product production and/or business operation that are the same with or similar to those of the listed company in case of not in favor of the listed company; 2. I will not invest in any enterprise which constituted or may constitute competition with the listed company's product production and/or business operation; 3. I promise that I will prompt enterprises under my direct or indirect control and enterprises where I served as director and senior executive (collectively "related parties") not to directly or indirectly engage in, take part in or conduct any activity under competition with the listed company's product production and/or business operation; 4. In case of my participated enterprises engaging in product production and/or business operation under competition with the listed company, I will avoid becoming such enterprises' controlling shareholder or obtaining such enterprises' actual controlling right; 5. In case of the listed company further expanding its product or business scope thereafter, I and/or the related parties will not undergo competition with the listed company's product or business after such expansion. If I and/or the related parties undergo competition with the listed company's product or business after expansion, I will in person and/or cause the related parties to take measures to exit such competition in a			

			manner serving the best interests of the listed company, including but not limited to: (1) stop manufacturing products which constituted or may constitute competition; (2) stop operating business which constituted or may constitute competition; (3) transfer business under competition to an unrelated third party; (4) Include business under competition in the operation of the listed company. (III). I confirm that each commitment listed in the commitment letter is independent. The validity of every other commitment shall remain unaffected if any single commitment is deemed as invalid or terminated. II. Letter of commitment on reducing and regulating related-party transactions with Nanji E-commerce Co., Ltd.: 1. after the completion of this restructuring, I and other companies and other related parties on which I have actual controlling right or impose significant impact excluding NJDS and its holding subsidiaries (including Timelink proposed to be changed as a subsidiary of NJDS) will avoid related-party transactions with NJDS and its holding subsidiaries to the greatest extent; as for necessary and inevitable related-party transactions, it is a must to conduct such related-party transactions according to the principle of justice, fairness and compensation of equal value, determine the transaction price in accordance with the reasonable price recognized by the market, perform transaction approval procedures and information disclosure obligations regulated by relevant laws, regulations and normative documents, and practically protect the interests of NJDS and its minority shareholders. 2.			

			I promise that I will legally exercise shareholder's rights and perform shareholder's obligations, and will not take advantage of the status of shareholder to seek any illegitimate interests and not damage the legal interests of NJDS and its minority shareholders according to the relevant laws and regulations, rules and normative documents issued by China Securities Regulatory Commission, business rules issued by Shenzhen Stock Exchange, *Articles of Association* of NJDS and other regulations. In case of losses of NJDS and its minority shareholders and holding subsidiaries arising from transactions with NJDS and its holding subsidiaries by violating the above-mentioned commitments, I will assume the corresponding liability for damage according to laws.			
	Shanghai Fengnan Investment Center LLP; ZHANG Yuxiang; ZHU Xuelian	Commitments on horizontal competition, related-party transaction and occupation of funds	Commitment on avoiding horizontal competition: I. As of the signing date of this commitment letter, I/the enterprise have/has never engaged in business involving horizontal competition with NJDS and other companies to be under its control including Timelink. II. In order to avoid new (or possible), direct (or indirect) business competition with the listed company's production and operation, during the period I/the enterprise serve(s) as NJDS's actual controller and controlling shareholder after this transaction, I/the enterprise hereby make(s) the following commitments: 1. I/the enterprise will not directly engage in product production and/or business operation that are the same with or similar to those of the listed company in case of not in favor of the listed company; 2.	January 24, 2017	9999-12-31	Normal

			I/the enterprise will not invest in any enterprise which constituted or may constitute competition with the listed company's product production and/or business operation; 3. I/the enterprise promise(s) that I/the enterprise will prompt enterprises under my direct or indirect control and enterprises where I served as director and senior executive (collectively "related parties") not to directly or indirectly engage in, take part in or conduct any activity under competition with the listed company's product production and/or business operation; 4. In case of my/the enterprise's participated enterprises engaging in product production and/or business operation under competition with the listed company, I/the enterprise will avoid becoming such enterprises' controlling shareholder or obtaining such enterprises' actual controlling right; 5. In case of the listed company further expanding its product or business scope thereafter, I/the enterprise and/or the related parties will not undergo competition with the listed company's product or business after such expansion. If I and/or the related parties undergo competition with the listed company's product or business after such expansion, I/the enterprise will in person and/or cause the related parties to take measures to exit such competition in a manner serving the best interests of the listed company, including but not limited to: (1) stop manufacturing products which constituted or may constitute competition; (2) stop operating business which constituted or may constitute competition; (3) transfer business under competition to an			

			unrelated third party; (4) Include business under competition in the operation of the listed company. III. I/The enterprise confirm(s) that each commitment listed in the commitment letter is independent. The validity of every other commitment shall remain unaffected if any single commitment is deemed as invalid or terminated. Commitment on reducing and formulating related transactions: 1. after the completion of this restructuring, I/the enterprise and other companies and other related parties on which I/the enterprise have/has actual controlling right or impose(s) significant impact excluding NJDS and its holding subsidiaries (including Timelink proposed to be changed as a subsidiary of NJDS) will avoid related-party transactions with NJDS and its holding subsidiaries to the greatest extent; as for necessary and inevitable related-party transactions, it is a must to conduct such related-party transactions according to the principle of justice, fairness and compensation of equal value, determine the transaction price in accordance with the reasonable price recognized by the market, perform transaction approval procedures and information disclosure obligations regulated by relevant laws, regulations and normative documents, and practically protect the interests of NJDS and its minority shareholders. 2. I/The enterprise promise(s) that I/the enterprise will legally exercise shareholder's rights and perform shareholder's obligations, and will not take advantage of the status of shareholder to seek any illegitimate interests and not damage the legal interests of Nanji E-commerce and its			

			minority shareholders according to the relevant laws and regulations, rules and normative documents issued by China Securities Regulatory Commission, business rules issued by Shenzhen Stock Exchange, *Articles of Association* of NJDS and other regulations. In case of losses of NJDS and its minority shareholders and holding subsidiaries arising from transactions with NJDS and its holding subsidiaries by violating the above-mentioned commitments, I/the enterprise will assume the corresponding liability for damage according to laws.			
	CHEN Ye; HU Xiaowei; LING Yun; LIU Nannan SHEN Chenxi; WAN Jieqiu; XU Lifang; XU Beibei; YANG Bin; YU Weimin; ZHANG Yanni; ZHANG Yuxiang	Other Commitments	Letter of commitment on dilution of immediate return in asset restructuring: according to the requirement of *Opinions on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets* (No. 110 [2013] of the General Office of the State Council), *Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring* issued by China Securities Regulatory Commission and relevant laws, regulations and normative documents, the Company's directors and senior executives hereby make the following commitments: 1. Promise to perform responsibilities and obligations dutifully and diligently, and safeguard legal rights and interests of the Company and all of its shareholders. 2. Promise not to transfer interests to other entities or persons in a voluntary manner or with unfair conditions, and not to damage the Company's interests in other ways.	January 24, 2017	9999-12-31	Normal

			3. Promise to restrain my consumption behaviors of the position. 4. Promise not to employ the Company's assets in an attempt to perform investment and consumption activities irrelevant to the performance of responsibilities. 5. Promise to, within the scope of my responsibility and limit of authority, try my best to cause the remuneration system formulated by the company's Board of Directors or Nomination and Remuneration Committee to be pegged to the implementation of the Company's specific measures for making up the gap. 6. Promise to, within the scope of my responsibility and limit of authority, try my best to cause the vesting conditions of stock options incentive to be issued by the Company to be pegged to the implementation of the Company's specific measures for making up the gap. 7. Promise to practically perform the Company's relevant specific measures for making up the gap and my commitments on such measures for making up the gap, in case of violating such commitments and causing losses on the Company or investors, I'm willing to assume the liability of indemnity against the Company or investors according to laws.			
	LIU Rui	Other Commitments	Commitment on non-competition and confidentiality agreement: according to the *Agreement on Asset Purchase through Share Issuance and Cash Payment* signed between the listed company and relevant parties, I promised to hold a post in Timelink for at least 60 months from the delivery date of target assets, and sign *Non-competition Agreement* and *Confidentiality Agreement* with Time Link for at least 60 months.	November 8, 2017	2022-09-26	Normal

	LIU Rui; Yu Hanqing and core management team	Other Commitments	Commitment on non-competition and confidentiality agreement: according to the *Agreement on Asset Purchase through Share Issuance and Cash Payment* signed between the listed company and relevant parties, LIU Rui promised to hold a post in Timelink for at least 60 months from the delivery date of target assets, and sign *Non-competition Agreement* and *Confidentiality Agreement* with Timelink for at least 60 months. YU Hanqing promised to hold a post in Timelink for at least 36 months from the delivery date of target assets, and sign *Non-competition Agreement* and *Confidentiality Agreement* with Time Link for at least 60 months. Meanwhile, Timelink's core management team and technical personnel have signed a letter of commitment and promised to hold a post in Timelink for at least 36 months from the delivery date of target assets, and sign *Non-competition Agreement* and *Confidentiality Agreement* with Time Link for at least 60 months.	September 27, 2017	2022-09-26	Normal
	LIU Rui and senior executives	Other Commitments	Arrangement of senior executives of Timelink: After target assets have been transferred into the account of NJDS, NJDS shall appoint relevant personnel to serve as directors of Timelink and such number of personnel shall be more than half of the total number of directors of Time Link; appoint financial principal (by joint external recruitment) to control Timelink's financial matters and apply the system relevant to the financial management of NJDS subsidiaries. After this transaction, Timelink shall set a Board of directors consisting of 3 members, among which Liu Rui will take a post of director.	September 27, 2017	9999-12-31	Normal

	CHEN Jun; GE Nan; LIU Rui; YU Hanqing; ZHANG Ming	Other Commitments	Letter of commitment on maintaining the independence of the listed company: I. Ensure the listed company's personnel to be independent 1. Ensure that the listed company's senior executives including General Manager, Deputy General Manager, Finance Director and Board Secretary are full-time employees of the listed company with compensation and have not held a post other than Director and Supervisor in myself/the enterprise and its related natural persons, related enterprises and related legal persons (collectively " Myself and Related Parties" and the specific scope shall be subject to the existing and effective *Stock Listing Rules of the Shenzhen Stock Exchange*); 2. Ensure that the listed company's efforts, human resources and compensation management are totally independent of Myself and Related Parties; 3. I/The enterprise shall recommend candidates for Director, Supervisor, Manager and other senior executives to the listed company through legal procedures, and shall not interfere with the Company's board of directors and shareholders' meeting exercising their official powers to make decisions with respect to personnel appointment and removal. II. Ensure the listed company's assets to be independent and complete 1. Ensure that the listed company possesses independent business system relevant to operation and independent and complete assets; 2. Ensure that the listed company's funds and assets are not subject to occupation by myself/the enterprise and its related parties; 3. Ensure that the listed company's domicile is independent of myself and related	January 24, 2017	9999-12-31	Normal

			parties. III. Ensure the listed company's finance to be independent 1. Ensure that the listed company has independent financial department and independent financial accounting system, as well as standardized and independent financial accounting mechanism; 2. Ensure that the listed company has opened accounts in independent banks and did not share bank accounts with myself and related parties; 3. Ensure that the listed company's financial personnel neither take a part-time job nor get compensation from myself and related parties; 4. Ensure that the listed company has paid taxes independently according to laws; 5. Ensure that the listed company can make financial decisions independently, and no intervention has been imposed on the listed company's funds employment by myself and related parties. IV. Ensure the listed company's organization to be independent 1. Ensure that the listed company has established complete corporate governance structure and owned independent and complete organization; 2. Ensure that the listed company's shareholders' meeting, Board of Directors, independent directors, Board of Supervisors, General Managers and other personnel exercise the official powers independently according to laws, regulation and Articles of Association of NJDS. V. Ensure the listed company's business to be independent 1. Ensure that the listed company has assets, personnel, qualification and ability to roll out operation activities independently and has ability to continue market-oriented operation independently; 2. Ensure that I/the			

			enterprise impose no interventions on the listed company's business activities other than intervention through exercising shareholder's rights and interests; 3. Ensure that I/the enterprise and other enterprises under its control will avoid engaging in business under substantial competition with the listed company; 4. Ensure I/the enterprise and other enterprises under its control to reduce and avoid related transactions with the listed company to the greatest extent; as for necessary and inevitable related-party transactions, it is a must to conduct such related-party transactions fairly according to the principle of marketization at fair price, and perform transaction procedures and information disclosure obligations regulated by relevant laws, regulations, normative documents and Articles of Association of NJDS.			
	Shanghai Fengnan Investment Center LLP; ZHANG Yuxiang; ZHU Xuelian	Other Commitments	Commitment on maintaining the independence of the listed company: Before this restructuring, Timelink and NJDS were independent of myself/the enterprise, and after this restructuring, I/the enterprise will continue to keep NJDS to be independent, follow the principle of separation and independence in five aspects i.e. business, asset, personnel, financial affairs and organization, follow the relevant regulations formulated by CSRC, not make use of NJDS to provide guarantee illegally, not occupy NJDS funds and not constitute horizontal competition with NJDS.	January 24, 2017	9999-12-31	Normal
	Shanghai Fengnan Investment Center LLP; ZHANG	Other Commitments	Commitment on not interfering ultra vires in operation and management activities of the listed company, not encroaching on the interests of the listed company and practically	January 24, 2017	9999-12-31	Normal

	Yuxiang; ZHU Xuelian		performing the Company's specific measures for making up the performance gap: I. The Company's operation and management activity shall not be interfered ultra vires by the company's controlling shareholder and actual controller; II. the Company's interests shall not be encroached by the Company's controlling shareholder and actual controller. III. the Company's controlling shareholder and actual controller shall ensure that the Company's specific measures are practically implemented to make up the performance gap. I/The enterprise, as the liability subject of above-mentioned commitments, will assume liability for damage according to laws if the Company and investors suffer from losses due to violation of such commitments.			
	Shanghai Fengnan Investment Center LLP; ZHANG Yuxiang; ZHU Xuelian	Restricted sale of shares	1. Shares obtained by me/the enterprise through the share insurance for purchasing assets cannot be transferred during the period from the ending date of the listed company's share insurance to the expiration day of thirty six months and before the day when the performance compensation obligations are performed totally by me/the enterprise (whichever is later). Within the above lockup period, shares which increased as a result of the listed company's stock dividend distribution, conversion of capital reserve into share capital and other reasons, shall have the same lockup period with the above-mentioned shares. 2. If the listed company's shares saw a closing price less than the offering price for successively 20 trading days within 6 months after I/the enterprise completed asset purchase through issuing shares, or the closing price was	January 20, 2016	2019-01-19	Completed

			less than the offering price at the end of 6 months upon the transaction completion the lockup period of the listed company's shares held by me/the enterprise shall be automatically extended for at least 6 months.			
	Sunny Special Private Fund No. 1; Sunny Special Private Fund No. 2; Sunny Special Private Fund No. 3	Restricted sale of shares	Shares obtained through the listed company's private placement by Sunny Special Private Fund No. 1 to No. 3 under the management of Sunny Loantop Co., Ltd. shall not be transferred within thirty-six months from the ending date of share insurance by the listed company. Within the above lockup period, shares which increased as a result of the listed company's stock dividend distribution, conversion of capital reserve into share capital and other reasons, shall have the same lockup period with the above-mentioned shares.	January 20, 2016	2019-01-19	Completed
	Shanghai Fengnan Investment Center LLP; ZHANG Yuxiang; ZHU Xuelian	Commitments on horizontal competition, related-party transaction and occupation of funds	1. The Enterprise/I and the enterprises other than NJDS and its controlling subsidiaries under my/the enterprise's holding and substantial control have no business under competition with NJDS at present. 2. Except as permitted by laws and regulations, after the completion of this transaction, the Enterprise/I and other enterprises under the Enterprise's/my control and substantial control will neither directly or indirectly operate businesses which constitute competition or may constitute substantial competition with main businesses of the listed company nor invest in other enterprises which constitute competition or may constitute substantial competition with main businesses of the listed company. 3. If the listed company affirms that other enterprises under the Enterprise's/my holding or actual control are engaging in or are about to	August 21, 2015	9999-12-31	Normal

			engage in businesses which are under horizontal competition with the listed company, the Enterprise shall voluntarily or ask relevant enterprises to transfer or terminate such businesses in a timely manner upon objection raised by the listed company. If the listed company asks for further transfer, the Enterprise shall give priority to the listed company unconditionally with respect to the transfer of the above-mentioned businesses and assets at fair price audited or assessed by an intermediary agency with securities practice qualification. 4. In case of violating any commitment in this letter of commitment, the promisee shall indemnify all direct and indirect losses suffered by Xinmin Technology. 5. This letter of commitment shall come into force after the completion of this transaction, and remain valid during the period when the promisee and Xinmin Technology and its subsidiaries have non-competition obligations for associated relationship according to relevant laws and regulations.			
	Shanghai Fengnan Investment Center LLP; ZHANG Yuxiang; ZHU Xuelian	Other Commitments	1. After the completion of this transaction, I (the Enterprise), enterprises under my (the Enterprise's) control and enterprises where I (the Enterprise) served as director or senior executive (collectively "related party") will reduce related-party transactions with Xinmin Technology to the greatest extent, and for inevitable related-party transactions, the related party and Xinmin Technology shall sign an agreement according to laws, implement legal procedures and perform information disclosure obligation and handle relevant	September 9, 2015	9999-12-31	Normal

			reporting and approval matters according to relevant laws, regulations, *Articles of Association of Jiangsu Xinmin Textile Technology Co., Ltd.* and other provisions, and promise not to damage legal interests of Xinmin Technology and other shareholders through related-party transactions. 2. I (The Enterprise) promise(s) that Xinmin Technology will have the following independence after the completion of this transaction: "1. Xinmin Technology has the independent market-oriented management ability and independent sales, operation and service system. With a complete business process, NJDS can provide outward service independently. NJDS has complete independence in terms of business. 2. Xinming Technology possesses electronic equipment, tools, office equipment, transportation equipment and other supporting facilities relevant to operation and has the legal ownership and right of use of the house, electronic equipment, office equipment, trademark and other facilities related to its business. 3. Xinmin Technology's General Manager, Deputy General Manager, Financial Director, Board Secretary and other senior executives neither hold other administrative positions other than directors and supervisors in other enterprises controlled by the controlling shareholder and the actual controller of NJDS, nor get salaries in other enterprises controlled by the controlling shareholder and the actual controller. There are no such situation as holding dual posts, which are prohibited by laws, regulations and normative documents. Financial staff			

			of NJDS are full-time and get paid in NJDS, without having a part-time job or get paid in other companies. 4. Xinmin Technology has opened independent accounts, set up an independent financial department, formulated independent financial management system and paid taxes independently. NJDS can make financial decisions independently. Thus, there is no intervention by shareholders in the use of company funds. NJDS has a set of complete and independent financial accounting system. 5. Xinmin Technology establishes an organization necessary for its business. All internal departments operate independently, without mixed operation or sharing working space.			
Commitment made during initial public offering or re-financing	Wujiang Xinmin Industrial Investment Co., Ltd. and Wujiang Xinmin Technology Development Co., Ltd. (renamed as Dongfang Xinmin Holding Co., Ltd.) before offering by the Company	Commitments on horizontal competition, related-party transaction and occupation of funds	1. The Enterprise and the Enterprise's affiliated enterprises will minimize and avoid related-party transactions with the joint-stock company. If certain related-party transaction shall be implemented according to the principle of being most superior to the joint-stock company, the Enterprise will avoid interfering with the independent judgment by the joint-stock company's decision-making institute, roll out just, fair and open transactions with the joint-stock company on the premise of strictly following regulations relevant to related-party transactions in the joint-stock company's Articles of Association, laws, regulations and normative documents, and will help it to fully perform necessary disclosure obligation in a practical manner. 2. During the period acting as a shareholder of Xinmin Technology, the Enterprise and its subsidiaries will not	August 17, 2006	9999-12-31	Normal

			directly or indirectly roll out any same or similar business which institutes competition against the existing businesses of Xinmin Technology. 3. The Enterprise and its holding subsidiaries shall not occupy funds or other assets of the joint-stock company and its holding subsidiaries directly or indirectly, excluding normal business dealings.			
	The Company's directors, supervisors and senior executives indirectly holding the Company's shares through holding equities of the Company's shareholders i.e. Wujiang Xinmin Industrial Investment Co., Ltd. and Wujiang Xinmin Technology Development Co., Ltd. (renamed as Dongfang Xinmin Holding Co., Ltd.) before the Company's	Commitment for restricted sale of shares	Promise to report to the Company the shares they hold indirectly and the changes thereto. The shares transferred each year by any of them during his or her tenure in the Company shall not exceed 25% of total shares that he or she holds indirectly in the Company; such personnel shall not transfer the Company's shares that they hold indirectly within half a year after resign from the Company.	March 2, 2007	9999-12-31	Completed

	offering					
Commitment on equity incentive						
Other commitments made to minority shareholders of the Company						
Whether commitments are performed on time	Yes					

2. Company statement on meeting original profit forecasts for assets or projects and the reasons therefore, where such profit forecasts have been made and the reporting period falls within the profit forecast period

√ Applicable (A) □ Not applicable (N/A)

Name of asset or project in profit forecast	Start time of forecast	End time of forecast	Forecast performance (Current) (RMB 10,000)	Actual performance (Current) (RMB 10,000)	Reasons for not achieving forecast (if applicable)	Disclosure date of original forecast	Disclosure index of original forecast
Timelink	January 1, 2016	December 31, 2019	13,200	11,146.23	N/A	September 20, 2017	*Report of Asset Purchase and Supporting Funds Raising through Share Insurance and Cash Payment, and Related-party Transaction (Revised)* on www.cninfo.com.cn

Commitments made by the Company's shareholders and counterparties to the reporting year's operating performance

√ Applicable (A) □ Not applicable (N/A)

According to the RCZZ [2020]230Z0741 *Special Audit Report for Profit Achievement* issued by RSM China CPA LLP, the net profits (excluding non-recurring profits and losses) of the businesses and assets acquired by the Company in the major asset restructuring in 2017 reached RMB 111.4623 million in 2019.

The accumulated net profits attributable to the owner of the parent company deducting non-recurring profits and losses of four fiscal years from 2016 to 2019 reached RMB 420.8490 million, higher than the restructuring parties' commitments of RMB 407 million.

Fulfilment of performance commitments and their impact on goodwill impairment testing

IV. Status of Capital of the Listed Company Used for Non-operating Purposes by the Controlling Shareholder or Its Related Parties

□ Applicable (A) √ Not applicable (N/A)

In the reporting period, no controlling shareholder or its related party used capital of the listed Company for non-operating purposes.

V. Explanations from the Board of Directors, Board of Supervisors and Independent Directors (If Any) on "Non-standard Audit Report" Issued by the Auditor for the Reporting Period

□ Applicable (A) √ Not applicable (N/A)

VI. Explanations on Changes in Accounting Policies, Estimates and Methods When Compared to the Previous Financial Year

√ Applicable (A) □ Not applicable (N/A)

1. Significant changes in accounting policies

①On April 30, 2019, the Ministry of Finance of China ("MOF") issued the *Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019* (CK [2019] No. 6) which requires enterprises that have implemented the new financial instrument standards but have not implemented the new revenue standards and new leasing standards to prepare financial statements according to the following regulations:

The item "notes receivable and accounts receivable" in balance sheet shall be divided into the items "notes receivable" and "accounts receivable"; the item "receivables financing" shall be added, so as to reflect the notes receivable and accounts receivable measured at fair value with changes recorded in other comprehensive income on balance sheet date; the item "notes payable and accounts payable" shall be divided into the items "notes payable" and "accounts payable".

The sub-item of "gains /losses from derecognition of financial assets measured at amortized cost" shall be added under the item of "investment income".

On September 19, 2019, the MOF issued the *Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019)* (CK [2019] No. 16), which should be implemented with CK [2019] No. 6.

The Company prepared the comparative statements in accordance with the format of financial statements regulated by CK [2019] No. 6 and CK [2019] No. 16, and changed the presentation of financial statements related with retroactive adjustment.

②The MOF issued the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* (CK [2017] No. 7), the *Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets* (CK 8 [2017] No.) and the *Accounting Standards for Enterprises No. 24 – Hedge Accounting* (CK [2017] No. 9) on March 31, 2017 respectively, and issued the *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments* (CK [2017] No. 14) on May 2, 2017 (collectively "**new financial instrument standards**"). Domestic listed enterprises are required to implement new financial instrument standards from January 1, 2019. The

Company implemented such new financial instrument standards from January 1, 2019 and made adjustments for relevant accounting policies. For details, see Note V.10.

Due to inconsistency between recognition and measurement of financial instruments before January 1, 2019 and new financial instrument standards, the Company conducted retroactive adjustment for classification and measurement of financial instruments (including impairment) according to new financial instrument standards, and included the difference between the original carrying value of financial instruments and new carrying value on implementation day (i.e. January 1, 2019) of new financial instrument standards in retained earnings or other comprehensive income as of January 1, 2019. Meanwhile, the Company has not made adjustment for data on comparative statements.

③On May 9, 2019, the MOF issued the *Accounting Standards for Enterprises No. 7–Exchange of Non-monetary Assets* (CK [2019] No. 8). According to the requirements, the Company has made adjustment for the exchange of non-monetary assets incurred from January 1, 2019 to the implementation date according to this code, and has not made retroactive adjustment for the exchange of non-monetary assets incurred before January 1, 2019. The Company has implemented the Standards since June 10, 2019.

④On May 16, 2019, the MOF issued the *Accounting Standards for Enterprises No. 12–Debt Restructuring* (CK [2019] No. 9). According to the requirements, the Company has made adjustment for the debt restructuring incurred from January 1, 2019 to the implementation date according to the Standards, and has not made retroactive adjustment for the debt restructuring incurred before January 1, 2019. The Company has implemented the Standards since June 17, 2019.

The cumulative impact of the above-mentioned accounting policies is as follows:

Unit: RMB

Item	Consolidated statement		Parent statement	
	December 31,2018	January 1, 2019	December 31,2018	January 1, 2019
Notes receivable and accounts receivable	764,901,999.22	—	97,520,342.97	—
Notes receivable	—	40,318,407.59	—	700,000.00
Accounts receivable	—	724,583,591.63	—	96,820,342.97
Held-for-trading financial assets	—	450,000,000.00	—	50,000,000.00
Other current assets	486,849,976.13	36,849,976.13	54,634,672.85	4,634,672.85
Available-for-sale financial assets	240,057.98	—	—	—
Held-for-trading financial assets	—	140,057.98	—	—
Other equity instrument investment	—	100,000.00	—	—

Notes payable and accounts payable	52,048,994.98	—	23,630,397.14	—
Notes payable	—	—	—	—
Accounts payable	—	52,048,994.98	—	23,630,397.14

2. Significant changes in accounting estimates

During the reporting period, the Company did not make any significant change in accounting estimate.

3. First Implementation of new financial instrument standards and adjustment of relevant items in the financial statements at the beginning of the year of first implementation

Consolidated Balance Sheet

Unit: RMB

Item	December 31, 2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	1,189,754,162.14	1,189,754,162.14	—
Held-for-trading financial assets	—	450,140,057.98	450,140,057.98
Notes receivable	40,318,407.59	40,318,407.59	—
Accounts receivable	724,583,591.63	724,583,591.63	
Advances to suppliers	552,797,861.17	552,797,861.17	
Other receivables	59,849,623.62	59,849,623.62	
Including: Interests receivable	—	—	—
Dividends receivable	—	—	—
Inventories	3,361,669.70	3,361,669.70	—
Other current assets	486,849,976.13	36,849,976.13	-450,000,000.00
Total current assets	3,057,515,291.98	3,057,655,349.96	140,057.98
Non-current assets:			
Available-for-sale financial assets	240,057.98	N/A	-240,057.98
Long-term equity investments	14,230,858.19	14,230,858.19	—
Other equity instrument investment	N/A	100,000.00	100,000.00
Fixed assets	3,021,813.45	3,021,813.45	—
Intangible assets	562,683,064.77	562,683,064.77	—
Goodwill	889,770,009.82	889,770,009.82	—
Long-term deferred expense	109,113.12	109,113.12	—
Deferred tax assets	6,679,125.79	6,679,125.79	—
Other non-current assets	14,999,379.61	14,999,379.61	—
Total non-current assets	1,491,733,422.73	1,491,593,364.75	-140,057.98
Total assets	4,549,248,714.71	4,549,248,714.71	—
Current liabilities:			
Short-term borrowings	70,360,000.00	70,360,000.00	—

Accounts payable	52,048,994.98	52,048,994.98	—
Advance from customer	369,750,631.85	369,750,631.85	—
Payroll payable	28,396,002.54	28,396,002.54	—
Taxes payable	66,445,511.72	66,445,511.72	—
Other payables	167,238,218.29	167,238,218.29	—
Including: Interests payable	150,492.26	150,492.26	—
Dividends payable	—	—	—
Other current liabilities	30,106,369.18	30,106,369.18	—
Total current liabilities	784,345,728.56	784,345,728.56	—
Non-current liabilities:			
Deferred income tax liabilities	634,200.00	634,200.00	—
Total non-current liabilities	634,200.00	634,200.00	—
Total liabilities	784,979,928.56	784,979,928.56	—
Owner's equity (or shareholder's equity):			
Paid-up capital (or share capital)	417,326,994.00	417,326,994.00	—
Capital reserves	1,480,832,771.89	1,480,832,771.89	—
Less: treasury stock	67,590,687.09	67,590,687.09	—
Surplus reserves	131,720,855.52	131,720,855.52	—
Undistributed Profits	1,776,292,224.02	1,776,292,224.02	—
Total owner's equity attributable to parent company	3,738,582,158.34	3,738,582,158.34	—
Minority equity	25,686,627.81	25,686,627.81	—
Total owner's equity (or shareholder's equity)	3,764,268,786.15	3,764,268,786.15	—
Total liabilities and owner's equity (or shareholders' equity)	4,549,248,714.71	4,549,248,714.71	—

Parent Company Balance Sheet

Unit: RMB

Item	December 31,2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	546,501,650.58	546,501,650.58	—
Held-for-trading financial assets	—	50,000,000.00	50,000,000.00
Notes receivable	700,000.00	700,000.00	—
Accounts receivable	96,820,342.97	96,820,342.97	—
Advances to suppliers	349,364.99	349,364.99	—
Other receivables	32,667,995.54	32,667,995.54	—
Including: Interests receivable	—	—	—
Dividends receivable	—	—	—
Inventories	441,903.73	441,903.73	—
Other current assets	54,634,672.85	4,634,672.85	-50,000,000.00

Total current assets	732,115,930.66	732,115,930.66	—
Non-current assets:			
Long-term equity investments	3,938,050,533.14	3,938,050,533.14	—
Fixed assets	34,734.60	34,734.60	—
Intangible assets	101,189.01	101,189.01	—
Other non-current assets	14,684,511.69	14,684,511.69	—
Total non-current assets	3,952,870,968.44	3,952,870,968.44	—
Total assets	4,684,986,899.10	4,684,986,899.10	—
Current liabilities:			
Account payable	23,630,397.14	23,630,397.14	—
Advance from customer	28,401,099.61	28,401,099.61	—
Payroll payable	7,552,651.67	7,552,651.67	—
Taxes payable	149,514.97	149,514.97	—
Other payables	115,799,734.66	115,799,734.66	—
Including: Interests payable	—	—	—
Dividends payable	—	—	—
Total current liabilities	175,533,398.05	175,533,398.05	—
Total liabilities	175,533,398.05	175,533,398.05	—
Owner's equity (or shareholder's equity):			
Paid-up capital (or share capital)	2,454,870,403.00	2,454,870,403.00	—
Capital reserves	1,860,926,915.10	1,860,926,915.10	—
Less: treasury stock	67,590,687.09	67,590,687.09	—
Surplus reserves	75,063,622.20	75,063,622.20	—
Undistributed Profits	186,183,247.84	186,183,247.84	—
Total owner's equity (or shareholder's equity)	4,509,453,501.05	4,509,453,501.05	—
Total liabilities and owner's equity (or shareholders' equity)	4,684,986,899.10	4,684,986,899.10	—

VII. Retrospective Restatement due to Correction of Significant Accounting Errors in the Reporting Period

□ Applicable (A) √ Not applicable (N/A)

There's no correction of significant accounting errors requiring retrospective restatement during the reporting period.

VIII. Changes in Consolidation Scope When Compared to the Previous Financial Year

√ Applicable (A) □ Not applicable (N/A)

1. Business combination not under common control: none

2. Business combination under common control: none

3. Disposal of subsidiaries: none

4. Change of consolidated scope caused by other reasons

1) Establishment of subsidiaries

①Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd. was a newly established subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 30 million, and the equity held by the Company accounted for 86.67%. The registered capital of RMB 26 million was paid as of December 31, 2019.

②Shanghai Aosang Cultural Communication Co., Ltd. was a newly established subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 96%. As of December 31, 2019, no capital was contributed.

③Xinjiang Jingshang E-commerce Co., Ltd. was a newly established subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. The registered capital of RMB 100,000 was paid as of December 31, 2019.

④Xinjiang Yuduocheng E-commerce Co., Ltd. was a newly established subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. The registered capital of RMB 100,000 was paid as of December 31, 2019.

2) Liquidation of subsidiaries

①Shanghai Shuimishang Culture Communication Co., Ltd. has completed the liquidation and cancellation in July 2019 and has finished the industrial and commercial change procedures.

②Shanghai Aosang Cultural Communication Co., Ltd. has completed the liquidation and cancellation in September 2019 and has finished the industrial and commercial change procedures.

IX. Appointment or Dismissal of Accounting Firm

Accounting firm engaged at present

Name of domestic accounting firm	RSM China CPA LLP
Fee for domestic accounting firm (in RMB 10,000)	135
Consecutive years for domestic accounting firm to provide audit service	15
Name of CPA of the domestic accounting firm	CHU Shiwei and KONG Lingli
Consecutive years for CPA of domestic accounting firm to provide audit service	3 years, 1 year
Name of foreign accounting firm (if any)	N/A
Consecutive years for foreign accounting firm to provide audit service (if any)	N/A
Name of CPA of the foreign accounting firm (if any)	N/A
Consecutive years for CPA of foreign accounting firm to provide audit service (if any)	N/A

Did the accounting firm change during the reporting period?

□ Yes √ No

Employment of auditor of internal controls, financial advisor or sponsor

□ Applicable (A) √ Not applicable (N/A)

X. Listing Suspension or Termination after the Disclosure of Annual Report

□ Applicable (A) √ Not applicable (N/A)

XI. Bankruptcy Reorganization

□ Applicable (A) √ Not applicable (N/A)

The Company had no bankruptcy reorganization during the reporting period.

XII. Major Litigation or Arbitration

□ Applicable (A) √ Not applicable (N/A)

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

XIII. Punishment or Rectification

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

XIV. Integrity of the Company, its Controlling Shareholders, and Actual Controller

√ Applicable (A) □ Not applicable (N/A)

The Company and its controlling shareholder and actual controller did not fail to carry out the valid court decision, and did not have any outstanding matured debt with large amount.

XV. Execution of Stock Incentive Plan, ESOP, or Other Employee Incentives

√ Applicable (A) □ Not applicable (N/A)

1. Employee Stock Ownership Plan II in 2016 (the "ESOP II")

ESOP II: For details, see *NJDS Employee Stock Ownership Plan II (Draft)* and its summary, and *NJDS Employee Stock Ownership Plan II (Revised Draft)* and its summary which were disclosed on August 15, 2016, January 25, 2017, May 26, 2017, June 6, 2017, July 13, 2017 respectively on www.cninfo.com.cn.

2. Stock Option Incentive Plan in 2019 (the "2019 SOIP")

1) On September 25, 2019, the Company held the 16th Meeting of the 6th Board of Directors, during which the *Company's Proposal on 2019's Stock Option Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Performance Assessment Management Measures for Implementation of 2019's Stock Options Incentive Plan* and the *Proposal on Submitting to the Meeting of Shareholders for Empowering the Board of Directors to Handle Matters Concerning Stock Options Incentive* were reviewed and approved. The Company's independent directors have presented independent opinions indicating their approval on matters related to the 2019 SOIP. In the2019 SOIP, the Company plans to grant 16.9569 million stock options to incentive objects with 13.7472 million stock options

to be granted to 124 persons for the first time, the strike price for the initial granting to be determined as RMB 6.7 per share and 3.2097 million stock options to be reserved.

2) The *Company's Proposal on 2019's Stock Option Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Performance Assessment Management Measures for Implementation of 2019's Stock Option Incentive Plan* and the *Company's Proposal on Verification of the Incentive Object List in 2019's Stock Option Incentive Plan* were approved on the fourteenth meeting of the Sixth Board of Supervisors of the Company held on September 25, 2019. During this meeting, the Board of Supervisors reviewed and approved the list of incentive objects and presented their opinions on the review and verification.

3) The names and titles of the incentive objects were noticed publicly within the Company from September 26 to October 8, 2019 during which no objection in connection with the incentive objects under the 2019 SOIP was received by the Company's Board of Supervisors. On October 10, 2019, the Company's Board of Supervisors published the *Board of Supervisors' Statement for the Review Opinions and Disclosure Results of the Incentive Object List under the Company's 2019 Stock Option Incentive Plan*.

4) During the Company's Second Extraordinary General Meeting in 2019 held on October 14, 2019, the *Company's Proposal on the 2019 Stock Option Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Performance Assessment Management Measures for Implementation of the 2019 Stock Option Incentive Plan* and the *Proposal on Submission of Empowering the Board of Directors to Handle Matters Concerning the Stock Option Incentive to the General Meeting of Stockholders* were reviewed and approved, and the *Internal Inspection Report on the Status of Purchase and Sales of the Company's Stocks Conducted by Holders of the Inside Information of the 2019 Stock Option Incentive Plan* was disclosed.

5) On November 13, 2019, the *Proposal on Adjusting the List of Incentive Objects and Number of Stock Options to Be Granted under the 2019 Stock Option Incentive Plan* and the *Proposal on Granting Stock Option to Incentive Objects for the First Time* were reviewed and approved on the Eighteenth Meeting of the Sixth Board of Directors and the Seventh Meeting of the Sixth Board of Supervisors held by the Company. The Company's independent directors presented independent opinions indicating their approval, which stated that the conditions for granting specified in the 2019 SOIP had been realized, the qualification of the objects to be granted with the incentive was legitimate and effective and the determined Initial Granting Date conformed with relevant regulations. Since one incentive object was no longer qualified to be an incentive object due to his voluntary resign for personal reasons and another incentive object voluntarily waived all the stock options to be granted by the Company for personal reasons, the quantity of the stock options to be granted for the first time under the 2019 Stock Option Incentive Plan was adjusted from 13.7472 million to 13.5972 million and the number of the inventive objects was adjusted from 124 to 122 with the quantity of reserved stock option of 3,2097 million as unchanged. November 13, 2019 was decided by the Company as the initial date for granting stock option at this time on which 122 incentive objects were granted with 13.5972 million stock options with the strike price for the options to be granted being set as RMB 6.70/share. The date for granting the reserved 3.2097 million stock options will be determined by the Board of Directors separately.

6) As of November 29, 2019, the registration of the initial granting under the 2019 Stock Option Incentive Plan had been completed by the Company.

XVI. Significant Related-Party Transactions

1. Related-party transactions relevant to routine operations

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

2. Related-party transactions arising from purchase and sale of assets or equities

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

3. Related-party transactions with joint investments

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

4. Credits and liabilities with related parties

□ Applicable (A) √ Not applicable (N/A)

No such case during the reporting period.

5. Other significant related-party transactions

□ Applicable (A) √ Not applicable (N/A)

No other significant related-party transactions occurred during the reporting period.

XVII. Material Contracts and Their Execution

1. Status of entrustment, contracting and leases

1) Entrustment

□ Applicable (A) √ Not applicable (N/A)

No entrustment occurred during the reporting period.

2) Contracting

□ Applicable (A) √ Not applicable (N/A)

No contracting matter occurred during the reporting period.

3) Leases

□ Applicable (A) √ Not applicable (N/A)

No leases occurred during the reporting period.

2. Material Guarantees

√ Applicable (A) □ Not applicable (N/A)

1) Guarantees

(Unit: RMB 10,000)

Guarantees from the Company and its subsidiaries (excluding the guarantees for subsidiaries) to external parties								
Guarantee party	Disclosure date of relevant announcement	Maximum guaranteed amount	Actual occurrence date	Actual guaranteed amount	Guarantee type	Guarantee period	Completed or not	Guarantee for a related party?
Guarantees from the Company to its subsidiaries								
Guarantee party	Disclosure date of relevant announcement	Maximum guaranteed amount	Actual occurrence date	Actual guaranteed amount	Guarantee type	Guarantee period	Completed or not	Guarantee for a related party?
Xinjiang Henri Jayer Technology Co., Ltd.	April 23, 2018	5,000	June 29, 2018	5,000	Joint liability guarantee	From the date of signing the main contract for single loan to two years after the period for debtor's performance of debts under the main contract expires	Yes	No
Beijing Henri Jayer Technology Co., Ltd	January 14, 2019	5,000	February 3, 2019	5,000	Joint liability guarantee	From the date of signing the main contract for single loan to two years after the period for debtor's performance of debts under the main contract expires	Yes	No
Xinjiang Henri Jayer Technology Co., Ltd.	June 29, 2019	5,000	July 1, 2019	5,000	Joint liability guarantee	From the date of signing the	No	No

						main contract for single loan to two years after the period for debtor's performance of debts under the main contract expires		
Beijing Henri Jayer Technology Co., Ltd	December 23, 2019	10,000	December 25, 2019	5,000	Joint liability guarantee	From the date of signing the main contract for single loan to two years after the period for debtor's performance of debts under the main contract expires	No	No
Total maximum guaranteed amount approved for subsidiaries during the reporting period (B1)		20,000		Total actual guaranteed amount for subsidiaries during the reporting period (B2)		15,000		
Total maximum guaranteed amount approved for the subsidiaries at the end of the reporting period (B3)		15,000		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		10,000		
Guarantees provided by subsidiaries to subsidiaries								
Guarantee party	Disclosure date of relevant announcement	Maximum guaranteed amount	Actual occurrence date	Actual guaranteed amount	Guarantee type	Guarantee period	Completed or not	Guarantee for a related party?
Xinjiang Henri Jayer Technology Co., Ltd.		2,036	November 12, 2018	2,036	Joint liability guarantee	From the date of signing the main contract for single	Yes	No

						loan to two years after the period for debtor's performance of debts under the main contract expires		
Xinjiang Henri Jayer Technology Co., Ltd.		5,000	July 1, 2019	5,000	Joint liability guarantee	From the date of signing the main contract for single loan to two years after the period for debtor's performance of debts under the main contract expires	No	No
Total maximum guaranteed amount approved for subsidiaries during the reporting period (C1)		5,000		Total actual guaranteed amount for subsidiaries during the reporting period (C2)		5,000		
Total maximum guaranteed amount approved for the subsidiaries at the end of the reporting period (C3)		5,000		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)		5,000		
Total guaranteed amount provided by the Company (the total of the above three mentioned guarantees)								
Total maximum guaranteed amount approved during the reporting period(A1+B1+C1)		25,000		Total actual guaranteed amount during the reporting period (A2+B2+C2)		20,000		
Total maximum guaranteed amount approved at the end of the reporting period (A3+B3+C3)		20,000		Total actual guarantee balance at the end of the reporting period(A4+B4+C4)		15,000		
The ratio of total actual guaranteed amount (A4+B4+C4) to the Company's net asset				3.09%				
Wherein:								

Detail of compound guarantee:

The Company's subsidiary Xinjiang Henri Jayer obtained a short-term loan of RMB 50 million from the Shanghai Branch of Xiamen International Bank, and the Company and its subsidiary (Timelink) provided joint and several liability guarantee for Xinjiang Henri Jayer.

(2) Illegal provision of guarantees for external parties

□ Applicable (A) √ Not applicable (N/A)

No such cases during the reporting period.

3. Cash assets managed under trust

(1) Entrusted wealth management

√ Applicable (A) □ Not applicable (N/A)

Entrusted wealth management during the reporting period

(Unit: RMB 10,000)

Type	Source for entrusted funds	Amount occurred in entrusted wealth management	Undue balance	Overdue outstanding amount
Products from banks	Self-owned fund	149,000	149,000	0
Products from trust companies	Self-owned fund	5,000	0	0
Total		154,000	149,000	0

Details of wealth management products with significant amount of a single product or high-risk wealth management products with low safety, poor liquidity, and without capital preservation.

□ Applicable (A) √ Not applicable (N/A)

The entrusted product is expected to fail to recover the principal, or there may be other circumstances that may result in impairment.

□ Applicable (A) √ Not applicable (N/A)

(2) Entrusted loan

□ Applicable (A) √ Not applicable (N/A)

No entrusted loan occurred during the reporting period.

4. Other material contracts

□ Applicable (A) √ Not applicable (N/A)

No such cases during the reporting period.

XVIII. Social Responsibilities

1. Performance of social responsibility

Since the establishment, the Company has been adhering to the mission "helping China's high-quality supply chain to achieve continuous success, and providing high cost-performance products and services to Chinese families", emphasizing and enhancing the corporate culture development and actively performing its corporate social responsibilities. While pursuing economic efficiency and protecting shareholders' benefits, the Company actively safeguards the legal rights and interests of its creditors and employees, treats its suppliers and clients with integrity, and creates harmonious development environment for corporate development in an active manner.

1) Protecting interests of shareholders and creditors

The Company regulates the procedure for calling and convening the general meetings of shareholders and voting on the meetings in strict compliance with the regulations and requirements of the *Articles of Association* and the *Rules of Procedures for the General Meeting of Shareholders* and adopts effective methods such as network voting for more minor shareholders to participate in the general meetings of shareholders so as to ensure that they can enjoy the rights to know, participate and vote when there is a significant matter in the Company; besides, the Company actively performs its information disclosure obligations by disclosing information in a truthful, accurate, timely, complete and impartial manner and upholds the principle of fairness, justice and openness when dealing with all investors to safeguard the legitimate rights and interests of all shareholders.

The Company fully respects the creditors' rights to know significant information related to their creditor's interests and attaches great importance to the legitimate interests of the creditors. During the process of decision making for its operation, the Company strictly adheres to relevant contracts and rules, keeps creditors informed of significant information related to creditor's interests in a timely manner and provides cooperation and support for creditors to get to know the Company's conditions such as related operation and management.

2) Protecting interests of employees

The Company upholds the human-oriented philosophy, attaches importance to the humanistic care to its employees, and establishes a complete human resource management system in accordance with the laws and regulations such as *Labor Law* and *Labor Contract Law*. The Company takes the happiness of its employees and their family members as the basis for its endeavor, focuses on employees' health, safety and satisfaction from a practical point of view and takes joint efforts to safeguard and guarantee the legitimate interests of employees so as to create a sound environment for employees' occupational development.

The Company organizes its employees to take physical examinations on a regular basis and provides employees with funds to participate in team-building activities organized by corresponding departments on a yearly basis. Meanwhile, the Company sets up a care plan named as "Embrace of Love" for its employees. In 2019, the Company initiated Filial Piety Foundation to offer concern and care to employees' family members and also organized a program named as "Arrival of Queens" on the Women's Day to offer concern and care to female employees.

The Company actively organizes a series of activities such as new employees training, internal lecturer’s training, multiple kinds of internal training, PPT skills training and fire protection knowledge lectures so as to improve employees' development of occupational qualities; besides, the Company also insists on carrying out rich and colorful cultural activities to enhance a constructive interaction with its employees and strengthen employees' cohesiveness. During the year of 2019, cultural activities such as "contending for hegemony and challenging the limit" and the annual party show were held through which the employees' cultural life after work was further enriched, their physical and mental health was further improved and their working pressure was further relieved.

In the same year, a scientific and complete human resources policy was developed. By virtue of a bright industrial development prospect, a diversified talent motivation development mechanism, a broad space for career development and a sound environment for employees' growth, the Company has become a place attracting a lot of talents. While aiming to achieve the strategic goal and vision for its corporate development, the Company has been also working to realize the life value and dream of each employee.

3) Protecting interests of supplier, client and consumer

The Company is always honest and trustworthy to its end consumers, clients and suppliers. It has never obtained improper benefits via advertisements with false announcements and never infringed the copyright, trademark right, patent right and other intellectual property rights of its clients and suppliers. The Company has won the national enterprise title of "honoring contracts and keeping promises" for two successive years and obtained the certificate of Intellectual Property Management System Certification and the title of “professional, special and new” enterprise in Shanghai. In addition, it has also become the technological center of Qingpu District of Shanghai. Furthermore, the Company has been a benchmark enterprise in electronic commerce in Shanghai in 2018 and 2019 for two successive years.

The Company has been adhering to take quality management as the core and conducting strict monitoring on the quality of products by methods such as sampling inspection and in-process inspection carried by the Company itself, sampling inspection by the third-party quality inspection organizations, and sampling inspection by the E-commerce platforms, so as to provide consumers with high-quality products and protect their benefits. Meanwhile, the Company has been also paying attention to communication and cooperation with the licensed suppliers and distributors to achieve mutual benefits and win-win outcomes.

4) Undertaking public relation and social welfare

The Company has been actively undertaking its corporate social responsibilities, strictly performing its taxpayer's obligations and paying tax in accordance with the law while focusing on social development and fulfilling its social responsibilities. During the reporting period, the Company has been continuously playing a positive role in the care plan "Embrace of Love" to help its employees solve practical problems, incorporate caring and thanksgiving culture into its corporate operation and strengthen regular communication and interaction with government institutions through which a sound and harmonious relationship with them has been established.

2. Performance of targeted poverty alleviation program

During the reporting period, the Company did not carry out any targeted poverty alleviation program and there is no follow-up plan.

3. Environmental protection

Did the listed Company and its subsidiaries belong to the major pollutant discharge units announced by the environmental protection authorities?

□ Applicable (A) √ Not applicable (N/A)

XIX. Other significant matters

□ Applicable (A) √ Not applicable (N/A)

There were no other significant matters required to be disclosed during the reporting period.

XX. Significant Matters of Subsidiaries

□ Applicable (A) √ Not applicable (N/A)

Section 06 Changes in Shares and Information of Shareholders

I. Changes in Shares

1. Changes in shares

Unit: shares

	Before the change		Increase and decrease (+, -)					After the change	
	Quantity	Proportion	New share issued	Dividend shares	Shares converted from capital reserve	Others	Subtotal	Quantity	Proportion
I. Shares with sales restriction	975,038,627	39.72%				-416,396,151	-416,396,151	558,642,476	22.76%
3. Shares held by other domestic entities	975,038,627	39.72%				-416,396,151	-416,396,151	558,642,476	22.76%
Wherein: Shares held by domestic institutions	177,635,773	7.24%				-169,656,645	-169,656,645	7,979,128	0.32%
Shares held by domestic individuals	797,402,854	32.48%				-246,739,506	-246,739,506	550,663,348	22.44%
II. Shares without sales restriction	1,479,831,776	60.28%				416,396,151	416,396,151	1,896,227,927	77.24%
1. RMB-denominated ordinary shares	1,479,831,776	60.28%				416,396,151	416,396,151	1,896,227,927	77.24%
III. Total shares	2,454,870,403	100.00%				0	0	2,454,870,403	100.00%

Reasons for changes in shares

√ Applicable (A) □ Not applicable (N/A)

1) 75% of the shares held by the Company's directors, supervisors and senior executives at the end of the previous year shall be locked as the locked shares of senior executives each year since the date they take office;

2) A total of 855,158,265 shares of the listed company that were subscribed by ZHANG Yuxiang, ZHU Xuelian, Fengnan Investment and the Sunny Special Private Fund No. 1, No. 2 and No. 3 managed by Sunny Loantop (Zhejiang) Investment Co. Ltd. when the Company issued shares to the aforesaid transaction counterparties to purchase assets in 2015, and converted from capital reserve in 2016 and 2018 respectively, were released from restriction on January 20, 2019 (for details, please see the *Indicative Announcement on Termination of the Restriction on Restricted Shares* published by the Company on *Securities Times* on www.cninfo.com.cn on January 17, 2019);

3) 30% of the 103,787,693 shares of the listed company that were subscribed by LIU Rui, GE Nan, YU Hanqing, CHEN Jun and ZHANG Ming when the Company issued shares to the aforesaid transaction counterparties to

purchase assets in 2017,and converted from the capital reserve in 2106 and 2018 respectively, was supposed to be released from restriction on May 9, 2019 as per the share lock-up commitment (for details, please see the *Indicative Announcement on Termination of the Restriction on Restricted Shares* published by the Company on *Securities Times* and www.cninfo.com.cn on May 8, 2019).

Approval for share changes

□ Applicable (A) √ Not applicable (N/A)

Transfer of share ownership

□ Applicable (A) √ Not applicable (N/A)

Execution of share repurchase

√ Applicable (A) □ Not applicable (N/A)

The *Proposal on Repurchase of the Company's Shares for Employee Incentives* was reviewed and approved through the Sixth Meeting of the Sixth Board of Directors and the 2018's Fifth Extraordinary General Meeting of Shareholders held by the Company on September 18, 2018 and October 8, 2018, respectively. According to the Proposal, consent was given to the Company to use its self-owned funds to buy back some shares of the Company by centralized bidding, block trading and other means permitted by laws and regulations for subsequent stock incentive or employee stock ownership plan. The total repurchase amount shall be no less than RMB 150 million and no greater than RMB 300 million (inclusive), the repurchase price shall be no greater than RMB 11/share (inclusive), and the repurchase period shall not exceed 12 months from the date when the share repurchase plan was reviewed and approved by the general meeting of shareholders. For details, please see 2018-115 *Share Repurchase Report*.

The period for the aforesaid repurchase of the Company's shares expired as of October 7, 2019. The cumulative number of shares repurchased by the Company through special securities account for share repurchase by centralized competitive bidding is 16,956,927, accounting for 0.69% of the Company's total shares, where the maximum transaction price is RMB 10.989/share, the minimum transaction price is RMB 6.895/share and the total amount paid is RMB 151,655,831.53 (excluding the transaction expenses).

During the reporting period, a total of 7,919,850 shares have been repurchased by the Company through special securities account for share repurchase by centralized competitive bidding, accounting for 0.32% of the Company's total shares, where the maximum transaction price is RMB 10.989/share, the minimum transaction price is RMB 7.200/share, and the total amount paid is RMB 84,058,578.41 (excluding the transaction expenses).

Execution of sale of repurchased shares by centralized competitive bidding

□ Applicable (A) √ Not applicable (N/A)

Effect of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators over the last year and the last reporting period

□ Applicable (A) √ Not applicable (N/A)

Other contents deemed necessary by the Company or required by the securities regulatory authorities to be disclosed

□ Applicable (A) √ Not applicable (N/A)

2. Changes in restricted shares

√ Applicable (A) □ Not applicable (N/A)

Unit: shares

Name of shareholder	Number of restricted shares at the beginning of the period	Number of restricted shares increased in the period	Number of restricted shares released in the period	Number of restricted shares at the end of the period	Reason for restriction	Date of restriction removal
ZHANG Yuxiang	654,576,856	454,492,434	617,894,673	491,174,617	Restriction due to private placement; Restriction due to senior executive	617,894,673 shares were released from restriction on January 20, 2019; 35,714,284 shares will be released from restriction on November 9, 2020; Locked shares of senior executives shall be subject to the restriction regulations for directors, supervisors and senior executives during their tenure of office.
Shanghai Fengnan Investment Center LLP	75,118,830	0	75,118,830	0	Restriction due to private placement	January 20, 2019
ZHU Xuelian	67,606,947	0	67,606,947	0	Restriction due to private placement	January 20, 2019
NJDS ESOP II	7,979,128	0	0	797,912	Restriction due to private placement	November 9, 2020
LIU Rui	38,514,964	15,405,985	15,405,985	38,514,964	Restriction due to private placement; Restriction due to senior	The restriction will be removed by stages in accordance with the share lock-up commitment; Locked shares of senior executives shall be

					executive	subject to the restriction regulations for directors, supervisors and senior executives during their tenure of office.
GE Nan	26,487,485	0	11,351,779	15,135,706	Restriction due to private placement	The restriction will be removed by stages in accordance with the share lock-up commitment
Sunny Loantop (Zhejiang) Investment Co. Ltd. - Sunny Special Private Fund No. 1	31,512,606	0	31,512,606	0	Restriction due to private placement	January 20, 2019
Sunny Loantop (Zhejiang) Investment Co. Ltd. - Sunny Special Private Fund No. 2	31,512,606	0	31,512,606	0	Restriction due to private placement	January 20, 2019
Sunny Loantop (Zhejiang) Investment Co. Ltd. - Sunny Special Private Fund No. 3	31,512,603	0	31,512,603	0	Restriction due to private placement	January 20, 2019
YU Hanqing	3,783,927	0	1,621,682	2,162,245	Restriction due to private placement	The restriction will be removed by stages in accordance with the share lock-up commitment
CHEN Jun	3,405,534	0	1,459,514	1,946,020	Restriction due to private placement	The restriction will be removed by stages in accordance with the share locking-up commitment
ZHANG Ming	3,027,141	0	1,297,345	1,729,796	Restriction due to private	The restriction will be removed by stages in accordance with the

					placement	share locking-up commitment
Total	975,038,627	469,898,419	886,294,570	551,461,260	--	--

II. Issuance and Listing of Securities

1. Issuance of securities (excluding preferred shares) during the reporting period

□ Applicable (A) √ Not applicable (N/A)

2. Descriptions for changes in the Company's total shares, shareholding structure, asset-liability structure

√ Applicable (A) □ Not applicable (N/A)

1) On September 25, 2019, the Company held the 16th Session of the 6th Board Meeting on which the *Company's Proposal on 2019 Stock Option Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Management Measures for Implementation and Performance Assessment of 2019 Stock Option Incentive Plan* and the *Company's Proposal on Submitting to the Meeting of Shareholders for Empowering the Board of Directors to Handle Matters Concerning Stock Option Incentive* were reviewed and approved. The Company's independent directors have presented independent opinions indicating their approval on matters related to the incentive plan. In the 2019 SOIP, the Company planned to grant 16.9569 million stock options to incentive objects with 13.7472 million options to be granted to 124 persons for the first time, the strike price for the initial granting to be determined as RMB 6.7 and 3.2097 million stock options to be reserved.

2) The *Company's Proposal on 2019 Stock Options Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Performance Assessment Management Measures for Implementation of the 2019 Stock Options Incentive Plan* and the *Company's Proposal on Verification of the Incentive Object List in the 2019 Stock Options Incentive Plan* were passed on the 16th Meeting of the 6th Board of Supervisors of the Company on September 25, 2019. During this meeting, the Board of Supervisors reviewed and approved the list of incentive objects and presented their opinions on the review and verification.

3) The names and titles of the incentive objects were noticed publicly within the Company from September 26 to October 8, 2019 during which no objection in connection with the incentive objects under the 2019 SOIP was received by the Company's Board of Supervisors. On October 10, 2019, the Company's Board of Supervisors published the *Board of Supervisors' Statement for the Review Opinions and Disclosure Results of the Incentive Object List under the Company's 2019 Stock Options Incentive Plan*.

4) During the Company's Second Extraordinary General Meeting in 2019 held on October 14, 2019, the *Company's Proposal on the 2019 Stock Option Incentive Plan (Draft) and Its Summary*, the *Company's Proposal on Performance Assessment Management Measures for Implementation of the 2019 Stock Option Incentive Plan* and the *Proposal on Submission of Empowering the Board of Directors to Handle Matters Concerning the Stock Option Incentive to the General Meeting of Stockholders* were reviewed and approved, and the *Internal Inspection Report on the Status of Purchase and Sales of the Company's Stocks Conducted by Holders of the Inside Information of the 2019 Stock Option Incentive Plan* was disclosed.

5) On November 13, 2019, the *Proposal on Adjusting the List of Incentive Objects and Number of Stock Options to Be Granted under the 2019 Stock Options Incentive Plan* and the *Proposal on Granting Stock Options to Incentive Objects for the First Time* were reviewed and approved on the 18th Meeting of the 6th Board of Directors and the 17th Meeting of the 6th Board of Supervisors held by the Company. The Company's independent directors presented

independent opinions indicating their approval, which stated that the conditions for granting specified in the 2019 SOIP had been met, the qualification of the object entities to be granted with the incentive was legitimate and effective and the determined Initial Granting Date conformed with relevant regulations. Since one incentive object was no longer qualified to be an incentive object due to his voluntary resign for personal reasons and another incentive object voluntarily waived all the stock options to be granted by the Company for personal reasons, the quantity of the stock options to be granted for the first time under the 2019 Stock Options Incentive Plan was adjusted from 13.7472 million to 13.5972 million and the number of the inventive objects was adjusted from 124 to 122 with the quantity of reserved stock options of 3,2097 million as unchanged. November 13, 2019 was decided by the Company as the initial date for granting stock options, at this time 122 incentive objects were granted with 13.5972 million stock options with the strike price for the options to be granted being set as RMB 6.7. The date for granting the reserved 3.2097 million stock options will be determined by the Board of Directors separately.

6) As of November 29, 2019, the registration of the initial granting under the 2019 Stock Options Incentive Plan had been completed by the Company.

3. Existing shares held by internal employees

√ Applicable (A) □ Not applicable (N/A)

Issuing date of the shares held by internal employees	Issuing price of the shares held by internal employees (RMB/share)	Issuing quantity of the shares held by internal employees (share)
November 9, 2017	13.44	29,128,942

III. Details of Shareholders and Actual Controllers

1. Number of shareholders and their holdings

Unit: shares

Total number of common shareholders at the end of the reporting period	20,547	Total number of common shareholders at the end of the last month before the disclosure date of the annual report	18,411	Total number of preferred shareholders with voting rights recovered at end of reporting period (if any) (see Note 8)	0	Total number of preferred shareholders with voting rights recovered at the end of the last month before the disclosure date of the annual report (if any) (see Note 8)	0

Shares held by shareholders holding more than 5% of the total shares or the top 10 shareholders								
Name of shareholder	Type of shareholder	Shareholding percentag	Number of shares held at the end of	Change during the reporting	Number of shares held with sales	Number of shares held without	Pledged or frozen shares	
							Status of shares	Quantity

		e	the reporting period	period	restrictions	sales restrictions		
ZHANG Yuxiang	Domestic natural person	24.94%	612,159,216	-42,740,274	491,174,617	120,984,599	Pledged	120,380,000
Wujiang Xinmin Industrial Investment Co., Ltd.	Domestic non-state-owned legal person	5.07%	124,358,266	-14,855,655		124,358,266		
ZHU Xuelian	Domestic natural person	2.75%	67,606,947	-		67,606,947		
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	2.58%	63,313,869	50,393,173		63,313,869		
ICBC - CUAM Growth Focus Hybrid Securities Investment Fund	Others	2.30%	56,448,979	-6,379,221		56,448,979		
Shanghai Fengnan Investment Center LLP	Domestic non-state-owned legal person	2.29%	56,339,130	-18,779,700		56,339,130		
National Social Security Fund 418 Portfolio	Others	2.23%	54,804,474	23,454,918		54,804,474		
China Universal Asset Management Co., Ltd. - Social Security Fund 423 Portfolio	Others	1.71%	42,000,096	22,000,093		42,000,096		
LIU Rui	Domestic natural person	1.57%	38,515,223	-12,838,063	38,514,964	259	Hypothecation	31,260,000
National Social Security Fund 416 Portfolio	Others	1.48%	36,417,867	36,417,867		36,417,867		
Strategic investor or general legal person who becomes one of the top 10 shareholders due to the placement of new shares (if any)		N/A						

Explanation of the associated relationship or acting-in-concert relationship of the above shareholders	Among the above shareholders, ZHANG Yuxiang and ZHU Xuelian are in a conjugal relationship and are persons acting in concert with Shanghai Fengnan Investment Center LLP. The Company is not aware of any associated relationship among other shareholders or whether they are persons acting in concert as stipulated under the *Administrative Measures for the Disclosure of Information on the Change of Shareholdings in Listed Companies*.

Top 10 shareholders holding unrestricted shares			
Name of shareholder	Number of unrestricted shares held at the end of the reporting period	Share types	
		Share types	Quantity
Wujiang Xinmin Industrial Investment Co., Ltd.	124,358,266	RMB-denominated ordinary shares	124,358,266
ZHU Xuelian	67,606,947	RMB-denominated ordinary shares	67,606,947
Hong Kong Securities Clearing Company Ltd.	63,313,869	RMB-denominated ordinary shares	63,313,869
ICBC - CUAM Growth Focus Hybrid Securities Investment Fund	56,448,979	RMB-denominated ordinary shares	56,448,979
Shanghai Fengnan Investment Center LLP	56,339,130	RMB-denominated ordinary shares	56,339,130
National Social Security Fund 418 Portfolio	54,804,474	RMB-denominated ordinary shares	54,804,474
China Universal Asset Management Co., Ltd. - Social Security Fund 423 Portfolio	42,000,096	RMB-denominated ordinary shares	42,000,096
National Social Security Fund 416 Portfolio	36,417,867	RMB-denominated ordinary shares	36,417,867
ICBC - CUAM Blue Chip Stably &Flexibly Allocated Hybrid Securities Investment Fund	34,435,017	RMB-denominated ordinary shares	34,435,017
JIANG Xueming	32,400,000	RMB-denominated ordinary shares	32,400,000
Explanation of the associated relationship or acting-in-concert	Among the above shareholders, ZHU Xuelian is the person acting in concert with Shanghai Fengnan Investment Center LLP. The Company is not aware of any associated relationship		

relationship among the top 10 shareholders of unrestricted outstanding shares and between the top 10 shareholders of unrestricted outstanding shares and the top 10 shareholders	among other shareholders or whether they are persons acting in concert as stipulated under the *Administrative Measures for the Disclosure of Information on the Change of Shareholdings in Listed Companies*.
Description of the top 10 ordinary shareholders' participation in margin trading (if any)	N/A

Did any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company have any promissory repurchase transaction during the reporting period?

□ Yes √ No

No such cases during the reporting period.

2. Controlling shareholders of the Company

Nature of ultimate controlling shareholders: natural person

Type of controlling shareholders: natural person

Name of controlling shareholder	Nationality	Does he/she have any right of residence of other countries or regions?
ZHANG Yuxiang	Chinese	No
ZHU Xuelian	Chinese	No
Primary occupation and title	Chairman and General Manager of the Company and spouse	
Other domestic or foreign listed companies controlled or participated during the reporting period	N/A	

Change of controlling shareholders during the reporting period

□ Applicable (A) √ Not applicable (N/A)

No such cases in the reporting period.

3. Actual controllers and persons acting in concert of the Company

Nature of actual controllers: domestic natural person

Type of actual controllers: natural person

Name of actual controller	Relationship with the actual controller	Nationality	Does he/she have any right of residence of other countries or regions?
ZHANG Yuxiang	Himself	Chinese	No

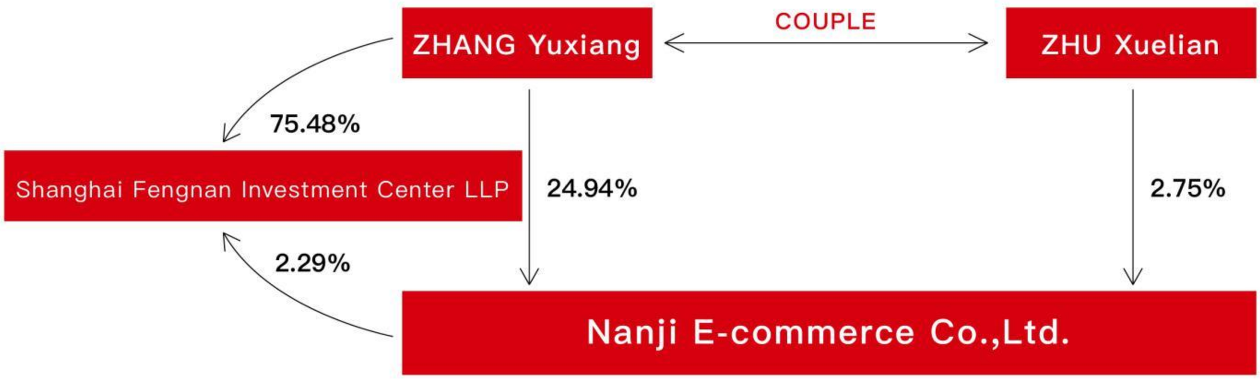
ZHU Xuelian	Acting in concert (by agreement, kinship or common control)	Chinese	No
Shanghai Fengnan Investment Center LLP	Acting in concert (by agreement, kinship or common control)	-	No
Primary occupation and title	Chairman and General Manager of the Company and spouse		
Domestic or foreign listed companies controlled in the past 10 years	N/A		

Change of actual controllers during the reporting period

□ Applicable (A) √ Not applicable (N/A)

Actual controllers did not change during the reporting period.

The ownership and controlling relationship between the Company and its actual controllers are detailed as follows:



Actual controllers control the Company by means of trust or other asset management methods

□ Applicable (A) √ Not applicable (N/A)

4. Other institutional shareholders owning over 10% of shares

□ Applicable (A) √ Not applicable (N/A)

5. Details of sales restrictions on shares of controlling shareholders, actual controllers, restructuring parties, and other commitment entities

□ Applicable (A) √ Not applicable (N/A)

Section 07 Preferred Shares

□ Applicable (A) √ Not applicable (N/A)

The Company had no preferred share during the reporting period.

Section 08 Convertible Bonds

□ Applicable (A) √ Not applicable (N/A)

The Company had no convertible bonds during the reporting period.

Section 09 Directors, Supervisors, Senior Executives and Employees

I. Shareholding Change of Directors, Supervisors and Senior Executives

Name	Title	Tenure Status	Gender	Age	Start date	End date	Number of shares at the beginning of the period (share)	Increase of shares in the current period (share)	Decrease of shares in the current period (share)	Other changes (share)	Number of shares at the end of the period (share)
ZHANG Yuxiang	Chairman and General Manager	Incumbent	Male	55	February 4, 2016	Present	654,899,490		42,740,274		612,159,216
LIU Rui	Director	Incumbent	Male	41	December 18, 2017	Present	51,353,286		12,838,063		38,515,223
Total	--	--	--	--	--	--	706,252,776	0	55,578,337		650,674,439

II. Turnover of Directors, Supervisors and Senior Executives of the Company

√ Applicable (A) □ Not applicable (N/A)

Name	Position	Type	Date	Reason
LU Lining	Chairman of the Board of Supervisors	Removal	October 8, 2019	On September 19, 2019, LU Lining applied to the Board of Supervisors of the Company to resign from the positions of the Supervisor and the Chairman of Board of Supervisors for personal reasons.
LU Lining	Deputy General Manager	Appointment	September 19, 2019	On the 15th Meeting of the 6th Board of Directors of the Company, the *Proposal on the Appointment of Senior Executives of the Company* was examined and approved, approving to appoint Ms. LU Lining as a Deputy General Manager of the Company.
ZHENG Dingxia	Chairman of the Board of Supervisors	Appointment	October 8, 2019	On the First Extraordinary General Meeting of the Company in 2019, the *Proposal on the By-election of Supervisors of the Company* was examined and passed, approving to appoint Ms. ZHENG Dingxia as the Non-employee Representative Supervisor of the 6th Board of Supervisors. On the 15th Meeting of the 6th Board of Supervisors, the *Proposal on the Election of the Chairman of the 6th Board of Supervisors of the Company* was examined and passed, and Ms. ZHENG Dingxia was

				elected as the Chairman of the 6th Board of Supervisors of the Company.
JI Yanfen	Deputy General Manager	Appointment	September 19, 2019	On the 15th Meeting of the 6th Board of Directors of the Company, the *Proposal on the Appointment of Senior Executives of the Company* was examined and approved, approving to appoint Ms. JI Yanfen as a Deputy General Manager of the Company.
LIN Zecun	Deputy General Manager	Appointment	September 19, 2019	On the 15th Meeting of the 6th Board of Directors of the Company, the *Proposal on the Appointment of Senior Executives of the Company* was examined and approved, approving to appoint Mr. LIN Zecun as a Deputy General Manager of the Company.
FENG Jie	Deputy General Manager	Appointment	September 19, 2019	On the 15th Meeting of the 6th Board of Directors of the Company, the *Proposal on the Appointment of Senior Executives of the Company* was examined and approved, approving to appoint Ms. FENG Jie as a Deputy General Manager of the Company.
LING Yun	Director, Deputy General Manager and Finance Director	Resign	October 21, 2019	LING Yun resigned from the positions of Director, Deputy General Manager and Finance Director of the Company for personal reasons.

III. Profiles of Key Personnel

Professional background, main working experience and main duties of incumbent directors, supervisors and senior executives of the Company

Mr. ZHANG Yuxiang: Born in July 1964. He established the brand of "NANJIREN" in 1998 and Nanjiren (Shanghai) Textile Technology Co., Ltd. (now renamed as "Nanji E-Commerce (Shanghai) Co., Ltd.") in December 2010 and served as the Chairman and the General Manager. Mr. ZHANG Yuxiang also served as a council member of Shanghai Underwear Trade Association and the Vice Chairman of the 5th Council of Shanghai Garment Trade Association. From April 2001 to August 2015, he served as the Executive Director of Shanghai Qiangxiang Mechanical Equipment Co., Ltd., and then became the Supervisor of Shanghai Qiangxiang Mechanical Equipment Co., Ltd since August 2015. He has become the Chairman, the General Manager and the actual controller of the Company since February 2016.

Mr. SHEN Chenxi: Born in May 1987, graduated from Fudan University in Business Administration with a Bachelor of Management. From May 2008 to April 2009, he was the Head of the Sales Department of Shanghai Printemps owned by Hong Kong New World Department Store. Since December 2010, he has served successively as Manager of the E-Commerce Department, Manager of the Distributor Management Department, Director of the Maternal and Infant Business Center, Deputy General Manager, Director, etc. of Nanjiren (Shanghai) Textile Technology Co., Ltd. (now renamed as "Nanji E-Commerce (Shanghai) Co., Ltd."). From August 2014 to March 2017, he served as Executive Director and General Manager of Hefei Nanjiren E-Commerce Services Co., Ltd. From December 2015 to August 2016, he served as the Executive Director of Shanghai Nanweicheng E-Commerce

Co., Ltd. From September 2015 to August 2018, he served as the Executive Director of Zhuji East China One-Stop Women's Wear E-Commerce Co., Ltd. From August 2015 to June 2018, he served as Executive Director and General Manager of Zhuji One-Stop Network Technology Services Co., Ltd. From September 2015 to February 2017, he served as the Executive Director of Tongxiang One-Stop Network Technology Services Co., Ltd. He has served as the Supervisor of Shanghai Xiaodai Finance Lease Co., Ltd since August 2015. He became the General Partner of Shanghai Fengnan Investment Center LLP since May 2012. He has served as Director and Deputy General Manager of the Company since February 2016.

Mr. LING Yun: Born in June 1976, Bachelor’s Degree in Accounting from Shanghai Lixin University of Accounting and Finance, Semi-senior Accountant. From November 2000 to July 2003, he successively served as the Finance Manager and the Finance, Human Resources & Administration Manager of International Network Communications (Shanghai) Co., Ltd. affiliated to China.com. From August 2003 to November 2006, he served as the Finance, Human Resources & Administration Manager in Shanghai Branch of Beijing Huawang Huitong Technology Services, Ltd. affiliated to China.com. From December 2006 to September 2008, he served as the Finance, Human Resources &Administration Director of SmartClub. From October 2008 to May 2009, he served as the Human Resources &Administration Director of Shanghai Zhihuitong Advertising Transmission Co., Ltd. From August 2009 to December 2009, he served as the Finance Manager of Shanghai Point Electronics Co., Ltd. From April 2010 to December 2010, he served as the Preparation Manager of the Network Department of Shanghai Dushi Industry Design Centre Co., Ltd. From June 2011 to March 2013, he served as the President Assistant of Feishang Electronic Information Technology (Shanghai) Co., Ltd. affiliated to Fclub. From April 2013 to June 2014, he served as the President Assistant and the Finance Director of F-club E-commerce (China) Co., Ltd. From September 2014 to February 2015, he served as the Finance Director of Shanghai Red Star Macalline Hxshop E-Commerce Co., Ltd. From March 2015 to April 2016, he served as the Finance Director of Shanghai Red Star Macalline Network Technology Co., Ltd. From May 2016 to October 2019, he served as the Finance Director of Nanji E-Commerce (Shanghai) Co., Ltd. From August 2016 to October 2019, he served as the Finance Director of the Company. From May 2018 to October 2019, he served as a Director of Beijing Timelink Network Technology Co., Ltd. From June 2018 to February 2020, he served as a Director of the Company. From September 2018 to April 2020, he served as a Director of Shanghai Xiaodai Finance Lease Co., Ltd.

Mr. LIU Rui: Born in October 1978, Bachelor. Since January 2013, he has served as a Director of Beijing Wenri Technology Co., Ltd. Since March 2014, he has served as a Director of When Corporation Limited and When Corporation (HK). From July 2014 to May 2015, he served as the Vice President of the Marketing Department of Beijing Shilian Tianxia Technology Co., Ltd. From August 2015 to 2018, he served as the General Manager of Lhasa HENRI JAYER Technology Co., Ltd. From June 2015 to September 2016, he served as Chairman and General Manager of Beijing Timelink Network Technology Co., Ltd.; since September 2016, he has served as Executive Director and General Manager of Beijing Timelink Network Technology Co., Ltd. Since December 2017, he has served as a Director of the Company.

Mr. YANG Bin: Born in March 1974, MBA. Since 2009, he has served as a Vice President of Far East International Investment Co., Ltd. Since December 2011, he has served as a Director of Dongfang Hengxin Capital Holding Group Co., Ltd. From June 2012 to May 2015, he was a Director of Dongwu Cement International Limited. Since July 2013, he has served as a Director of Dongfang Xinmin Holding Co., Ltd. From September 2013 to February 2016, he served as the Chairman of the Company, and since September 2013, he has been a Director of the Company. Since May 2016, he has been the CEO of Oriental Strait Capital Management Co., Ltd.

Ms. ZHANG Yanni: Born in November 1975, master’s degree. From March 2004 to April 2006, she worked in

CSR Times Electric Co., Ltd.; From May 2006 to October 2013, she worked in the investment banking divisions at Guosen Securities and Great Wall Securities successively. From October 2013 to April 2016, she served as a deputy general manager and the board secretary of the Company, and since November 2015, she has served as a director of the Company. Since May 2016, she has served as a Deputy General Manager of Oriental Strait Capital Management Co., Ltd. and General Manager's Assistant of Orient Hengye Holding Co., Ltd.; From June 2016 to June 2018, she served as the executive director of WUXI LE-PV Internet TECHNOLOGY Co., Ltd.

Mr. WAN Jieqiu: Born in October 1955, doctoral degree. Professor and doctoral supervisor of Dongwu Business School of Soochow University since August 2008. He has enjoyed special government allowance from the State Council since October 1995. In 2001, he was selected as an Outstanding Talent of Jiangsu Provincial Government's "333" Talent Project. Currently, he serves concurrently as an independent director of Jiangsu Xinning Modern Logistics Co., Ltd. (Stockcode: 300013), Jiangsu Wujiang China Eastern Silk Market Co., Ltd. (now renamed as Jiangsu Eastern Shenghong Co., Ltd., stockcode: 000301), and Suzhou Golden Mantis Construction Decoration Co., Ltd. (Stockcode: 002081) respectively. Since February 2015, he has been an independent director of the Company.

Ms. WANG Haifeng: Born on November 22, 1971, doctoral degree. From July 1992 to August 1994, she worked as a Level-3 Superintendent in Public Security Department of Anhui Province; From January 2004 to January 2005, she was a visiting scholar at Kennedy School of Government of Harvard University; From January 2009 to January 2011, she worked as a deputy director in the First Branch of Shanghai Municipal People's Procuratorate; Since January 2011, she has been working as a law professor in the Law Institute of Shanghai Academy of Social Sciences; From September 1997 to April 2016, she served as a part-time lawyer in GRANDALL LEGAL GROUP (Shanghai) ; Since May 2014, she has been an arbitrator of China International Economic and Trade Arbitration Commission; Since May 2015, she has been a special inspector in the Third Branch of Shanghai Municipal People's Procuratorate; Since May 2016, she has been a part-time lawyer in Shanghai Hengtai Law Office (now renamed as "Hengtai Law Offices"); Since March 2016, she has been an independent director of Shanghai Will Semiconductor Co. Ltd. (Stockcode: 603501); Since November 2017, she has been an independent director of YINYI Co., Ltd. (Stockcode: 000981); Since June 2018, she has been an independent director of the Company; Since November 2019, she has been a Vice Chairman of Shanghai Arbitration Association.

Mr. WU Xiaoya: Born on May 18, 1973, bachelor's degree. From 1994 to 2000, he worked as the head of Infrastructure Audit Department in Audit Bureau of Mengcheng County of Anhui Province. From 2001 to 2006, he worked in as a project manager Anhui Huapu Certified Public Accountants' Firm. From 2007 to 2012, he worked as the Chief in Anhui Huawan Certified Public Accountants' Firm. Since March 2011, he has been a supervisor of Anhui Tiandao Enterprise Management Consulting Co., Ltd. Since July 2011, he has been a supervisor of Anhui Xindadi Agricultural Science &Technology Development Co., Ltd. Since 2013, he has worked as the Head of Anhui Branch of Zhonghua Accounting Firm (Special General Partnership). Since April 2016, he has been an independent director of Anhui Yangzi Floor Co., Ltd. (Stockcode: 430539). Since June 2018, he has been an independent director of the Company; Since December 2019, he has been an independent director of Anhui A-Rising New Energy Incorporated Company (Stockcode: 834489).

Ms. LU Lining: Born in April 1982, college degree. From May 2003 to November 2004, she was a Business Supervisor of Shanghai Colin Service Management Co., Ltd. Since 2007, she has successively served as business assistant, business supervisor, deputy business manager, business manager of Pantyhose BU, senior manager of Clothing Center, director of Women's Outdoor BU, and deputy general manager of Maternal and Infants BU of Nanji E-Commerce (Shanghai) Co., Ltd. Since May 2018, she has served as a supervisor of Beijing Time Link Technology Co., Ltd. From June 2018 to October 2019, she served as a supervisor and Chairman of the Board of

Supervisors of the Company. Since September 2019, she has been a deputy general manager of the Company.

Ms. ZHENG Dingxia: Born in June 1988, bachelor's degree, Chinese nationality, without the right of permanent residence abroad. Since 2013, she has successively served as a financial specialist, finance manager and deputy Finance Director of Nanji E-Commerce (Shanghai) Co., Ltd. Since October 2019, she has served as a supervisor and Chairman of the Board of Supervisors of the Company.

Mr. HU Xianghuai: Born in April 1974, bachelor's degree. He served as the manager of Engineering Department of Shanghai Fangjia Construction Decoration Engineering Co., Ltd. and a project manager of Shanghai Taiyi Enterprise Co., Ltd. Since December 2010, he has served as the administrative manager, engineering manager, operation manager of directly-operated stores, director of Administration Department, executive deputy director of Human Resource &Administration Center and supervisor of Nanjiren (Shanghai) Textile Technology Co., Ltd. (now renamed as “Nanji E-Commerce (Shanghai) Co., Ltd.”). From February 2016 to September 2016, he served as a supervisor of the Company, and since September 2016, he has served as the Company’s employee representative supervisor.

Ms. CHEN Xiaojie: Born in September 1981, master’s degree, economic engineer. From August 2007 to December 2010, she served as the Company's administrative assistant. From January 2011 to December 2015, she served as the Company's administrative assistant and board secretary’s assistant. From January 2016 to the present, she served as an assistant to the general manager of Suzhou Xinmin Textile Co., Ltd. Since June 2017, she has served as the manager of General Affairs Department of Wujiang Xinmin Industrial Investment Co., Ltd. From December 2014 to September 2016, she served as the employee representative supervisor of the Company. Since September 2016, she has served as the shareholder supervisor of the Company.

Mr. CAO Yitang: Born in June 1976, a dual bachelor’s degree of engineering from Shanghai Jiaotong University and a master’s degree of economics from Fudan University. From July 2001 to April 2002, he served as a financial analyst at Shanghai Office of Pacific Solutions Group. From April 2002 to December 2002, he served as a senior manager of Shanghai Richen Asset Management Co., Ltd.; From January 2003 to March 2004, he served as a vice president of GENES CAPITAL GROUP (Shanghai) Co., Ltd. From March 2004 to May 2007, he served as the head of Strategic Development and the head of Investor Relations Department of Metersbonwe Fashion Group. From May 2007 to August 2009, he was the head of Direct Investment Department of Tebon Securities Co., Ltd. From August 2009 to March 2010, he was the director of Strategic Management Center of Joeone Co., Ltd. From March 2010 to September 2011, he was the general manager of Zhejiang Lehoo Furniture Co., Ltd. From October 2011 to June 2015, he was a partner of Shanghai Doré Hehui Equity Investment Management LLP; Since September 2012, he has been the supervisor of Shanghai Étant Capital Consulting Co., Ltd.; From July 2015 to July 2017, he was the fashion team head of Shanghai Fosun Capital Investment &Management Co., Ltd. (General Manager of Fosun Ellassay Fashion Fund); From July 2017 to July 2018, he was a managing director of Shanghai CVCapital Asset Management Co., Ltd.; From August 2012 to August 2018, he was an independent director of VGRASS Fashion Co., Ltd. (Stockcode: 603518). Since September 2016, he has been an independent director of Zhejiang Red Dragonfly Footwear Co., Ltd. (Stockcode: 603116); Since May 2017, he has been an independent director of Jiangsu Zhongnan Construction Group Co., Ltd. (Stockcode: 000961); He has been an independent director of Guangzhou DIKENI Garment Company Limited since June 2018,as the legal representative of Shanghai Caoyitang Enterprise Management Center since August 2018, and as the secretary of the Board of Directors and Deputy General Manager of the Company since October 2018.

Ms. JI Yanfeng: born in July 1988, bachelor’s degree, Chinese nationality, without the right of permanent residence abroad. She has been working in the Company since January 2012, having successively served as the director of

Brand Department, director of the PONY Business Unit and Deputy General Manager of Nanji E-commerce (Shanghai) Co., Ltd., a subsidiary of the Company, since January 2012; She also have served as a director and General Manager of Jiwenwu (Shanghai) Culture Co., Ltd., a subsidiary of the Company, since November 17, 2016; Since September 2019, she has been a deputy general manager of the Company.

Mr. LIN Zecun: born in October 1990, college degree, Chinese nationality, without the right of permanent residence abroad. He acted as the Manager of Procurement Department of Shanghai Lemon Green Tea E-commerce Co., Ltd. from August 2009 to March 2013. He has been working in the Company since April 2014, serving as the Supervisor/Manager/Senior Manager/Director of Home Daily Department, Senior Director of Healthy Living Business Unit, Head of Healthy Living Business Group, Vice General Manager of Nanji E-commerce (Shanghai) Co., Ltd.; Since September 2019, he has been a deputy general manager of the Company.

Ms. FENG Jie: born in November 1982, bachelor's degree, Chinese nationality, without the right of permanent residence abroad. She acted as the Deputy General Manager of Commodity Department of Shanghai Metersbonwe Fashion & Accessories Co., Ltd. from July 2005 to May 2014; She acted as a Senior Buyer Manager of Samsung Fashion (Shanghai) Co., Ltd. from May 2014 to May 2016; She acted as the E-commerce Director of Mark Fairwhale fashion brand of Mark Fairwhale (Shanghai) Commercial Co., Ltd. from May 2016 to May 2018; She has been working in the Company since May 2018, serving as the Operation Director of Women's Wear Business Unit and Director of Women's Wear & Accessories Business Group of Nanji E-commerce (Shanghai) Co., Ltd.; Since September 2019, she has been a deputy general manager of the Company.

Positions held in shareholder entities

√ Applicable (A) □ Not applicable (N/A)

Name of the person	Name of the shareholder entity	Position in the shareholder entity	Start date	End date	Receives payment from the shareholder entity?
YANG Bin	Dongfang Xinmin Holding Co., Ltd.	Director	July 25, 2013		No
CHEN Xiaojie	Wujiang Xinmin Industrial Investment Co., Ltd.	Manager of General Affairs Department	June 30, 2017		No
SHEN Chenxi	Shanghai Fengnan Investment Center LLP	General partner	May 15, 2012		No
Notes to positions held in shareholder entities	N/A				

Positions held in other entities

√ Applicable (A) □ Not applicable (N/A)

Name of the person	Name of other entities	Position in other entities	Start date	End date of term	Receives payment from other entities?

ZHANG Yuxiang	Shanghai Qiangxiang Machinery Equipment Co. Ltd.	Supervisor	August 1, 2015		No
LIU Rui	Beijing Wenri Science & Technology Co., Ltd.	Director	January 1, 2013		No
LIU Rui	Beijing Shilian Tianxia Science & Technology Co., Ltd.	Director	March 20, 2014		
LIU Rui	Shanghai Qishi International Trade Co., Ltd.	Director	March 9, 2017		
LIU Rui	When Corporation Limited	Director	March 1, 2014		No
LIU Rui	When Corporation (HK) Limited	Director	March 1, 2014		No
YANG Bin	Far East International Investment Co., Ltd.	Vice President	January 1, 2009		No
YANG Bin	Dongfang Hengxin Capital Holding Group Co., Ltd.	Director	December 1, 2011		No
YANG Bin	Oriental Strait Capital Management Co., Ltd.	CEO	May 1, 2016		No
YANG Bin	Suzhou Hengkang Life Science Co., Ltd	Chairman	December 25, 2018		
ZHANG Yanni	Oriental Strait Capital Management Co., Ltd.	Deputy General Manager	May 1, 2016		No
ZHANG Yanni	Orient Hengye Holding Co., Ltd.	General Manager Assistant	May 1, 2016		Yes
CHEN Xiaojie	Suzhou Xinmin Textile Co., Ltd.	General Manager Assistant	January 1, 2016		Yes
WAN Jieqiu	Dongwu Business School of Soochow University	Professor, doctorial supervisor	August 1, 2008		Yes
WAN Jieqiu	Jiangsu Xinning Modern Logistics Co., Ltd.	Independent director	March 1, 2017		Yes
WAN Jieqiu	Jiangsu Eastern Shenghong Co., Ltd.	Independent director	May 1, 2017		Yes
WAN Jieqiu	Suzhou Gold Mantis Construction Decoration Co., Ltd.	Independent director	April 1, 2016		Yes
WANG Haifeng	Institute of Law, Shanghai Academy of Social Sciences	Researcher	January 1, 2011		Yes
WANG Haifeng	China International Economic and Trade Arbitration Commission	Arbitrator	May 1, 2014		No

WANG Haifeng	Third Branch of Shanghai People's Procuratorate	Special procurator	May 1, 2015		No
WANG Haifeng	Shanghai Hengtai Law Firm	Part-time lawyer	May 1, 2016		No
WANG Haifeng	Shanghai Will Semiconductor Co., Ltd.	Independent director	March 1, 2016		Yes
WANG Haifeng	Yinyi Co., Ltd.	Independent director	November 1, 2017		Yes
WANG Haifeng	Shanghai Arbitration Association	Vice Chairman	November 1, 2019		No
WU Xiaoya	Anhui Tiandao Enterprise Management Consulting Co., Ltd.	Supervisor	March 1, 2011		No
WU Xiaoya	Anhui Xindadi Agricultural Science &Technology Development Co., Ltd.	Supervisor	July 1, 2011		No
WU Xiaoya	Anhui Branch of Zhonghua Accounting Firm (special general partnership)	Director	July 1, 2013		Yes
WU Xiaoya	Anhui Yangzi Floor Co., Ltd.	Independent director	April 25, 2016		Yes
WU Xiaoya	Anhui A-rising New Energy Incorporated Company	Independent director	December 1, 2019		Yes
CHEN Xiaojie	Suzhou Xinmin Textile Co., Ltd.	General Manager Assistant	January 1, 2016		Yes
CAO Yitang	Shanghai Étant Capital Consulting Co., Ltd.	Supervisor	September 30, 2012		No
CAO Yitang	Zhejiang Red Dragonfly Footwear Co., Ltd.	Independent director	September 13, 2016		Yes
CAO Yitang	Jiangsu Zhongnan Construction Group Co., Ltd.	Independent director	May 16, 2017		Yes
CAO Yitang	Guangzhou DIKENI Garment Company Limited	Independent director	June 26, 2018		Yes
CAO Yitang	Shanghai Caoyitang Enterprise Management Center	Legal representative	August 28, 2018		No
Description on position held in other entities	N/A				

Punishments imposed by the securities regulators in the past three years on the Company's incumbent directors, supervisors and senior executives and those left in the reporting period

□ Applicable (A) √ Not applicable (N/A)

IV. Remuneration of directors, supervisors and senior executives

Decision making procedure, determination basis and actual payment of remuneration of directors, supervisors and senior executives

Remunerations of the Company’s directors and supervisors are proposed by the Company’s Board of Directors according to the proposal of the Remuneration and Appraisal Committee of the Board of Directors, the Company's operating conditions and profitability and the duty and performance of each position. The proposal is submitted to the general meeting of shareholders of the Company for approval.

Remunerations of the senior executives are determined by the Company’s Board of Directors according to the proposal of the Remuneration and Appraisal Committee of the Board of Directors, the Company's operating conditions and profitability and performance evaluation of each position. The actual remuneration of a senior executive is based on the salary of each position

Remunerations of directors, supervisors and senior executives of the Company during the reporting period

(Unit: RMB 10,000)

Name	Position	Gender	Age	Status of employment	Total pre-tax remuneration gained from the Company	Whether gained remuneration from the Company’s related parties
ZHANG Yuxiang	Chairman and General Manager	Male	55	Incumbent	42.60	No
SHEN Chenxi	Director, Deputy General Manager	Male	32	Incumbent	288.96	No
LING Yun	Director, Deputy General Manager, Finance Director	Male	43	Resigned	73.67	No
LIU Rui	Internal Director	Male	41	Incumbent	45.07	No
YANG Bin	External Director	Male	45	Incumbent		Yes
ZHANG Yanni	External Director	Female	44	Incumbent		Yes
WAN Jieqiu	Independent Director	Male	65	Incumbent	7.00	No
WANG Haifeng	Independent Director	Female	49	Incumbent	7.00	No
WU Xiaoya	Independent Director	Male	47	Incumbent	7.00	No
LU Lining	Chairman of Board of Supervisors	Female	37	Resigned		No

ZHENG Dingxia	Chairman of Board of Supervisors	Female	31	Incumbent	40.31	No
HU Xianghuai	Employee Representative Supervisor	Male	45	Incumbent	40.05	No
CHEN Xiaojie	Shareholder Supervisor	Female	38	Incumbent	3.00	No
CAO Yitang	Deputy General Manager, Secretary of Board of Directors	Male	43	Incumbent	125.83	No
LU Lining	Deputy General Manager	Female	37	Incumbent	111.77	No
JI Yanfen	Deputy General Manager	Female	31	Incumbent	86.43	No
LIN Zecun	Deputy General Manager	Male	29	Incumbent	166.45	No
FENG Jie	Deputy General Manager	Female	37	Incumbent	130.18	No
Total	--	--	--	--	1,175.32	--

Equity incentives granted to the Company's directors and senior executives during the reporting period

√ Applicable (A) □ Not applicable (N/A)

Unit: shares

Name	Position	Number of exercisable shares in the reporting period	Number of shares exercised in the reporting period	Exercise price of the shares exercised in the reporting period (RMB/share)	Market price at the end of the reporting period (RMB/share)	Number of restricted shares held at the beginning	Number of unlocked shares in the current period	Number of restricted shares granted in the reporting period	Granting price of restricted share (RMB/share)	Number of restricted shares held at the end of the period
SHEN Chenxi	Director, Deputy General Manager	0	0	0	10.91	0	0	0	0	0

CAO Yitang	Secretary of Board of Directors, Deputy General Manager	0	0	0	10.91	0	0	0	0	0
JI Yanfen	Deputy General Manager	0	0	0	10.91	0	0	0	0	0
LIN Zecun	Deputy General Manager	0	0	0	10.91	0	0	0	0	0
FENG Jie	Deputy General Manager	0	0	0	10.91	0	0	0	0	0
Total	--	0	0	--	--	0	0	0	--	0
Comments (if any)		The Company launched the 2019 SOIP during the reporting period, the above 5 directors and senior executives were granted with a total of 1,360,000 stock options, accounting for 10.002% of the total granted stock options. All stock options are not exercisable during the reporting period.								

V. Employees of the Company

1. Number, role type and educational background of employees

Number of employees on active duty in the parent company (person)	132
Number of employees on active duty in the major subsidiaries (person)	445
Total number of employees on active duty (person)	646
Total number of employees receiving a salary during the current period (person)	646
Number of retired employees for whom the parent company and major subsidiaries bear the costs (person)	1
Role type	
Category	Number (person)
Sales personnel	151
Technical personnel	118
Financial personnel	48
Administrative personnel	44
Management personnel	99
Operational personnel	158

Staff of supporting departments	28
Total	646
Education background	
Category	Number (person)
Master's degree	27
Bachelor's degree	309
College degree	264
Below college degree	46
Total	646

2. Remuneration policy

Following the principle of "competitive externally, fair internally", the Company adopts a remuneration strategy that leads in the external market. The remuneration is designed according to the relative value of each position to the Company, work performance and basic living needs for the staff. The staff's remuneration is closely related to their contribution to the Company. Besides, an adjustment is made on the salary range annually according to changes in the external market.

Remuneration mainly includes basic salaries, bonuses, subsidies, welfares, long-term incentives. The remuneration hierarchy is divided into 15 levels according to the position level, and also divided into the professional direction and management direction according to the position, which focuses on providing incentives for key technical personnel, management personnel and outstanding employees. Employees have the opportunity to be evaluated for salary adjustment twice per year. A total of 22 employee welfare items are provided from five perspectives as position welfare, traditional festival welfare, insurance, cultural development and care for family, which gives full play to non-cash incentives.

3. Training plan

The Company's overall training goal is to improve the staff's professional skills and quality, enhance the management concept and the decision-making ability of the middle and senior management. Main training courses include new employee orientation training, on-the-job training, professional quality training and management training.

Training courses are arranged on a weekly, monthly and quarterly basis according to different training needs. Training instructors are mainly selected internally. Attention is paid to the training and motivation of internal instructors. The training results are evaluated and satisfaction survey is performed for the training courses.

4. Labor outsourcing

□ Applicable (A) √ Not applicable (N/A)

Section 10 Corporate Governance

I. Basic Information of Corporate Governance

The Company continues to improve the corporate governance structure, establish a modern enterprise system, consciously fulfill the obligation of information disclosure, achieve good investor relationship management to continuously enhance the Company’s normalized operation according to requirements of the following laws and regulations since the Company went public: the *PRC Corporate Law*, *CSRC Securities Law*, *CSRC Code of Corporate Governance of Listed Companies*, *Guidelines for Articles of Association of Listed Companies*, *Rules Governing the Listing of Shares on the Shenzhen Stock Exchange*.

The Company revised the *Company’s Articles of Association* and *Rules for Short-term Entrusted Wealth Management* according to the actual situation of the Company in the reporting period.

By the end of the reporting period, the actual conditions of Company’s corporate governance met the requirements of the regulatory documents issued by CSRC regarding the governance of listed companies. The Company will continue to strengthen corporate governance in the future, establish a long-term mechanism for corporate governance, improve the internal control system in a better way and strengthen the fulfillment efforts, to lay a solid foundation for the Company's sustained, healthy and steady development.

1.About shareholders and general meeting of shareholders

The Company stipulates the *Rules of Procedure for the General Meeting of Shareholders*, and convenes the general meeting in strict accordance with the provisions and requirements of the *Rules*. The Company treats all shareholders equally, in particular, to ensure that minority shareholders can enjoy equal status and fully exercise their rights.

2. About the Company and controlling shareholders

The Company has independent business and operational autonomy and ensures "five independences" with the controlling shareholders on personnel, asset, finance, organization and business. They make accounting and take responsibility and risk independently. There is no such situation as illegal occupation of the Company’s funds by the controlling shareholders. The Company also provides no guarantee for the controlling shareholders. The controlling shareholders behave normatively without any direct or indirect interfere with the Company’s decision-making and business beyond the general meeting of shareholders.

3. About directors and Board of Directors

The Company elects directors in strict accordance with the recruitment and selection procedures stated in the *Company’s Article of Association*. There are currently 3 independent directors in the Company, accounting for 1/3 of the total number of directors. The number, composition and qualification of directors in the Board of Directors meet the requirements of relevant laws and regulations. All directors can carry out the work in accordance with the *Guidelines of Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the SME Board*, *Rules of Procedure for Board of Directors of the Company*, *Working Rules for Independent Directors of the Company* and other regulations. They attend board meetings and general meetings of shareholders seriously, participate in the relevant knowledge training actively, fulfill the obligations of being honest and trustworthy, diligent and responsible. The Board of Directors standardizes the convening and holding of and voting on the board meeting in strict accordance with relevant regulations, to ensure that the board meeting can go on smoothly. There have neither acts of exercising the power of shareholders' general meeting beyond their authority, nor acts of interfering in the operation of the board of supervisors and the management beyond their authority. There are Audit Committee, Nomination Committee, Remuneration &Appraisal Committee, and Investment Decision-making Committee under the Board of Directors. The committees fulfill their own duties, to further improve the governance structure and enable the Board of Directors to make decisions in a more scientific and efficient way.

4. About supervisors and Board of Supervisors

The Company elects supervisors in strict accordance with the relevant provisions of the *Corporate Law*, *the Company's Articles of Association* and other regulations. The number, composition and qualification of supervisors in the Board of Supervisors meet requirements of relevant laws and regulations. The Board of Supervisors can convene and hold supervisor meeting in strict accordance with requirements of the *Rules of Procedure for the Company's Board of Supervisors*. The voting procedure meets requirements of applicable laws and regulations. All supervisors can perform their duties conscientiously. The legality and compliance of major matters, financial status and performance of directors and senior executives are effectively supervised and independent opinions are made in the spirit of being responsible for the shareholders, to safeguard the legitimate rights and interests of the Company and its shareholders.

5. About performance evaluation and incentive and disciplinary mechanism

The Company has established and will gradually improve the performance appraisal system, to link employee's income to their job performance. Senior executives are recruited in an open and transparent manner and in accordance with provisions of applicable laws and regulations.

6. About information disclosure and transparency

The *Company's Management Rules for Information Disclosure* and the *Company's Internal Reporting Rules for Major Information* are formulated according to the *Administrative Measures on Information Disclosure by Listed Companies*, *Stock Listing Rules of Shenzhen Stock Exchange*, *Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on SME Board* and other regulations. The Company establishes the major information reporting system, to standardize information disclosure acts of the Company, ensure the authenticity, accuracy and completeness of the information disclosed by the Company and safeguard the legitimate rights and interests of the Company and its shareholders. The Chairman is the first person responsible for information disclosure. The Secretary of Board of Directors is responsible for the management of investor relations in the Company. The Securities Department of the Company is responsible for the daily work on investor relation management. In the reporting period, the Company discloses information in a true, accurate, timely and complete way on the Company's website and the designated information disclosure media, to ensure that all investors have fair access to the Company's information.

Is there any significant difference between the Company's actual governance status and the relevant rules issued by China Securities Regulatory Commission?

□ Yes √ No

There is no significant difference between the Company's actual governance status and the relevant rules issued by China Securities Regulatory Commission.

II. Independence of the Company from Its Controlling Shareholders in Terms of Business, Personnel, Assets, Organization, and Finance

1. Business independence: The Company has the independent market-oriented management ability and independent sales, operation and service systems. With the complete business process, the Company can conduct businesses independently. The Company has complete independence in terms of business.

2. Personnel independence: the General Manager, Deputy General Managers, Finance Director and other senior executives of the Company neither hold other administrative positions other than directors and supervisors in other enterprises controlled by the controlling shareholders and the actual controllers of the Company, nor get salaries in other enterprises controlled by the controlling shareholders and the actual controllers. There are no such cases as holding dual posts, which are prohibited by laws, regulations and rules. the Company's accountants are full-time staffs and paid in the Company, without having a part-time job or get paid from other companies.

3. Asset independence: The Company has electronic equipment, tools, office equipment, transportation equipment and other supporting facilities related to its businesses and has the legal ownership and right of use of houses, electronic equipment, office equipment, trademarks and other facilities related to its business.

4. Organizational independence: The Company establishes an organization necessary for its business. All internal departments operate independently, without mixed operation or sharing working space.

5. Financial independence: The Company has opened the independent bank accounts, and set up a Finance Department, established an independent financial management system, and paid taxes independently. The Company can make financial decisions independently, without any shareholder interference with the use of the Company's funds. The Company has a set of complete and independent financial accounting system.

III. Horizontal Competition

□ Applicable (A) √ Not applicable (N/A)

IV. Information about Annual General Meeting and Extraordinary General Meeting of Shareholders Held in the Reporting Period

1. Shareholder's general meeting in the reporting period

Session of meeting	Type of meeting	Proportion of investor participants	Date of meeting	Date of disclosure	Disclosure index
2018 Annual General Meeting	Annual general meeting	36.46%	May 17, 2019	May 18, 2019	Announcement No. 2019-034 on www.cninfo.com.cn
The first extraordinary general meeting in 2019	Extraordinary general meeting	35.64%	October 8, 2019	October 9, 2019	Announcement No. 2019-072 on www.cninfo.com.cn

The second extraordinary general meeting in 2019	Extraordinary general meeting	41.29%	October 14, 2019	October 15, 2019	Announcement No. 2019-078 on www.cninfo.com.cn
The third extraordinary general meeting in 2019	Extraordinary general meeting	35.51%	November 4, 2019	November 5, 2019	Announcement No. 2019-089 on www.cninfo.com.cn

2. Preferred shareholders whose voting rights have been resumed request for an extraordinary general meeting Extraordinary Shareholders' General Meeting requested by the preferred shareholder with restitution of voting right

□ Applicable (A) √ Not applicable (N/A)

V. Performance of Independent Directors in the Reporting Period

1. Details of independent director attendance at board sessions and shareholders' general meetings

Details of independent director attendance at board sessions and shareholders' general meetings							
Name of independent director	Board sessions required to attend during the reporting period (times)	Number of board sessions attended in person	Number of board sessions attended by correspondence	Number of board sessions attended under commission	Number of absences of board sessions	Non-attendance to board sessions in person for two consecutive times	Number of shareholder's general meetings attended
WAN Jieqiu	11	3	8	0	0	No	4
WANG Haifeng	11	2	9	0	0	No	4
WU Xiaoya	11	2	9	0	0	No	4

Explanation for failure to attend the board session in person for two consecutive times

□ Applicable (A) √ Not applicable (N/A)

2. Details on independent directors objecting to relevant matters

Did independent directors object to the Company's relevant matters?

□ Yes √ No

Independent directors did not object the Company's relevant events in the reporting period.

3. Other details of performance of independent directors

Whether independent directors' recommendations in respect of the Company have been accepted?

√ Yes □ No

Explanations for acceptance or rejection of recommendations proposed by independent directors

Independent directors of the Company are diligent and responsible, fully exercise their rights as independent directors, faithfully perform their duties and carefully review all proposals approved by the Board of Directors in the reporting period. They expressed independent opinions on such major matters as the guarantee made by the Company to its wholly-owned subsidiaries, distribution of profits, change in the accounting policy, recruitment of senior executives of the Company, stock options incentive and related-party transactions.

VI. Performance of Special Committees under the Board of Directors in the Reporting Period

There are Audit Committee, Investment Decision-making Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board of Directors. They work scrupulously to perform their duties in good faith in the reporting period. They are actively engaged in the Company's management, exert their strengths, skills and experience, fulfill their duties vigorously and safeguard the rights and interests of the Company and shareholders, especially the public shareholders.

1. Performance of Audit Committee of the Board of Directors

During the reporting period, the Audit Committee has held Eight meetings, held the periodic meetings at the end of each quarter, to review drafts of periodic reports of the Company, work plans and reports of the internal audit department, propose to appoint the head of the Audit Department, etc., and report to the Board of Directors of the Company. The Audit Committee of the Board of Directors communicated and confirmed with the accounting firm in advance in the audit work in 2019. Independent directors, members of the Audit Committee and accountants for the annual audit communicated and discussed the audit plan, key audit areas and other issues in the first annual audit meeting; The second annual audit meeting was held after accountants for the annual audit of the Company submitted the financial and accounting statements which have been initially audited. Independent directors, members of the Audit Committee and accountants for the annual audit met again and they agreed on making the 2019 annual report and its summary based on the financial and accounting statements which have been initially audited; Before deliberation on the annual report by the Board of Directors, the Audit Committee held the third annual audit meeting, on which the *2019 Financial Report of the Company* and *2019 Annual Report and Its Summary* were reviewed and passed. They suggested continually appointing RSM China CPA LLP as the auditor for the Company's financial statements.

2. Performance of Investment Decision-making Committee of the Board of Directors

During the reporting period, the Investment Decision-making Committee has held two meetings to mainly discuss specific contents related to the establishment of a joint venture company between the Company and its related parties.

3. Performance of Remuneration and Appraisal Committee of the Board of Directors

During the reporting period, the Remuneration and Appraisal Committee has held three meetings, to review and approve the *Proposal on Remuneration of Directors and Supervisors of the Company*, *Proposal on Remuneration of Senor Executives of the Company*, and *Draft and Summary of 2019 Stock Options Incentive Plan* respectively, and submit them to the boarding meeting for discussion and approval.

4. Performance of Nomination Committee of the Board of Directors

During the reporting period, the Nomination Committee has held to nominate the candidates of the Company’s senior executives, and submit the proposal to the board meeting for discussion and approval.

VII. Work of Board of Supervisors

Were there risks in the Company according to the supervision of the Board of Supervisors during the reporting period?

□ Yes √ No

The Board of Supervisors raised no objection to matters under supervision during the reporting period.

VIII. Appraisal and Incentive Mechanisms for Senior Executives

Quarterly and annual appraisals are mainly adopted for senior executives. The Remuneration and Appraisal Committee, Human Resources &Administration Center and General Manager Office will form an appraisal team to perform the appraisal. The quarterly appraisal will be performed according to the job duties of the senior executives and the achievement of quarterly goals. The annual appraisal is mainly performed in a debriefing way. Senior executives make debriefing reports towards the appraisal team. The annal performance bonuses for the senior executives are determined according to the results of the debriefing evaluation and the quarterly performance appraisal.

Incentives for the senior executives mainly includes annual bonus, salary increase and equity incentive. Stock options incentive plan is developed according to the length of service and personal contribution of the senior executives.

IX. Evaluation Report for Internal Control

1. Details on material defects found in the Company's internal control during reporting period

□ Yes √ No

2. Self-evaluation report for internal control

Disclosure date of full text of Evaluation Report for Internal Control	April 16, 2020	
Disclosure index of full text of Evaluation Report for Internal Control	*Evaluation Report for Internal Control in 2019* on www.cninfo.com.cn	
Proportion of total assets included in evaluation scope	100.00%	
Proportion of operating revenue included in evaluation scope	100.00%	
Criteria of defect		
Category	Financial report	Non-financial report

Qualitative criteria	**Major defects:** 1. Fraudulent practices of directors, supervisors or senior executives of the Company; 2. Restatement of previously issued financial statements by the Company; 3. Material misstatement of financial statements in the current period identified by the auditor but not detected by the Company's internal control;; 4. Ineffective oversight of the Company's internal control on financial statements by the Audit Committee and Audit Department. **Important defects:** 1. Failure to select and apply accounting policies according to generally accepted accounting principles; 2. Failure to establish anti-fraud procedures and control measures; 3. Failure to establish a control mechanism, or failure to develop and implement any compensatory control for the accounting of unconventional or special transactions; 4. One or more defects in the control of the final financial reporting process at the end of period, and failure to reasonably ensure that authenticity and accuracy of the prepared financial statements **General defects:** other control defects other than above major defects and important defects.	**Major defects:** decision-making process leads to major mistakes; Important business lacks systematic control or faces systematic failure, and lacks effective compensatory control; The turnover of middle and senior executives and senior technicians is high; Results of internal control evaluation (major defects in particular) have not been rectified; Other circumstances having a major negative impact on the Company. **Important defects:** decision-making process leads to ordinary mistakes; There are defects in important business policies or systems; High turnover of business personnel in key positions; Results of internal control evaluation (important defects in particular) have not been rectified; Other circumstances having important negative impact on the Company. **General defects:** the decision-making process is not efficient; There are defects in general business policies or systems; High turnover of business personnel in general positions; General defects have not been rectified.
Quantitative criteria	Major defects: potentially misstated amount in the financial report: misstated amount ≥ 1% of the total operating revenue; Important defects: potentially misstated amount in the financial report: 0.5% of the total operating revenue ≤ misstated amount < 1% of the operating revenue; General defects: potentially misstated amount in the financial report: misstated amount < 0.5% of the operating revenue.	Major defects: direct property loss ≥ RMB 5 million; Important defects: RMB 500,000 ≤ direct property loss < RMB 5 million; General defects: direct property loss <RMB 500,000
Number of major defects in the financial report (Nr.)	0	
Number of major defects in the non-financial report (Nr.)	0	
Number of important defects in the financial report (Nr.)	0	

Number of important defects in the non-financial report (Nr.)	0

X. Audit Report or Authentication Report for Internal Control

N/A

Section 11 Information on Corporate Bond

Were there bonds publicly issued and listed on an exchange, either not at maturity or at maturity but not fully paid on the approval report date of the Annual Report?

No

Section 12 Financial Statements

Note I. Auditor's Report

Type of audit opinions	Standard unqualified opinion
Date of signing the auditor's report	April 15, 2020
Name of auditor	RSM China CPA LLP
Reference number of auditor's report	RCSZ [2020] No. 230Z1289
Name of certified public accountant	CHU Shiwei and KONG Lingli

Auditor's Report

I. Audit Opinions

We have audited the financial statements of Nanji E-commerce Co., Ltd. (hereafter referred to as "NJDS"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2019, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying NJDS' financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

(I) Revenue Recognition

1. Description of Matter

According to Note V.32 in the financial statements: the consolidated operating revenue of NJDS amounted to RMB 3,906.8482 million in 2019, an increase of RMB 553.9882 million from RMB 3,352.8600 million in 2018, with a growth rate of 16.52%.

The operating revenue is one of the key performance indicators of NJDS. The recognition of the operating revenue might be manipulated, to achieve a particular purpose or an expected inherent risk. Besides, there are differences between operating products and services. Therefore, we determine the authenticity and recognition timing of the operating revenue as a key audit matter.

2. Auditor's Response

We have implemented the following procedures for revenue recognition:
1) Understand and test the design and implementation of the internal control policies and financial accounting system related to the sales and payment collection of NJDS, including client management, client archive management, sales contract management and pricing policies.
2) Distinguish the operation and sales categories; implement the analytic review procedure, judge the rationality of changes in the sales revenue and gross profit, check whether the methods for recognizing the main business revenues of all business units comply with provisions of Accounting Standards for Business Enterprises according to the business unit, industrial development and the actual situation of NJDS;
3) Implement substantive detail test. Main procedures are as follows:
①Check the authenticity of operating revenue by distinguishing the business type, for example: For the brand comprehensive service revenue, we conduct sampling inspection on the sales contract, integrated service requisition and bank receipt, check the contract amount and service period, and calculate the revenue attributable to the current period according to the contract amount and service period; For the revenues from the mobile Internet media delivery service and the mobile Internet traffic integration service, we conduct sampling inspection on the sales contract, final statement confirmed by the client, sales invoice, bank receipt and other supporting documents;
②Verify the accounts receivable at the end of the period and revenues occurred in current period through letters;
③Select samples from revenue transactions recorded before and after the date of the balance sheet, check the delivery records, final settlement confirmed by the client and other supporting documents, to evaluate whether the revenue is recorded in the appropriate accounting period;
4) Auditors perform live interviews or video interviews for important clients of NJDS;

(II) Impairment of Goodwill and Intangible Assets (Trademark Right)

1. Description of Matter

As stated in Note V.15 &16, the aggregate carrying value of intangible assets of NJDS is RMB 560.1491 million as of December 31, 2019, including the carrying value RMB 559.2299 million of the trademark right, and the corresponding impairment reserve balance is zero; The aggregate carrying value of the goodwill is RMB 889.77 million, and the corresponding impairment reserve balance is zero. During the impairment test for relevant asset groups or combinations of asset groups containing goodwill and trademark right, NJDS is required to estimate the future cash flow of relevant asset group or combinations of asset groups and determine an appropriate discount rate to calculate the present value. If the present value of the cash flow of relevant asset group is lower than its carrying value, the impairment loss of the goodwill and trademark right shall be recognized. As the relevant impairment evaluation and test require major judgment of the management, we determine the impairment evaluation of this type of asset as a key audit matter.

2. Auditor's Response

Main audit procedures implemented for the impairment of goodwill and trademark right include:

1) Test the impairment reserve of the goodwill and trademark right based on the present value of the future cash flow of the asset group estimated in the evaluation report prepared by an external evaluation agency;
2) Review the rationality of the value type and evaluation method used in the evaluation report and the rationality of such evaluation parameters as the discount rate, sales growth rate and gross profit margin;
3) Review the 2019's performance of each underlying asset purchased by NJDS, compare it with the estimate table in the evaluation report, and check whether the net profit of the asset group for the current period reaches the predicted amounts in the table, to evaluate the reliability and accuracy of the prediction process of the management;
4) Review the prediction of the future cash flow by the management and accuracy of calculation of the present value of the future cash flow;

IV. Other information

Management of NJDS (hereinafter referred to as "the Management") is responsible for the other information. The other information comprises the information included in the annual report of NJDS for the year of 2019, but does not include the financial statements and our auditor's report thereon.

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

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

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

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing NJDS' financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within NJDS to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM China CPA LLP CPA 1 (Project Partner): CPA 2:

(Special General Partnership)

Beijing · China April 15, 2020

Note II. Financial Statements

All amounts are expressed in Renminbi Yuan ("RMB") unless otherwise stated.

1. Consolidated Balance Sheet

Prepared by: Nanji E-commerce Co., Ltd. as at December 31, 2019

Unit: RMB

Item	December 31, 2019	December 31,2018
Current assets:		
Cash and cash equivalents	1,280,832,033.28	1,189,754,162.14
Deposit reservation for balance		
Lendings to Banks and Other Financial Institutions		
Held-for-trading financial assets	1,490,000,000.00	
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	73,506,158.00	40,318,407.59
Accounts receivable	789,704,130.20	724,583,591.63
Accounts receivable financing		
Advances to suppliers	229,302,915.74	552,797,861.17
Premium receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	88,075,286.90	59,849,623.62
Including: Interests receivable		
Dividend receivable		
Financial assets held under resale agreements		
Inventories	5,471,862.14	3,361,669.70
Contract assets		
Assets classified as held for sale	15,441,091.08	
Non-current assets maturing within one year	3,746,477.30	
Other current assets	34,661,870.64	486,849,976.13
Total current assets	4,010,741,825.28	3,057,515,291.98

Non-current assets:		
Loans and advances to customers		
Debt investments		
Available-for-sale financial assets		240,057.98
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	0.00	14,230,858.19
Other equity instrument investment	100,000.00	
Other non-current financial assets		
Investment properties		
Fixed assets	6,718,909.97	3,021,813.45
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	560,149,124.79	562,683,064.77
Research and development expenditure		
Goodwill	889,770,009.82	889,770,009.82
Long-term deferred expenses	7,282,365.40	109,113.12
Deferred tax assets	8,165,984.67	6,679,125.79
Other non-current assets	1,886,792.26	14,999,379.61
Total non-current assets	1,474,073,186.91	1,491,733,422.73
Total assets	5,484,815,012.19	4,549,248,714.71
Current liabilities:		
Short-term borrowings	100,105,694.45	70,360,000.00
Borrowings from the central bank		
Borrowings from Banks and Other Financial Institutions		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivate financial liabilities		
Notes payable		
Accounts payable	68,733,776.67	52,048,994.98

Advances from customers	200,876,035.12	369,750,631.85
Contract liabilities		
Financial assets sold under repurchase agreements		
Deposits from customers and banks		
Customer stock brokerage deposits		
Customer stock underwriting deposits		
Employee benefits payable	37,358,795.19	28,396,002.54
Taxes payable	79,574,047.11	66,445,511.72
Other payables	119,528,535.68	167,238,218.29
Including: Interests payables		150,492.26
Dividend payables		
Fees and commissions payable		
Reinsurance payables		
Liabilities classified as held for sale		
Non-current liabilities maturing within one year		
Other non-current liabilities	19,911,007.11	30,106,369.18
Total current liabilities	626,087,891.33	784,345,728.56
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred tax liabilities		634,200.00
Other non-current liabilities		
Total non-current liabilities		634,200.00
Total liabilities	626,087,891.33	784,979,928.56
Owner’s equity:		

Share capital	417,326,994.00	417,326,994.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserves	1,478,936,371.22	1,480,832,771.89
Less: Treasury stock	151,686,242.28	67,590,687.09
Other comprehensive income		
Special reserves		
Surplus reserves	173,524,680.29	131,720,855.52
General risk reserves		
Retained earnings	2,940,625,317.63	1,776,292,224.02
Total owner's equity attributable to parent company	4,858,727,120.86	3,738,582,158.34
Non-controlling interests		25,686,627.81
Total owner's equity	4,858,727,120.86	3,764,268,786.15
Total liabilities and owner's equity	5,484,815,012.19	4,549,248,714.71

Legal Representative: ZHANG Yuxiang Person in charge of accounting: ZHANG Yuxiang Finance Manager: SHI Yiwei

2. Parent Company's Balance Sheet

Unit: RMB

Item	December 31, 2019	December 31,2018
Current assets:		
Cash and cash equivalents	334,150,344.34	546,501,650.58
Held-for-trading financial assets	430,000,000.00	
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	1,300,000.00	700,000.00
Accounts receivable	40,798,467.85	96,820,342.97
Accounts receivable financing		
Advances to suppliers	2,533,156.10	349,364.99
Other receivables	4,890,795.89	32,667,995.54
Including: Interests receivable		
Dividend receivable		

Inventories	393,510.05	441,903.73
Contract assets		
Assets classified as held for sale	15,441,091.08	
Non-current assets maturing within one year	3,746,477.30	
Other current assets	4,489,761.21	54,634,672.85
Total current assets	837,743,603.82	732,115,930.66
Non-current assets:		
Debt investments		
Available-for-sale financial assets		
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	3,925,133,859.28	3,938,050,533.14
Other equity instrument investment		
Other non-current financial assets		
Investment properties		
Fixed assets	9,634.53	34,734.60
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	92,051.85	101,189.01
Research and development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	1,797,291.73	
Other non-current assets		14,684,511.69
Total non-current assets	3,927,032,837.39	3,952,870,968.44
Total assets	4,764,776,441.21	4,684,986,899.10
Current liabilities:		
Short-term borrowings		
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		

Derivate financial liabilities		
Notes payable		
Accounts payable	19,632,474.86	23,630,397.14
Advances from customers	35,996,985.18	28,401,099.61
Contract liabilities		
Employee benefits payable	6,757,485.83	7,552,651.67
Taxes payable	138,349.75	149,514.97
Other payables	99,998,963.78	115,799,734.66
Including: Interests payables		
Dividend payables		
Liabilities classified as held for sale		
Non-current liabilities maturing within one year		
Other non-current liabilities		
Total current liabilities	162,524,259.40	175,533,398.05
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual capital securities		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	162,524,259.40	175,533,398.05
Owner's equity:		
Share capital	2,454,870,403.00	2,454,870,403.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		

Capital reserves	1,864,963,348.24	1,860,926,915.10
Less: Treasury stock	151,686,242.28	67,590,687.09
Other comprehensive income		
Special reserves		
Surplus reserve	92,349,402.48	75,063,622.20
Retained earnings	341,755,270.37	186,183,247.84
Total owner's equity	4,602,252,181.81	4,509,453,501.05
Total liabilities and owner's equity	4,764,776,441.21	4,684,986,899.10

3. Consolidated Income Statement

Unit: RMB

Item	2019	2018
I. Revenue	3,906,848,236.41	3,352,859,972.47
Including: operating revenue	3,906,848,236.41	3,352,859,972.47
Interest income		
Premium Income		
Fee and commission income		
II. Cost of revenue	2,654,892,453.54	2,417,861,700.32
Including: operating cost	2,402,698,452.04	2,197,141,887.86
Interest expense		
Fee and commission expense		
Cash surrender value		
Net amount of compensation paid		
Net amount of withdrawal of insurance contract reserve		
Policyholder dividends resulting from participation in profits		
Reinsurance expense		
Taxes and surcharges	10,270,570.83	9,557,490.68
Selling and distribution expenses	118,640,571.55	111,353,414.51
General and administrative expenses	80,441,335.12	56,800,814.91
Research and development expenses	43,304,603.95	37,800,843.09
Finance costs	-463,079.95	5,207,249.27
Including: Interest expense	6,667,018.42	9,910,388.23

Interest income	7,213,315.85	5,154,367.25
Add: Other income	4,861,177.33	342,670.98
Investment income/("-"for loss)	35,203,547.69	22,929,825.20
Including: Investment income from associates and joint ventures	1,210,232.89	427,104.15
Gains /(losses) from derecognition of financial assets measured at amortized cost		
Gains /("-"for losses) from foreign exchange		
Income /("-" for loss) from net exposure hedging		
Gains/("-" for losses) from changes in fair values		
Impairment loss of credit	-43,267,089.65	
Impairment loss of asset	-1,138,210.78	-21,413,070.36
Gains/("-" for losses) from disposal of assets	4,212.88	1,321.15
III. Profit/("-" for loss) from operations	1,247,619,420.34	936,859,019.12
Add: Non-operating income	30,616,105.63	26,483,062.32
Less: Non-operating expenses	230,666.74	303,484.67
IV. Profit/("-" for loss) before tax	1,278,004,859.23	963,038,596.77
Less: Income tax expenses	71,843,874.32	75,758,909.06
V. Net profit/("-" for loss) for the year	1,206,160,984.91	887,279,687.71
(I)Net profit/(loss) by continuity		
1.Net profit/(loss) from continuing operation	1,206,160,984.91	887,279,687.71
2.Net profit/(loss) from discontinued operation		
(II) Net profit/(loss) by ownership attribution		
1. Attributable to owners of the parent	1,206,136,918.38	886,472,236.97
2. Attributable to non-controlling interests (i.e., Minority interests)	24,066.53	807,450.74
VI. Other comprehensive income for the year, after tax		
Attributable to owners of the parent		

(I) Items that will not be reclassified subsequently to profit or loss		
1.Remeasurement of the net defined benefit liability (asset)		
2.Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss		
3. Changes in fair value of other equity instrument investment		
4. Changes in fair value of the Company's own credit risks		
5. Others		
(II) Items that may be reclassified subsequently to profit or loss		
1.Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss		
2.Changes in fair value of other debt investment		
3.Gains/(losses) arising from changes in fair value of available-for-sale financial assets		
4.Other comprehensive income arising from the reclassification of financial assets		
5.Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
6.Provision for credit impairment in other debt investments		
7.Reserve for cash flow hedges		
8.Exchange differences on translating foreign operations		
9.Others		
Attributable to non-controlling interests		
VII. Total comprehensive income for the year	1,206,160,984.91	887,279,687.71

Attributable to owners of the parent	1,206,136,918.38	886,472,236.97
Attributable to non-controlling interests	24,066.53	807,450.74
VIII. Earnings per share:		
(I) Basic earnings per share	0.49	0.36
(II) Diluted earnings per share	0.49	0.36

For business combination under common control in the reporting period, net profit of the acquiree before the combination is: zero, net profit of acquiree in last reporting period is: zero.

Legal Representative: ZHANG Yuxiang   Person in charge of accounting: ZHANG Yuxiang   Finance Manager: SHI Yiwei

4. Parent Company Income Statement

Unit: RMB

Item	2019	2018
I. Revenue	230,516,407.45	312,875,910.53
Less: operating cost	44,123,564.84	35,789,144.90
Taxes and surcharges	877,692.60	806,805.59
Selling and distribution expenses	19,793,638.59	49,814,201.74
General and administrative expenses	21,782,760.09	12,109,383.65
Research and development expenses		9,898,526.24
Financial costs	-10,308,802.25	-12,589,890.49
Including: Interest expense		
Interest income	10,275,064.68	12,605,460.43
Add: Other income		14,246.62
Investment income/(losses)	11,152,960.24	90,537,146.96
Including: Investment income from associates and joint ventures	1,210,232.89	427,104.15
Gains /(losses) from derecognition of financial assets measured at amortized cost		
Income /(losses) from net exposure hedging		
Gains/(losses) from changes in fair values		
Impairment loss of credit	1,924,349.19	
Impairment loss of asset		-5,762,141.75
Gains/(losses) from disposal of assets		1,321.15

II. Profit/(loss) from operations	167,324,863.01	301,838,311.88
Add: Non-operating income	3,745,235.22	2,092,905.16
Less: Non-operating expenses	9,587.15	0.01
III. Profit/(loss) before tax	171,060,511.08	303,931,217.03
Less: Income tax expenses	-1,797,291.73	
IV. Net profit/(loss) for the year	172,857,802.81	303,931,217.03
(I) Net profit/(loss) from continuing operation	172,857,802.81	303,931,217.03
(II) Net profit/(loss) from discontinued operation		
V. Other comprehensive income for the year, after tax		
(I) Items that will not be reclassified subsequently to profit or loss		
1. Remeasurement of the net defined benefit liability (asset)		
2. Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss		
3. Changes in fair value of other equity instrument investment		
4. Changes in fair value of the Company's own credit risks		
5. Others		
(II) Items that may be reclassified subsequently to profit or loss		
1. Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss		
2. Changes in fair value of other debt instrument investment		
3. Gains/(losses) arising from changes in fair value of available-for-sale financial assets		
4. Other comprehensive income arising from the reclassification of financial assets		

5. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
6. Provision for credit impairment in other debt investments		
7. Reserve for cash flow hedges		
8. Exchange differences on translating foreign operations		
9. Others		
VI. Total comprehensive income for the year	172,857,802.81	303,931,217.03
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2019	2018
I. Cash flow from operating activities:		
Cash received from the sale of goods and the rendering of services	3,809,956,466.43	3,584,903,307.82
Net increase of deposits from customers and banks		
Net increase of borrowings from the central bank		
Net increase of placements from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposit and investment of policyholder		
Cash received from interests, fees and commissions		
Net increase of borrowings from other		

banks		
Net increase of fund from repurchase business		
Net cash received as agent of stock exchange		
Cash received from tax refund		24,237,025.33
Other cash received relating to operating activities	72,703,032.56	54,556,840.26
Subtotal of cash inflows from operating activities	3,882,659,498.99	3,663,697,173.41
Cash payments for goods purchased and services received	2,193,510,712.14	2,760,296,763.04
Net increase of loans and advances to customers		
Net increase of deposits in central bank and other banks		
Cash payments to compensation of original insurance contract		
Net increase of lendings to banks and other financial institutions		
Cash payments to interests, fees and commissions		
Cash payments for Policyholder dividends resulting from participation in profits		
Cash payments to and on behalf of employees	146,798,226.03	96,997,375.50
Payments of taxes	135,380,808.10	139,358,833.87
Other cash payments relating to operating activities	152,057,926.10	115,657,268.34
Subtotal of cash outflows from operating activities	2,627,747,672.37	3,112,310,240.75
Net cash flows from operating activities	1,254,911,826.62	551,386,932.66
II. Cash flows from investing activities:		
Cash received from disposal and redemption of investments	5,143,907,649.32	5,046,000,000.00
Cash received from returns on investments	33,933,372.78	23,715,571.43

Net cash received from disposals of fixed assets, intangible assets and other long-term assets	42,426.66	5,982.91
Net cash received from disposals of subsidiaries and other business units	410,000.00	642.64
Other cash received relating to investing activities	7,213,315.85	5,192,999.33
Subtotal of cash inflows from investing activities	5,185,506,764.61	5,074,915,196.31
Cash payments to acquire fixed, intangible and other long-term assets	14,802,142.02	770,264.32
Cash payments to acquire investments	6,697,600,000.00	5,438,000,000.00
Net increase in pledged loan		
Net cash payments to acquire subsidiaries and other business units	68,832,000.00	99,519,928.53
Other cash payments relating to investing activities		724,920.46
Subtotal of cash outflows from investing activities	6,781,234,142.02	5,539,015,113.31
Net cash flows from investing activities	-1,595,727,377.41	-464,099,917.00
III. Cash flow from financing activities		
Cash received from capital contributions		
Including: Cash received from absorbing minority shareholders' equity investment by subsidiaries		
Cash received from borrowings	150,000,000.00	90,360,000.00
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	150,000,000.00	90,360,000.00
Cash repayments of debts	120,360,000.00	266,750,000.00
Cash payments for dividends, distribution of profit and interest expenses	6,960,357.83	114,482,143.41
Including: Dividends, distribution of profit paid by subsidiaries to minority shareholders	248,541.55	2,348,244.73
Other cash payments relating to	84,095,555.19	67,590,687.09

financing activities		
Subtotal of cash outflows from financing activities	211,415,913.02	448,822,830.50
Net cash flows from financing activities	-61,415,913.02	-358,462,830.50
IV. Effect of foreign exchange rate changes on cash and cash equivalents	109,334.95	-272,600.12
V. Net increase / (decrease) in cash and cash equivalents	-402,122,128.86	-271,448,414.96
Add: Cash and cash equivalents at the beginning of the period	1,189,754,162.14	1,461,202,577.10
VI. Cash and cash equivalents at the end of the period	787,632,033.28	1,189,754,162.14

6. Parent Company's Cash Flow Statement

Unit: RMB

Item	2019	2018
I. Cash flow from operating activities:		
Cash received from the sale of goods and the rendering of services	317,626,602.70	265,237,210.18
Cash received from tax refund		24,237,025.33
Other cash received relating to operating activities	52,016,290.51	23,407,789.45
Subtotal of cash inflows from operating activities	369,642,893.21	312,882,024.96
Cash payments for goods purchased and services received	57,253,235.92	32,735,258.35
Cash payments to and on behalf of employees	30,388,283.33	22,278,514.00
Payments of taxes	888,857.82	1,715,952.98
Other cash payments relating to operating activities	14,328,151.10	37,677,573.71
Subtotal of cash outflows from operating activities	102,858,528.17	94,407,299.04
Net cash flows from operating activities	266,784,365.04	218,474,725.92
II. Cash flows from investing activities:		
Cash received from disposal and redemption of investments	1,426,907,649.32	1,431,000,000.00

Cash received from returns on investments	10,251,420.05	90,110,042.81
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		5,982.91
Net cash received from disposals of subsidiaries and other business units	1,491,307.30	
Other cash received relating to investing activities	10,275,064.68	12,605,460.43
Subtotal of cash inflows from investing activities	1,448,925,441.35	1,533,721,486.15
Cash payments to acquire fixed, intangible and other long-term assets		
Cash payments to acquire investments	1,905,200,000.00	1,471,000,000.00
Net cash payments to acquire subsidiaries and other business units	68,832,000.00	
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	1,974,032,000.00	1,471,000,000.00
Net cash flows from investing activities	-525,106,558.65	62,721,486.15
III. Cash flows from financing activities		
Cash received from capital contributions		
Cash received from borrowings		
Other cash received relating to financing activities		80,000,000.00
Subtotal of cash inflows from financing activities		80,000,000.00
Cash repayments of debts		
Cash payments for dividends, distribution of profit and interest expenses		101,467,969.93
Other cash payments relating to financing activities	84,095,555.19	177,590,687.09
Subtotal of cash outflows from financing activities	84,095,555.19	279,058,657.02
Net cash flows from financing activities	-84,095,555.19	-199,058,657.02

IV. Effect of foreign exchange rate changes on cash and cash equivalents	66,442.56	23,983.54
V. Net increase / (decrease) in cash and cash equivalents	-342,351,306.24	82,161,538.59
Add: Cash and cash equivalents at the beginning of the period	546,501,650.58	464,340,111.99
VI. Cash and cash equivalents at the end of the period	204,150,344.34	546,501,650.58

7. Consolidated Statement of Changes in Owner's Equity

Amount of the reporting period

Unit: RMB

Item	2019														
	Owner's equity attributable to the parent company													Minority equity	Total owner's equity
	Shares capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Retained earnings	Others	Subtotal		
		Preemptive shar	Perpetual capital securities	Others											
I. Balance at end of last year	417,326,994.00				1,480,832,771.89	67,590,687.09			131,720,855.52		1,776,292,224.02		3,738,582,158.34	25,686,627.81	3,764,268,786.15
Add: Changes in accounting policy															
Correction of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the year	417,326,994.00				1,480,832,771.89	67,590,687.09			131,720,855.52		1,776,292,224.02		3,738,582,158.34	25,686,627.81	3,764,268,786.15
III. Changes in equity during the reporting period					-1,896,400.67	84,095,555.19			41,803,824.77		1,164,333,093.61		1,120,144,962.52	-25,686,627.81	1,094,458,334.71

(I) Total comprehensive income											1,206,136,918.38		1,206,136,918.38	24,066.53	1,206,160,984.91
(II) Capital contributions or withdrawals by owners					-1,896,400.67	84,095,555.19							-85,991,955.86	-25,710,694.34	-111,702,650.20
1. Ordinary shares contributed by shareholders															
2. Capital contributed by holders of other equity instruments															
3. Share-based payments recognized in owners’ equity					4,036,433.14								4,036,433.14		4,036,433.14
4. Others					-5,932,833.81	84,095,555.19							-90,028,389.00	-25,710,694.34	-115,739,083.34
(III) Profit distribution									41,803,824.77		-41,803,824.77				
1. Withdrawal of surplus reserves									41,803,824.77		-41,803,824.77				
2. Withdrawal of general risk reserves															
3. Profit distribution to owners (or shareholders)															
4. Others															
(IV)Transfer between owners' equity															
1. Capital reserves															

transfer to share capital															
2. Surplus reserves transfer to share capital															
3. Surplus reserves used to cover accumulated deficits															
4. Defined benefit plan transfer to retained earnings															
5. Other comprehensive income transfer to retained earnings															
6. Others															
(V) Specific reserves															
1. Withdrawal during the reporting period															
2. Usage during the reporting period															
(VI) Others															
IV. Ending balance of the reporting period	417,326,994.00				1,478,936,371.22	151,686,242.28			173,524,680.29		2,940,625,317.63		4,858,727,120.86		4,858,727,120.86

Amount of the previous period

Unit: RMB

Item	2018														
	Owner's equity attributable to the owners of parent company													Minority equity	Total owner's equity
	Shares capital	Other equity instruments			Capital reserves	Less: treasury stock	Other Comprehensive income	Special reserves	Surplus reserves	General risk reserve	Retained earnings	Others	Subtotal		
		Preemptive share	Perpetual capital securities	Others											

I. Balance at end of last year	417,326,994.00				1,480,832,771.89				94,008,469.00		1,029,000,343.50		3,021,168,578.39	28,885,513.81	3,050,054,092.20
Add: Changes in accounting policy															
Correction of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the year	417,326,994.00				1,480,832,771.89				94,008,469.00		1,029,000,343.50		3,021,168,578.39	28,885,513.81	3,050,054,092.20
III. Changes in equity during the reporting period						67,590,687.09			37,712,386.52		747,291,880.52		717,413,579.95	-3,198,886.00	714,214,693.95
(I) Total comprehensive income											886,472,236.97		886,472,236.97	807,450.74	887,279,687.71
(II) Capital contributions or withdrawals by owners						67,590,687.09							-67,590,687.09		-67,590,687.09
1. Ordinary shares contributed by shareholders															
2. Capital contributed by holders of other equity instruments															
3. Share-based payments recognized in owners' equity															
4. Others						67,590,687.09							-67,590,687.09		-67,590,687.09
(III) Profit									37,712,		-		-	-	-

distribution									386.52		139,180,356.45		101,467,969.93	1,715,000.00	103,182,969.93
1. Withdrawal of surplus reserves									37,712,386.52		-37,712,386.52				
2. Withdrawal of general risk reserves															
3. Profit distribution to owners (or shareholders)											-101,467,969.93		-101,467,969.93		-101,467,969.93
4. Others														-1,715,000.00	-1,715,000.00
(IV)Transfer between owners' equity															
1. Capital reserves transfer to share capital															
2. Surplus reserves transfer to share capital															
3. Surplus reserves used to cover accumulated deficits															
4. Defined benefit plan transfer to retained earnings															
5. Other comprehensive income transfer to retained earnings															
6. Others															
(V) Specific reserves															
1. Withdrawal during the															

reporting period															
2. Usage during the reporting period															
(VI) Others														-2,291,336.74	-2,291,336.74
IV. Ending balance of the reporting period	417,326,994.00				1,480,832,771.89	67,590,687.09			131,720,855.52		1,776,292,224.02		3,738,582,158.34	25,686,627.81	3,764,268,786.15

8. Parent Company's Statement of Changes in Owner's Equity

Amount of the reporting period

Unit: RMB

Item	2019											
	Shares capital	Other equity instruments			Capital reserves	Less: treasury stock	Other Comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual capital securities	Others								
I. Balance at end of last year	2,454,870,403.00				1,860,926,915.10	67,590,687.09			75,063,622.20	186,183,247.84		4,509,453,501.05
Add: Changes in accounting policy												
Correction of prior period errors												
Others												
II. Opening balance of the year	2,454,870,403.00				1,860,926,915.10	67,590,687.09			75,063,622.20	186,183,247.84		4,509,453,501.05
III. Changes in equity during the reporting period					4,036,433.14	84,095,555.19			17,285,780.28	155,572,022.53		92,798,680.76
(I) Total										172,85		172,857,8

comprehensive income										7,802.81		02.81
(II) Capital contributions or withdrawals by owners					4,036,433.14	84,095,555.19						-80,059,122.05
1. Ordinary shares contributed by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognized in owners' equity					4,036,433.14							4,036,433.14
4. Others						84,095,555.19						-84,095,555.19
(III) Profit distribution									17,285,780.28	-17,285,780.28		
1. Withdrawal of surplus reserves									17,285,780.28	-17,285,780.28		
2. Profit distribution to owners (or shareholders)												
3. Others												
(IV) Transfer between owners' equity												
1. Capital reserves transfer to share capital												
2. Surplus												

reserves transfer to share capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Other comprehensive income transfer to retained earnings												
6. Others												
(V) Specific reserves												
1. Withdrawal during the reporting period												
2. Usage during the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	2,454,870,403.00				1,864,963,348.24	151,686,242.28			92,349,402.48	341,755,270.37		4,602,252,181.81

Amount of the previous period

Unit: RMB

Item	2018											
	Shares capital	Other equity instruments			Capital reserves	Less: treasury stock	Other Comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preemptive share	Perpetual capital securities	Others								
I. Balance at	1,636,				2,679,2				44,670,	14,113,12		4,374,580,9

end of last year	580,269.00				17,049.10				500.50	2.44		41.04
Add: Changes in accounting policy												
Correction of prior period errors												
Others												
II. Opening balance of the year	1,636,580,269.00				2,679,217,049.10				44,670,500.50	14,113,122.44		4,374,580,941.04
III. Changes in equity during the reporting period	818,290,134.00				-818,290,134.00	67,590,687.09			30,393,121.70	172,070,125.40		134,872,560.01
(I) Total comprehensive income										303,931,217.03		303,931,217.03
(II) Capital contributions or withdrawals by owners						67,590,687.09						-67,590,687.09
1. Ordinary shares contributed by shareholders												
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognized in owners' equity												
4. Others						67,590,687.09						-67,590,687.09
(III) Profit									30,393,	-		-

distribution									121.70	131,861,091.63		101,467,969.93
1. Withdrawal of surplus reserves									30,393,121.70	-30,393,121.70		
2. Profit distribution to owners (or shareholders)										-101,467,969.93		-101,467,969.93
3. Others												
(IV) Transfer between owners' equity	818,290,134.00				-818,290,134.00							
1.Capital reserves transfer to share capital	818,290,134.00				-818,290,134.00							
2. Surplus reserves transfer to share capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Other comprehensive income transfer to retained earnings												
6. Others												
(V) Specific reserves												
1. Withdrawal during the												

reporting period												
2. Usage during the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	2,454,870,403.00				1,860,926,915.10	67,590,687.09			75,063,622.20	186,183,247.84		4,509,453,501.05

Note III. Basic Information of the Company

Nanji E-commerce Co., Ltd. (hereinafter referred to as the "Company" or "NJDS") was formerly named as Jiangsu Xinmin Textile Technology Co., Ltd. (hereinafter referred to as "Xinmin Technology"). Xinmin Technology was a joint-stock company limited overall converted from Wujiang Xinmin Textiles Co., Ltd. under the approval of SZF [2001] No. 48 document issued by Jiangsu Provincial People's Government. It was jointly invested by Wujiang Xinmin Industrial Investment Co., Ltd. (hereinafter referred to as "Xinmin Industrial"), Beijing Huizheng Financial Consultancy Company Limited, Suzhou University Textile Technology Development Center and seven natural persons including LIU Weite, with the registered capital of RMB 38.47 million. The registration of change was completed with Jiangsu Administration for Industry and Commerce on April 28, 2001. The registered address of the Company is 8/F, Huiying Building, No. 388, Dunhuang Road, Shengze Town, Wujiang District, Suzhou, Jiangsu Province.

On April 15, 2006, according to 2005 Annual General Meeting resolution of the Company, 10.4 bonus shares were distributed to every 10 shares with the Company’s undistributed profit of RMB 40,008,800, and 0.6 shares were increased for every 10 shares with the capital reserves of RMB 2,308,200, increasing the share capital by totally RMB 42,317,000, and the registered capital was changed to RMB 80,787,000.

On March 28, 2007, as approved by ZJFXZ [2007] No. 60 document issued by China Securities Regulatory Commission (hereinafter referred to as "CSRC"), the Company issued 28 million RMB common shares to the public for the first time on April 6, 2007, with the par value of RMB 1.00 per share. After the issuance, the registered capital was changed to RMB 108,787,000. On April 18, 2007, the Company's stock was listed on Shenzhen Stock Exchange with the stock abbreviation of "Xinmin Technology" and stockcode of "002127".

In May 2008, according to the plan of share capital increase by capital reserve transfer reviewed at the Company's 12th Meeting of the Second Session of the Board and approved by 2007 Annual General Meeting: based on the total share capital of 108,787,000 shares at the end of 2007, 4 shares were increased for every 10 shares by converting capital reserve to share capital, 43,514,800 shares were increased in total, and the registered capital was changed to RMB 152,301,800 after the increase.

In June 2009, according to the plan of share capital increase by capital reserve transfer reviewed at the Company's 4th Meeting of the Third Session of the Board and approved by 2008 Annual General Meeting: based on the total share capital of 152,301,800 shares at the end of 2008, 2 shares were increased for every 10 shares by converting capital reserve to share capital, 30,460,360 shares were increased in total, and the registered capital was changed to RMB 182,762,160 after the increase.

In May 2010, according to the plan of share capital increase by capital reserve transfer reviewed at the Company's

11th Meeting of the Third Session of the Board and approved by 2009 Annual General Meeting: based on the total share capital of 182,762,160 shares at the end of 2009, 6 shares were increased for every 10 shares by converting capital reserve to share capital, 109,657,296 shares were increased in total, and the registered capital was changed to RMB 292,419,456 after the increase.

In July 2010, as approved by the resolution of the Company's Second Extraordinary General Meeting in 2009 and the *Reply on Approval to Jiangsu Xinmin Textile Technology Co., Ltd. on Private Offering of Stock* (ZJXK [2010] No. 674 document) issued by CSRC, the Company issued 79,629,629 RMB-denominated common shares (A-share) to 6 specific investors by private offering of stock with the par value of RMB 1.00 per share. After the private placement, the registered capital was changed to RMB 372,049,085.

In August 2011, according to the plan of share capital increase by capital reserve transfer reviewed at the Company's 21st Meeting of the Third Session of the Board and approved by 2010 Annual General Meeting: based on the total share capital of 372,049,085 shares at the end of 2010, 2 shares were increased for every 10 shares by converting capital reserve to share capital, 74,409,817 shares were increased in total, and the registered capital was changed to RMB 446,458,902 after the increase.

In July 2013, Dongfang Hengxin Capital Holding Group Co., Ltd. (hereinafter referred to as "Dongfang Hengxin"), Wujiang Xinmin Technology Development Co., Ltd. (hereinafter referred to as "Xinmin TD"), Xinmin Industrial and LI Kejia signed the *Equity Transfer Framework Agreement* on the transfer of the equity in Xinmin TD held by Xinmin Industrial and LI Kejia to Dongfang Hengxin and capital increase in Xinmin TD by RMB 200 million, after which Dongfang Hengxin held 91.14% equity in Xinmin TD; then, 100,386,041 unrestricted outstanding shares held by Xinmin Industrial in Xinmin Technology were transferred to Xinmin TD by agreed transfer, before which Xinmin TD held 32,194,969 unrestricted outstanding shares in Xinmin Technology. On August 13, 2013, the *Securities Transfer Registration Confirmation* for the transfer registration of the above shares issued by China Securities Depository and Clearing Corporation Limited was received, and Xinmin TD became the Company's largest shareholder, holding 132,581,010 shares in Xinmin Technology, accounting for 29.69% of the total share capital of the listed company. Later, Xinmin TD changed its name to Dongfang Xinmin Holding Co., Ltd. (hereinafter referred to as "Dongfang Xinmin"). The actual controller of the Company was changed to Mr. JIANG Xueming, and the legal representative was changed to Mr. YANG Bin.

According to the resolution of the Company’s Third Extraordinary General Meeting in 2015 and the revised *Articles of Association*, and as approved by the *Reply on Approving Major Asset Restructuring of Jiangsu Xinmin Textile Technology Co., Ltd. and Issuing Shares to ZHANG Yuxiang Et Al for Purchasing Assets and Raising Supporting Funds* (ZJXK [2015] No. 2968) of China Securities Regulatory Commission, the Company issued 291,158,259 RMB-denominated common shares (with the offering price of RMB 8.05 per share) to ZHANG Yuxiang, ZHU Xuelian, HU Meizhen, Shanghai Fengnan Investment Center LLP (hereinafter referred to as "Fengnan Investment"), Jiangsu Gaotou Growth Value Equity Investment Partnership (L.P.) (hereinafter referred to as "Jiangsu Gaotou") to purchase 100% equity of Nanji E-Commerce (Shanghai) Co., Ltd., and the Company issued 31,512,605 RMB-denominated common shares (with the offering price of RMB 9.52 per share) specifically to Sunny Special Private Fund No. 1-3 managed by Sunny Loantop (Zhejiang) Investment Co. Ltd., to raise supporting funds. The above increases of registered capital (share capital) were totally RMB 322,670,864.00, and the registered capital (share capital) after such increases were totally RMB 769,129,766.00. The actual controller of the Company was changed to Mr. ZHANG Yuxiang and Mrs. ZHU Xuelian, and the legal representative was changed to Mr. ZHANG Yuxiang.

On March 2, 2016, the Company completed the registration of change for industry and commerce information and received the *Business License* reissued by Jiangsu Suzhou Administration for Industry and Commerce. The

Company’s name was changed from "Jiangsu Xinmin Textile Technology Co., Ltd." to "Nanji E-commerce Co., Ltd."

On May 9, 2016, the Proposal for Profit Distribution of Year 2015 was reviewed and approved at the 2015 Annual General Meeting: 10 shares were increased for every 10 shares of all shareholders by conversion of capital reserves in 2015. On May 20, 2016, the equity distribution plan was executed. The Company's total shares were 769,129,766 shares before dividend distribution and were increased to1,538,259,532 shares after dividend distribution.

According to resolutions of the Company’s Second Extraordinary General Meeting of Shareholders in 2017 and the revised Articles of Association, approved by the *Reply to Approval about issuing Shares to LIU Rui and Other Persons for Purchasing Assets and Raising Supporting Funds by Nanji E-commerce Co., Ltd.* (ZJXK [2017] No. 1703) issued by China Securities Regulatory Commission, the Company purchased 100% equities of Beijing Timelink Network Technology Co., Ltd. (hereinafter referred to as "Timelink") from LIU Rui, GE Nan, YU Hanqing, Zhang Ming, CHEN Jun and Beijing Sapphire Lake Investment Co., Ltd. (hereinafter referred to as "Sapphire Lake Investment"). The Company totally paid 60% of the transaction consideration to LIU Rui, GE Nan, YU Hanqing, ZHANG Ming and CHEN Jun by issuing shares (69,191,795 RMB-denominated common shares, with the face value of RMB 1.00 per share and the offering price of RMB 8.29 per share) and paid 40.00% of the transaction consideration to LIU Rui, GE Nan, YU Hanqing, ZHANG Ming, CHEN Jun and Sapphire Lake Investment in cash. The Company also issued 29,128,942 RMB-denominated common shares specifically to ZHANG Yuxiang and the Employee Stock Ownership Plan II of NJDS, with the face value of RMB 1.00 per share (the offering price of RMB 13.44 per share) and totally issued 98,320,737 RMB-denominated common shares. Where, 34,235,524 shares were issued to LIU Rui, 25,226,176 shares were issued to GE Nan, 3,603,739 shares were issued to YU Hanqing, 2,882,991 shares were issued to ZHANG Ming, 3,243,365 shares were issued to CHEN Jun, 23,809,523 shares were issued to ZHANG Yuxiang and 5,319,419 shares were issued to the Employee Stock Ownership Plan II of NJDS. Totally, the registered capital applied for increase amounted to RMB 98,320,737.00 and the registered capital amounted to RMB 1,636,580,269.00 after the change.

On May 15, 2018, the Company’s 2017Annual General Meeting approved the *Company’s Proposal for Profit Distribution of Year 2017*: Based on the total capital shares of 1,636,580,269 shares as of December 31, 2017, the cash dividends of RMB 0.62 (including tax) per 10 shares was distributed to all shareholders. Meanwhile, 5 shares were increased per 10 shares by converting the capital reserves, with 818,290,134 shares increased by conversion in total. After the conversion, the registered capital was changed to RMB 2,454,870,403.00.

Scope of business: Internet retail and foreign trade; outbound investment, investment management and consultation, and enterprise management information consultation; technical support and information consultation of e-commerce, business consulting as well as marketing planning; conference service, brand design, brand management, PR activity planning, cultural and artistic exchange activity planning, corporation image planning, exhibition and presentation service, photography service, and cultural and educational information consultation; processing and sales of agricultural products; development, transfer, consultation and service of network technology, information technology and textile technology; quality management consultation and technical service; sales of knitwear & textile, apparel &accessory, leather products, bags & suitcases, shoes & hats, beddings, craft gifts, washing products, pet supplies, cosmetics, skin-care products, photographic equipment, toys, audio equipment & apparatus, labor protection products, metal products, furniture, household appliances, kitchen supplies, communication equipment, electronic products, water treatment & purification equipment, hardware & electrical equipment, stationeries, office supplies, clothing fabrics and clothing accessories; sales of prepackaged food (excluding frozen food); design, production, agency and release of various advertisement; research and development of software. (As for items which are required to be approved in accordance with laws, the Company may carry out such business activities after approval by competent authority)

Approved Reporting Date of the Financial Statements: The financial statements were approved and authorized for issue, upon the resolution of the Company's Board of Directors meeting on April 15, 2020.

1. Incorporated subsidiaries of the Company during the reporting period

S/N	Full name of subsidiary	Abbreviated subsidiary name	Shareholding ratio (%)	
			Direct	Indirect
1	Nanji E-commerce (Shanghai) Co., Ltd.	Shanghai NJDS	100.00	—
2	Jiwenwu (Shanghai) Culture Co., Ltd.	Jiwenwu	55.00	—
3	Shanghai Shuimishang Culture Communication Co., Ltd.	Shanghai Shuimishang	60.00	—
4	NANJIREN (Shanghai) E-commerce Co., Ltd.	Shanghai NANJIREN	—	100.00
5	Shanghai One-Stop Network Technology Service Co., Ltd.	One-Stop	—	100.00
6	Shanghai Xiaodai Finance Lease Co., Ltd.	Xiaodai Finance Lease	—	75.00
7	NANJI INTERNATIONAL CO., LTD.	NANJI	—	100.00
8	CARTELO CROCODILE PTE LTD	CARTELO	—	100.00
9	TOTAL CLASSIC INVESTMENTS LIMITED	CLASSIC	—	100.00
10	UNIVERSAL NEW LIMITED	UNIVERSAL	—	100.00
11	Xinjiang Juchang E-commerce Co., Ltd.	Xinjiang Juchang E-commerce	—	100.00
12	Xinjiang NANJIREN E-commerce Co., Ltd.	Xinjiang NANJIREN	—	100.00
13	Xinjiang Cartelo E-commerce Co., Ltd.	Xinjiang Cartelo E-commerce	—	100.00
14	Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd.	Cartelo Crocodile Kale		86.67
15	Shanghai Aosang Cultural Communication Co., Ltd	Shanghai Aosang		96.00
16	Xinjiang Yuduocheng E-commerce Co., Ltd.	Xinjiang Yuduocheng	100.00	—
17	Xinjiang Jingshang E-commerce Co., Ltd.	Xinjiang Jingshang	100.00	—
18	Beijing Timelink Network Technology Co., Ltd.	Timelink	100.00	—
19	Beijing Henri Jayer Technology Co., Ltd	Henri Jayer	—	100.00
20	Xinjiang Henri Jayer Network Technology Co., Ltd.	Xinjiang Henri Jayer	—	100.00

21	Xinjiang Chambertin Network Technology Co., Ltd.	Chambertin	—	100.00
22	Xinjiang RAYAS Network Technology Co., Ltd.	RAYAS	—	100.00

Note 1: CARTELO CROCODILE PTE LTD is a wholly-owned subsidiary of NANJI INTERNATIONAL CO., LTD.

Note 2: UNIVERSAL NEW LIMITED is a wholly-owned subsidiary of TOTAL CLASSIC INVESTMENTS LIMITED.

Note 3: HENRI JAYER and Xinjiang HENRI JAYER are the wholly-owned subsidiaries of Timelink. Chambertin and RAYAS are the wholly-owned subsidiaries of HENRI JAYER.

2. **Change of the scope of consolidation during the reporting period**

The newly incorporated subsidiaries during the reporting period are as follows:

S/N	Full name of subsidiary	Abbreviation of Subsidiary	Consolidated period	Reason of consolidation
1	Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd.	Cartelo Crocodile Kale	2019	Establishment
2	Shanghai Aosang Cultural Communication Co., Ltd	Shanghai Aosang	Not open for operation	Establishment
3	Xinjiang Yuduocheng E-commerce Co., Ltd.	Xinjiang Yuduocheng	November 2019 to December 2019	Establishment
4	Xinjiang Jingshang E-commerce Co., Ltd.	Xinjiang Jingshang	November 2019 to December 2019	Establishment

The subsidiaries reduced during the reporting period are as follows:

S/N	Full name of subsidiary	Abbreviation of Subsidiary	Reason of reduction
1	Shanghai Shuimishang Culture Communication Co., Ltd.	Shanghai Shuimishang	Cancellation
2	Shanghai Aosang Cultural Communication Co., Ltd	Shanghai Aosang	Cancellation

For the detail of the change of consolidation scope, please refer to “Note VIII. Changes in the Scope of Consolidation”.

Note IV. Basis of Preparation of Financial Statements

1. Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements after recognition and measurement in accordance with the Accounting Standards for Business Enterprises, its application guidelines and interpretations. Besides, the Company also discloses relevant financial information in accordance with the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 15 - General Provisions on Financial Report* (Revision 2014) issued by CSRC.

2. Going Concern

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

Note V. Significant Accounting Policies and Accounting Estimates

Instruction on detailed accounting policies and accounting estimates:

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises.

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

The financial statements prepared by the Company as per the above basis are in compliance with the requirements of *Accounting Standards for Business Enterprises*, and truly and completely reflect the Company's financial position, operating results, cash flows and other related information.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3. Operating cycle

The normal operating cycle of the Company is one year.

4. Functional currency

The Company takes Renminbi Yuan ("RMB") as the functional currency.

5. Accounting treatment for business combination under and not under common control

(1) Business combination under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the Company, the Company shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against surplus reserve and retained earnings in turn.

For the accounting treatment of business combination under common control by step acquisitions, please refer to

Note V.6 (5).

(2) Business combination not under common control

The recognizable assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the Company, the Company shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. If the combination cost is less than the fair value of recognizable assets and liabilities obtained from the acquired entity during business combination, the Company shall review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination cost, and if , after the review, the combination cost is still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the current period of business combination.

For the accounting treatment of business combination not under common control by step acquisitions, please refer to Note V.6 (5)".

(3) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

6. Method of Preparing the Consolidated Financial Statements

(1) Determination of consolidation scope

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company’s involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. Subsidiaries are the entities that controlled by the Company (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

(2) Method of Preparing the Consolidated Financial Statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire company as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the entire company.

①Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of the subsidiaries.

②The carrying amount of the parent’s long-term equity investment in each subsidiary is eliminated (off-set) against the parent’s portion of equity of each subsidiary.

③Eliminate the impact of intragroup transactions between the parent and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of relevant assets, the losses shall be recognized in full.

④Make adjustments to special transactions from the perspective of the entire company.

(3) Method of preparation when subsidiaries are acquired or disposed in the reporting period

①Acquisition of subsidiaries or business

A. Subsidiaries or business acquired through business combination under common control

(a) When preparing the consolidated financial statements, the opening balance of the consolidated balance sheet shall be adjusted. Relevant items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(b) When preparing the consolidated income statement, incomes, expenses and profits of the subsidiary and business incurred from the beginning of the consolidating period to the end of the reporting period shall be included into the consolidated income statement. Relevant items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(c) When preparing the consolidated cash flow statement, cash flows of the subsidiary and business from the beginning of the consolidating period to the end of the reporting period shall be included into the consolidated statement of cash flows. Relevant items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

A. Subsidiaries or business acquired through business combination not under common control

(a) When preparing the consolidated balance sheet, the opening balance of the consolidated balance sheet shall not be adjusted.

(b) When preparing the consolidated income statement, incomes, expenses and profits of the subsidiary and business incurred from the acquisition date to the end of the reporting period shall be included into the consolidated income statement.

(c) When preparing the consolidated cash flow statement, cash flows of the subsidiary from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

②Disposal of subsidiaries or business

A. When preparing the consolidated balance sheet, the opening balance of the consolidated balance sheet shall not be adjusted.

B. When preparing the consolidated income statement, incomes, expenses and profits of the subsidiary and business incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated income statement.

C. When preparing the consolidated cash flow statement, cash flows of the subsidiary and business from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(4) Special consideration in consolidation elimination

①Long-term equity investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "less: treasury stock" under "owner's equity" in the consolidated balance sheet.

Long-term equity investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated (off-set) against the portion of the corresponding subsidiary's equity.

②Due to not belonging to paid-in capital (or share capital) and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered based on the proportion attributable to owners of the parent company after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

③If temporary timing difference between the book value of the assets and liabilities in the consolidated balance sheet and their tax basis is generated as a result of elimination of unrealized inter-company transaction profit or loss, deferred tax assets of deferred tax liabilities shall be recognized, and income tax expense in the consolidated statement of profit or loss shall be adjusted simultaneously, excluding deferred taxes related to transactions or events directly recognized in owner's equity or business combination.

④Unrealized inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated against "net profit attributed to the owners of the parent company" in full. Unrealized inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the related subsidiaries. Unrealized inter-company transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the selling subsidiaries.

⑤If loss attributed to the minority shareholders of a subsidiary in current period is more than the proportion of non-controlling interest in this subsidiary at the beginning of the period, non-controlling interest is still to be written down.

(5) Accounting for Special Transactions

①Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the separate financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration paid. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the acquisition date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted into capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

②Gaining control over the subsidiary in stages through multiple transactions

A. Business combination under common control in stages through multiple transactions

On the combination date, in the separate financial statement, initial cost of the long-term equity investment is determined according to the share of carrying amount of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements after combination. The difference between the initial cost of the long-term equity investment and the carrying amount of the long -term investment held prior of control plus book value of additional consideration paid at acquisition date is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against surplus reserve and undistributed profit in turn.

In the consolidated financial statements, the assets and liabilities acquired during the combination should be recognized at their carrying amount in the ultimate controlling entity's consolidated financial statements on the combination date unless any adjustment is resulted from the difference in accounting policies. The difference between the carrying amount of the investment held prior of control plus book value of additional consideration paid on the acquisition date and the net assets acquired through the combination is adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

If the acquiring entity holds equity investment in the acquired entity prior to the combination date and the equity investment is accounted for under the equity method, related profit or loss, other comprehensive income and other changes in equity which have been recognized during the period from the later of the date of the Company obtaining original equity interest and the date of both the acquirer and the acquiree under common control of the same ultimate controlling party to the combination date should be offset against the opening balance of retained earnings at the comparative financial statements period respectively.

B. Business combination not under common control in stages through multiple transactions

On the consolidation date, in the separate financial statements, the initial cost of long-term equity investment is determined according to the carrying amount of the original long-term investment plus the cost of new investment.

In the consolidated financial statements, the equity interest of the acquired entity held prior to the acquisition date shall be re-measured at its fair value on the acquisition date. Difference between the fair value of the equity interest and its book value is recognized as investment income. The other comprehensive income related to the equity interest held prior to the acquisition date calculated through equity method, should be transferred to current investment income of the acquisition period, excluding other comprehensive income resulted from the remeasurement of the net assets or net liabilities under defined benefit plan. The Company shall disclose acquisition-date fair value of the equity interest held prior to the acquisition date, and the related gains or losses due to the remeasurement based on fair value.

③Disposal of investment in subsidiaries without a loss of control

For partial disposal of the long-term equity investment in the subsidiaries without a loss of control, when the Company prepares consolidated financial statements, difference between consideration received from the disposal and the corresponding share of subsidiary's net assets cumulatively calculated from the acquisition date or combination date shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be offset against retained earnings.

④Disposal of investment in subsidiaries with a loss of control

A. Disposal through one transaction

If the Company loses control in an investee through partial disposal of the equity investment, when the consolidated financial statements are prepared, the retained equity interest should be re-measured at fair value at the date of loss of control. The difference between i) the fair value of consideration received from the disposal plus non-controlling interest retained; ii) share of the former subsidiary's net assets cumulatively calculated from the acquisition date or combination date according to the original proportion of equity interest, shall be recognized in current investment income when control is lost.

Moreover, other comprehensive income and other changes in equity related to the equity investment in the former subsidiary shall be transferred into current investment income when control is lost, excluding other comprehensive income resulted from the remeasurement of the movement of net assets or net liabilities under defined benefit plan.

B. Disposal in stages

In the consolidated financial statements, whether the transactions should be accounted for as "a single transaction" needs to be decided firstly.

If the disposal in stages should not be classified as "a single transaction", in the separate financial statements, for transactions prior of the date of loss of control, carrying amount of each disposal of long-term equity investment need to be recognized, and the difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognized in current investment income; in the consolidated financial statements, the disposal transaction should be accounted for according to related policy in "Disposal of long-term equity investment in subsidiaries without a loss of control".

If the disposal in stages should be classified as "a single transaction", these transactions should be accounted for as a single transaction of disposal of subsidiary resulting in loss of control. In the separate financial statements, for each transaction prior of the date of loss of control, difference between consideration received and the carrying amount of long-term equity investment corresponding to the equity interest disposed should be recognized as other comprehensive income firstly, and transferred to profit or loss as a whole when control is lost; in the consolidated financial statements, for each transaction prior of the date of loss of control, difference between consideration received and proportion of the subsidiary's net assets corresponding to the equity interest disposed should be recognized in profit or loss as a whole when control is lost.

In considering of the terms and conditions of the transactions as well as their economic impact, the presence of one or more of the following indicators may lead to account for multiple transactions as a single transaction:

(a) The transactions are entered into simultaneously or in contemplation of one another.

(b) The transactions form a single transaction designed to achieve an overall commercial effect.

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

(d) One transaction, when considered on its own merits, does not make economic sense, but when considered together with the other transaction or transactions would be considered economically justifiable.

⑤Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted into capital reserve (capital premium or share premium). If the capital reserve is not enough to absorb the difference, any excess shall be adjusted against retained earnings.

(6) Reverse purchase

The Company (parent company) in law shall prepare the consolidated financial statements according to the following principles:

①In the consolidated financial statements, the assets and liabilities of the subsidiary-in-law shall be recognized and measured at the book value before the combination.

②The amounts of equity instruments in the consolidated financial statements reflect face value of outstanding shares issued by the subsidiary-in-law before combination and the amount of equity instruments newly issued during the process of determining the business combination cost. However, the equity structure in the consolidated financial statements shall reflect the equity structure of the parent company in law, i.e., the quantity and type of equity securities issued by the parent company in law.

③The comparison information in the consolidated financial statements shall be the comparison information of the subsidiary-in-law (the consolidated financial statements of the subsidiary-in-law before the combination).

④The separate financial statements of the parent company shall recognize the book value of the acquired assets as per provisions in the *Accounting Standards for Business Enterprises No. 2 - Long Term Equity Investment*. The separate financial statements used for previous comparison are those of the parent company.

7. Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangement of the Company is classified as either a joint operation or a joint venture.

(1) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to shared interest in a joint operation, and account for them in accordance with relevant accounting standards of the Accounting Standards for Business Enterprises:

① its assets, including its share of any assets held jointly;

② its liabilities, including its share of any liabilities incurred jointly;

③ its revenue from the sale of its share of the output arising from the joint operation;

④ its share of the revenue from the sale of the output by the joint operation; and

⑤ its expenses, including its share of any expenses incurred jointly.

(2) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by applying the equity method of long-term equity investment.

8. Recognition of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

(1) Determination of the exchange rate for foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date (hereinafter referred to as the approximate exchange rate).

(2) Translation of monetary items denominated in foreign currency on the balance sheet date

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date; for the foreign currency non-monetary items restated to a fair value measurement, shall be translated into the at the spot exchange rate at the date when the fair value was determined, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

(3) Translation of foreign currency financial statements

Before translating the financial statements of foreign operations, the accounting period and accounting policy shall be adjusted so as to conform to the Company. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) shall be translated in accordance with the following method:

①The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position. The owners' equity items except undistributed profit shall be translated at the spot exchange rates when they are incurred.

②The income and expense items in the statement of profit and other comprehensive income shall be translated at the spot exchange rates or approximate exchange rate at the date of transaction.

③Foreign currency cash flows and cash flows of foreign subsidiaries shall be translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as an adjustment item.

④The differences arising from the translation of foreign currency financial statements shall be presented separately as “other comprehensive income” under the owners’ equity items of the consolidated balance sheet.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognized under other comprehensive income in the statement of financial position, shall be reclassified into current profit or loss according to the proportion disposed.

10. Financial instruments

Effective at 1st January 2019

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognized in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognized when meets one of the following conditions:

①The rights to the contractual cash flows from a financial asset expire

②The financial asset has been transferred and meets one of the following derecognition conditions:

Financial liabilities (or part thereof) are derecognized only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a regular-way shall be recognized and derecognized using trade date accounting. A regular-way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the market place concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(2) Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortized cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity’s business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognized in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

①Financial asset at amortized cost

The financial asset at amortized cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortized cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognized in current profit or loss.

②Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principle and interest on the principal amount outstanding. All changes in fair value are recognized in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognized in current profit or loss. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognized in other comprehensive income except for dividend income recognized in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

③Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortized cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(3) Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts and financial asset at amortized cost.

Subsequent measurement of financial assets will be based on the classification:

①Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognized in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to retained earnings.

②Loan commitments and financial guarantee contracts

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognized based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognized according to the impairment principles of financial instruments; and the amount initially recognized less the cumulative amount of income recognized in accordance with the revenue principles.

③Financial liabilities at amortized cost

After initial recognition, the Company measured other financial liabilities at amortized cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

①If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

②If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company’s own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity’s own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

(4) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognized as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognized directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognized in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(5) Impairment of financial instrument

The Company shall recognize a loss allowance based on expected credit losses on a financial asset that is measured at amortized cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

①Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate or credit- adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit-impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the balance sheet date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (i.e., impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortized cost after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

A. Receivables

For the notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognize the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Group 1: Commercial acceptance bills

Group 2: Bank acceptance bills

For each group, the Company calculates the expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Group 1: Accounts receivable arising from businesses other than finance leasing business and factoring business

Group 2: Accounts receivable arising from factoring business

Group 3: Accounts receivable arising from finance leasing business

For each group, the Company calculates the expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Group 1: Interest receivable

Group 2: Dividend receivable

Group 3: Others

For each group, the Company calculates the expected credit losses through default exposure and the 12-months or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable financing is as following:

Group 1: Commercial acceptance bill

Group 2: Bank acceptance bill

For each group, the Company calculates the expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

B. Debt investment and other debt investment

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty and the type of risk exposure.

②Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

③Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

A. Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception

B. Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;

C. An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;

D. Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;

E. Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;

F. Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;

G. Significant changes in the expected performance and behavior of the borrower;

H. Contractual payments are more than 30 days (including 30 days) past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

④Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortized cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

⑤Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortized cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

⑥Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognized in profit or loss as reversal of impairment loss.

(6) Transfer of financial assets

Transfer of financial assets refers to following two situations:

A. Transfers the contractual rights to receive the cash flows of the financial asset;

B. Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

①Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognized.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognized in profit or loss:

A. The carrying amount of transferred financial asset;

B. The sum of consideration received and the part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognized) and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognized in profit or loss:

A. The carrying amount (measured at the date of derecognition) allocated to the part derecognized;

B. The sum of the consideration received for the part derecognized and part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments).

②Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognize the transferred asset to the extent of its continuing involvement and also recognize an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

③Continue to recognize the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognize the transferred asset in its entirety and the consideration received shall be recognized as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognize any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(7) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the balance sheet:

The Company currently has a legally enforceable right to set off the recognized amounts;

The Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the transferor shall not offset the transferred asset and the associated liability.

(8) Determination of fair value of financial instruments

Fair value refers to the price receivable in selling an asset or payable in transferring a liability during the orderly transaction concluded by market participants on the measurement date.

The price in the major market is used by the Company to measure the fair value of relevant assets or liabilities. If there is no major market, the price in the most favorable market would be used by the Company to measure the fair value of relevant assets or liabilities. The Company adopts the assumption used by market participants when they price the asset or liability with the aim to maximize their economic benefits.

Major market refers to the market having the maximum trading volume and the highest trading activity of relevant assets or liabilities. The most favorable market refers to the market on which relevant assets can be sold at the highest price or relevant liabilities can be transferred at the lowest price after considering transaction and transportation expenses.

As for financial assets or financial liabilities existing in an active market, the fair value is determined by the Company at the quoted price in the active market. As for financial instruments for which there is no active market, the valuation technique is used by the Company to determine the fair value.

For the non-financial assets measured at the fair value, the ability of market participants to utilize the assets in the best way for generating economic benefits or the ability to sell such assets to other market participants who are able to utilize the assets in the best way for generating economic benefits should be considered.

① Valuation technique

The Company adopts valuation techniques that are appropriate in the current circumstances and supported by sufficient available data and other information. The valuation techniques adopted by the Company mainly include market approach, income approach and cost approach. The Company adopts a method consistent with one or more of the above approaches to measure the fair value. If the fair value is measured by various valuation techniques, the rationality of valuation results should be considered and the most representative amount in the current situation for the fair value should be selected.

When valuation techniques are adopted by the Company, the relevant observable inputs are preferred, and unobservable inputs are only used when it is not possible or practicable to obtain observable inputs. Observable inputs refer to inputs that can be obtained from market data. Such inputs reflect the assumption used by market participants to price relevant assets or liabilities. Unobservable inputs refer to inputs that cannot be obtained from market data. Such inputs are obtained from the best available information of the assumption used by market participants to price relevant assets or liabilities.

② Level of fair value

The Company classifies the inputs used for the measurement of the fair value into three levels. The Company first uses Level 1 inputs, followed by Level 2 and Level 3 inputs. Level 1 inputs are unadjusted quoted prices of the same assets or liabilities obtainable in the active market on the measurement date. Level 2 inputs are directly or indirectly observable inputs of relevant assets or liabilities apart from Level 1 inputs. Level 3 inputs are unobservable inputs of relevant assets or liabilities.

The following accounting policies for financial instruments are applicable to the fiscal year 2018 and before

(1) Classification of financial assets

①Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

② Held-to-maturity investment

Held-to-maturity investments refer to government bonds, corporate bonds with fixed or determinable payments and fixed maturity, for which the Company has a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment income upon disposal.

③ Receivables

Receivables mainly include accounts receivable and other receivables. Receivables arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

④ Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

For available-for-sale financial assets that are foreign currency monetary financial assets, the exchange gain or loss shall be recognized in current profit or loss. Interest of available-for-sale debt instrument investment calculated using effective interest rate method shall be recognized in current profit or loss; cash dividend of available-for-sale equity instrument investment shall be recognized into current profit or loss when the investee declares the dividend. At the balance sheet date, available-for-sale financial assets are measured at fair value and change in fair value shall be included in other comprehensive income. The difference between the amount received and the book value of the financial asset is included in the investment income upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment income.

(2) Classification of financial liabilities

①This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

②Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(3) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized directly in current profit or loss upon incurrence of impairment or de-recognition of the investment.

(4) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

①If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

②If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity’s own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer. Otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contacts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables (such as interest rates, the price of a commodity or the price of a financial instrument) other than market price of the entity’s own equity instruments.

(5) Transfer of financial assets

Transfer of financial assets include below situations:

A. The contractual rights to receive cash flows from the asset are transferred to another entity; and

B. The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

①Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee’s substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The Company adopts the principle of substance over form to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

A. The carrying amounts of the transferred financial assets;

B. The sum of the consideration received from the transfer and the cumulative amount of the changes in fair value originally and directly included in owners’ equity (where the financial asset transferred is an available-for-sale financial asset).

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values (In such circumstances, servicing asset shall be treated as a part that continues to be recognized)and the difference between the amounts of the following two items shall be recognized in current profit or loss:

A. The carrying amount allocated to the part derecognized and;

B. The sum of the consideration received for the part derecognized and any cumulative fair value change originally and directly recognized in other comprehensive income (where the financial asset transferred is an available-for-sale financial asset).

②Continuing involvement in transferred financial assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and retains control of the transferred financial asset, the Company shall continue to recognize the transferred asset to the extent of its continuing involvement and also recognize an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

③Continuing recognize transferred financial assets

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company shall continue to recognize the transferred asset in its entirety and the consideration received shall be recognized as a financial liability.

The financial asset and the associated liability shall not be offset. During the subsequent accounting period, the Company shall continue to recognize any income arising on the transferred financial asset and any expense incurred on the associated liability. If the transferred financial asset is measured at amortized cost, to designate a financial liability as at fair value through profit or loss is not applicable to the associated liability.

(6) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized.

Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(7) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offsetting if the following criteria are both satisfied.

The Company has a legal right to offset the recognized amounts, and the right is executable at present; and

The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the transferred asset and the related liability.

(8) Impairment testing and impairment provision of financial assets

①Objective evidence for the impairment of the financial assets

A. The issuer or debtor encounters serious financial difficulties;

B. The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;

C. The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;

D. The creditor is possible to bankrupt or execute other financial restructuration;

E. The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;

F. It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;

G. The debtor’s technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;

H. A serious or prolonged decline in the fair value of equity instrument;

I. Other objective evidence that indicate impairment of financial assets.

②Impairment provision of the financial assets (excluding receivables)

A. Impairment testing of held-to-maturity investment

When the held-to-maturity investment is impaired, the carrying amount of the held-to-maturity investment shall be written down to the present value of its expected future cash flows (excluding future credit losses that have not occurred); the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to maturity investment is initially recognized. For held-to maturity investment with floating interest rate, when calculate the present value of expected future cash flow, the current effective interest rate determined in the contract can be used as the discount rate.

Even if the contract terms have been renegotiated or modified due to the financial difficulties of the debtor or the issuer of the financial assets, the original calculated effective interest rate of such financial assets before the modification of the terms shall still be used to calculate the impairment loss.

After the impairment loss of held-to-maturity investment is recognized, if there is objective evidence indicating that the value of the held-to-maturity investment has recovered and is objectively related to an event occurring after the loss was recognized (such as the debtor's credit rating has been raised, etc.), the previously recognized impairment losses are reversed, included in current profit or loss.

After the held-to maturity investment is impaired, the interest revenue shall be calculated by using the discount rate that used to discount the future cash flows when determining the impairment loss.

B. Impairment testing of available-for-sale financial asset

At balance sheet date, the Company will analyze the impairment of available-for-sale financial asset to determine whether its fair value continues to decline. Typically, if the fair value of the available-for-sale financial asset at the end of the period decreases significantly relative to the cost, or if it is expected that the decline trend will not be on temporary basis after considering various related factors, it can be determined that the available-for-sale financial asset has decreased in value and the impairment loss will be recognized. In case that impairment occurs with the available-for-sale financial assets, when recognizing the impairment loss, the accumulated loss caused by the decrease of the fair value originally directly incurred in the owner's equity will be transferred out and included in the asset impairment loss.

Whether the financial assets of available-for-sale debt instruments are impaired can be analyzed and determined by referring to guidance on the above available-for-sale equity instrument investment.

The impairment loss of available-for-sale equity instrument investment shall not be reversed through profit or loss.

Upon impairment occurs with the financial assets of available-for-sale debt instruments, the interest revenue will be calculated and recognized as per the discount rate that used to discount the future cash flows when determining the impairment loss.

For the available-for-sale debt instruments with impairment loss recognized, if the fair value has risen in the subsequent accounting period and is objectively related to the events occurring after the recognition of the original impairment loss, the originally recognized impairment loss will be reversed and incurred in the current profit and loss.

(9) Method of determining the fair value of financial assets and financial liabilities

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to a market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

①Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when the relevant observable inputs are not available or practically would not be obtained. Observable inputs refer to the information which is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

②Fair value hierarchy

To Company establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

11. Notes receivable

12. Accounts receivable

The following account receivable accounting standard is applicable for year 2018 and before.

(1) Receivable with individually significant balance and recognized provision for bad debts individually

Assessment basis or standard of amount individually significant: The Company assesses the top five receivables over RMB 1 million as individually significant.

Method of provision for bad debts of receivables which are individually significant: For accounts receivable with individually significant amount, the Company shall test impairment separately. After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables shall be recognized at the difference between the individual receivable’s carrying amount and the present value of estimated future cash flows and the provision for bad debts shall be recognized accordingly. Receivables that have not been impaired through separate test will be classified into corresponding group provision for bad debts.

(2) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

The Company uses aging as the credit risk characteristic. Provision method for bad debt provision by group: aging analysis method.

Based on the actual loss rate of accounts receivables in each aging group in previous year, the Company determines the provision ratio for accounts receivable in each aging group and calculate the provision for bad debt in current reporting period.

①In addition to the financing lease receivable and factoring receivable of the subsidiary Xiaodai Finance Lease, the provision ratio of bad debt reserves for receivables group of each age group of each company is as follows:

Aging	Provision ratio for accounts receivable (%)	Provision ratio for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
Above 3 years	100.00	100.00

②The provision ratio of bad debt reserves for receivables group of each age group for the financing lease account receivable of Xiaodai Finance Lease is as follows:

Aging	Provision ratio for accounts receivable (%)
Within credit period	0.50
1-2 years beyond the credit period	30.00
2-3 years beyond the credit period	60.00
More than 3 years beyond the credit period	100.00

The provision ratio of bad debt provision for receivables group of each age group for the factoring account receivable of Xiaodai Finance Lease is as follows:

Aging	Provision ratio of receivables (%)
Within credit period	1.00
1-2 years beyond the credit period	30.00
2-3 years beyond the credit period	60.00
More than 3 years beyond the credit period	100.00

(3) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, if the provision for bad debts based on the aging analysis method cannot reflect the actual situation, they shall be separately assessed for impairment and recognize the impairment losses. Impairment loss shall be recognized at the difference between the carrying amount and the present value of estimated future cash flows and the provision for bad debts shall be recognized accordingly.

13. Receivables financing

14. Other receivables

Recognition and accounting method for the estimated credit loss of other receivables

15. Inventories

(1) **Classification of inventories**

Inventories are finished goods or products held by the Company for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, work in progress, semi-finished goods, finished goods, goods in stock, turnover material, etc.

(2) Measurement method of cost of inventories sold or used

The Company's cost of inventories used or sold is determined on the weighted average basis.

(3) Inventory counting system

The perpetual inventory counting system is adopted in the Company. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

(4) **Provision for impairment of inventory**

Inventories are stated at the lower of cost and net realizable value at the balance sheet date. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recognized in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

①In normal operation process, finished goods, products and materials for direct sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

②For materials in stock need to be processed, in the ordinary course of production and business, net realizable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realizable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realizable value, the materials are measured at net realizable value and differences shall be recognized at the provision for impairment.

③Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

④If any factor rendering write-downs of the inventories has been eliminated at balance sheet date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

(5) **Amortization method of turnover materials**

One-off writing off method is adopted for material withdrawal.

16. Contract assets

17. Contract costs

18. Assets held for sale

(1) Classification of non-current assets or disposal groups as held for sale

The Company classifies a non-current asset or disposal group as held for sale if the following requirements are met simultaneously:

①The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal groups).

②Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year. If the relevant regulations require the approval from the relevant power organizations or supervision departments of the Company before they can be sold, the approval has been obtained.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(2) Measurement of non-current assets or disposal groups held for sale

The principal of measurement of non-current assets or disposal groups held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets or disposal groups as held for sale are initially measured or subsequently measured at balance sheet date, if the carrying amount of the asset or disposal group is higher than the fair value less cost to sell, it shall be written-down to its fair value less cost to sell, and the difference shall be recognized as impairment loss into current profit or loss, and provision for asset impairment shall be recognized simultaneously. At subsequent reporting date, if there is any increase in fair value less costs to sell of a non-current asset or disposal group, the impairment loss recognized in previously shall be reversed to the extent of impairment loss recognized after the asset has been classified as held-for-sale and included in profit or loss. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the assets or disposal groups ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

①Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset or disposal group not been classified as held for sale, and

②Its recoverable amount.

(3) Presentation

The company shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

19. Debt investments

20. Other debt investments

21. Long-term receivables

22. Long-term equity investment

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Associates of the Company are those entities over which the Company has significant influence.

(1) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% (including 20%) or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

(2) Determination of initial investment cost

①For long-term equity investments generated in business combinations, its investment cost will be determined in accordance with the following provisions:

A. For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

B. For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognized as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

C. For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognized as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognized in profit or loss as incurred.

②Long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

A. For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

B. For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

C. For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognized as the initial investment cost.

D. For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

(3) Subsequent measurement and profit and loss recognition methods

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

①Cost method

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

②Equity method

For the long-term equity investment calculated based on the equity method, the general accounting is as follows:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments of investee's net profit based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognized in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as available-for sale investment, difference between its fair value and the carrying value, in addition to the cumulative changes in fair value previously recorded in other comprehensive income, shall be recognized into current profit or loss using equity method.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognized in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognized in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

(4) Equity investment classified as held for sale

For an equity investment, or a portion of an equity investment, in an associate or a joint venture is classified as held for sale, the relevant accounting treatment please refer to Note V.18.

Any retained interest in the equity investment not classified as held for sale, shall be accounted for using equity method.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

(5) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or a joint venture, provision for impairment loss please refer to Note V.31.

23. Investment Properties

The measurement model of investment property

N/A

24. Fixed Assets

(1) Recognition criteria of fixed assets

Fixed assets will only be recognized at the actual cost paid when obtaining as all the following criteria are satisfied:

①It is probable that the economic benefits relating to the fixed assets will flow into the Company;

②The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

(2) Depreciation methods

Category	Depreciation method	Period of depreciation (year)	Residual rates	Annual depreciation rates
Buildings and constructions	Straight-line method	20	5%	4.75%
Machinery equipment	Straight-line method	10	5%	9.5%
Transport equipment	Straight-line method	5	5%	19%
Office equipment	Straight-line method	5	5%	19%
Electronic equipment	Straight-line method	3	5%	31.67%

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

(3) Recognition criteria, valuation and depreciation methods of fixed assets obtained through a finance lease

If the entire risk and rewards related to the leased assets have been substantially transferred, the Company shall recognize the lease as a finance lease. The cost of the fixed assets obtained through a finance lease is determined at the lower of the fair value of the leased assets and the present value of the minimum lease payment on the date of the lease. The fixed assets obtained by a finance lease are depreciated in the method which is consistent with the self-owned fixed assets of the Company. For fixed assets obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

25. Construction in Progress

(1) Construction in progress is measured on an individual project basis.

(2) Recognition criteria and timing of transfer from construction in progress to fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

26. Borrowing Costs

(1) Recognition criteria and period for capitalization of borrowing costs

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

①Expenditures for the asset are being incurred;

②Borrowing costs are being incurred, and;

③Acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses when incurred.

(2) Capitalization rate and measurement of capitalized amounts of borrowing costs

When funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowing.

27. Biological Assets

28. Oil and Gas Assets

29. Right-of-use Assets

30. Intangible Assets

(1) Measurement method, the useful life and impairment testing

Measurement method of intangible assets

Intangible assets are recognized at actual cost at acquisition.

The useful life and amortization of intangible assets

①Service life estimation of intangible assets with limited service life

Category	Estimated useful life	Basis
Land use right	50 years	Legal life
Software	5 years	The service life is determined by reference to the period that can bring economic benefits to the Company

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

②Assets of which the period to bring economic benefits to the Company are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

③Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition and systematically amortized on a straight-line basis [units of production method] over the useful life. The amortization amount shall be recognized into current profit or loss according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the cumulative impairment provision shall be deducted as well. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(2) Internal R&D expenditure accounting policy

Criteria of classifying expenditures on internal research and development projects into research phase and development phase

①Preparation activities related to materials and other relevant aspects undertaken by the Company for the purpose of further development shall be treated as research phase. Expenditures incurred during the research phase of internal research and development projects shall be recognized in profit or loss when incurred.

②Development activities after the research phase of the Company shall be treated as development phase.

Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects shall be recognized as intangible assets only if all of the following conditions have been met:

① Technical feasibility of completing the intangible assets so that they will be available for use or sale;

② Its intention to complete the intangible asset and use or sell it;

③ The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;

④ The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

⑤ Its ability to measure reliably the expenditure attributable to the intangible asset.

31.Impairment of Long-Term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties, fixed assets and constructions in progress subsequently measured at cost, productive biological assets, intangible assets, goodwill, the rights and interests of proved mining areas of petroleum and natural gas and wells and other relevant facilities measured at cost (excluding inventories, investment properties measured at fair value, deferred tax assets, financial assets), shall be determined according to following method:

The Company shall assess at the balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimates the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of assets is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognized accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, good will shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and calculate the recoverable amount and recognize the impairment loss. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognize the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

32. Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.
The long-term deferred expenses will be amortized on average during the benefit period, among which the fixed assets improvement expenditure rented in through commercial lease will be amortized reasonably based on the methods with the best expected economic benefits.

33. Contract liabilities

34. Employee Benefits

(1) Accounting of short-term benefits

①Basic remuneration (salary, bonus, allowance, subsidy)
During the accounting period when employees rendering their services, the Company will recognize the short-term benefits actually incurred as liabilities and include it in the current profit and loss, except for those required or permitted by other accounting standards to be included in the cost of assets.
②Employee welfare
The Company shall recognize the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair value as it is a non-monetary benefit.
③Social insurance such as medical insurance, work injury insurance and maternity insurance, housing funds, labor union fund and employee education fund
Payments made by the Company of social insurance for employees, such as medical insurance, work injury insurance and maternity insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognized in current profit or loss or the cost of relevant asset.
④Short-term paid absences
The Company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognize relevant employee benefit of non-accumulating paid absences when the absences actually occurred.
⑤Short-term profit-sharing plan
The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:
A. The Company has a present legal or constructive obligation to make such payments as a result of past events; and
B. A reliable estimate of the amounts of employee benefits obligation arising from the profit- sharing plan can be made.

(2) Accounting method of post-employment benefits

①Defined contribution plans

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the current profit or loss or the cost of a relevant asset.

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the balance sheet date on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

②Defined benefit plans

A. Recognize the present value of defined benefit obligation and current service costs

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using relevant discount rate (market yields at the balance sheet date on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

B. Recognize the net defined benefit liability or asset

The net defined benefit liability or asset is the deficit or surplus recognized as the present value of the defined benefit obligation less the fair value of plan assets (if any).

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

C. The amount recognized in the cost of asset or current profit or loss

Service cost comprises current service cost, past service cost and any gain or loss on settlement. Other service cost shall be recognized in profit or loss unless accounting standards require or allow the inclusion of current service cost within the cost of assets.

Net interest on the net defined benefit liability (asset) comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling, shall be included in profit or loss.

D. The amount recognized in other comprehensive income

Changes in the net liability or asset of the defined benefit plan resulting from the remeasurements including:

(a) Actuarial gains and losses, the changes in the present value of the defined benefit obligation resulting from experience adjustments or the effects of changes in actuarial assumptions;

(b) Return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;

(c) Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

Remeasurements of the net defined benefit liability or asset recognized in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

(3) Accounting method of termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

①When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.

②When the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the balance sheet date on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

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

①Meet the conditions of the defined contribution plan

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, all those benefits payable shall be accounted for as employee benefits payable at their discounted value.

②Meet the conditions of the defined benefit plan

At the end of the reporting period, the Company recognized the cost of employee benefit from other long-term employee benefits as the following components:

A. Service costs;

B. Net interest cost for net liability or asset of other long-term employee benefits

C. Changes resulting from the remeasurements of the net liability or asset of other long-term employee benefits

In order to simplify the accounting treatment, the net amount of above items shall be recognized in profit or loss or relevant cost of assets.

35. Lease liabilities

36. Estimated liabilities

(1) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

① That obligation is a current obligation of the Company;

② It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

③ The amount of the obligation can be measured reliably.

(2) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the balance sheet date. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount shall be adjusted based on the updated best estimate.

37. Share-based Payments

(1) Classification of share-based payments

Share-based payments of the Company include equity-settled share-based payments and cash-settled share-based payments.

(2) Determining fair value of equity instruments

①The fair value of shares granted to the employees can be determined by reference to the quotations in the active market, adjusted in accordance with the terms and conditions granted (excluding vesting conditions other than market conditions).

②For share option granted to the employees, it is usually difficult to obtain its market price. If the share option with similar terms and conditions is not available, the Company estimates the fair value of those options using an applicable option pricing model.

(3) Basis of best estimate of equity instruments expected to vest

Every balance sheet date during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and revises the number of equity instruments expected to vest in order to make the best estimate of equity instruments expected to vest.

(4) Accounting for implementation of share-based payment programs

Cash-settled share-based payment

①For cash-settled share-based payment vested immediately after granting, the Company shall recognize relevant costs or expenses at the fair value of the liability borne at grant date and a corresponding increase in liability. Until the liability is settled, the Company shall remeasure the fair value of the liability at the balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss.

②If the share instrument do not vest until services during the vesting period are completed or performance conditions are satisfied during the vesting period, at the balance sheet date during the vesting period, the Company shall recognize relevant costs or expenses and the corresponding increase in liability for services received in the reporting period at the fair value of the liability borne, based on the best available estimate of the number expected to vest.

Equity-settled share-based payment

①For equity-settled share-based payment transaction in which services are received, if the equity instrument granted vest immediately, the Company shall recognize relevant costs or expenses at the fair value of the equity instruments at grant date and the corresponding increase in capital reserve.

②If the equity instrument do not vest until services during the vesting period are completed or performance conditions are satisfied , at the balance sheet date during the vesting period, the Company shall recognize relevant costs or expenses and the corresponding increase in capital reserve for services received in the reporting period at the fair value of the equity instruments at grant date, based on the best available estimate of the number of equity instruments expected to vest.

(5) Accounting for modification of share-based payment programs

When the Company modifies terms and conditions of the share-based payment program, if the modification increases the fair value of the equity instruments granted, the increased amount should be recognized for service received accordingly; if the quantity granted of the equity instruments is increased, the increased amount should be recognized for service received accordingly as well. If the modification reduces the total fair value of the share-based payment arrangement, or the terms are changed in such a way that the arrangement is no longer for the benefit of the employee, the entity is still required to account for the services received as consideration for the equity instruments granted as if that modification had not occurred unless a part or all of the equity instruments are cancelled.

(6) Accounting for termination of share-based payment programs

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company shall:

①Account for the cancellation or settlement as an acceleration of vesting, and therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

②Account for any payment made to the employee on the cancellation or settlement of the grant as the repurchase of an equity interest, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date as an expense.

If the Company repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date shall be recognized in current profit or loss.

38. Other Financial Instrument Such as Preference Share and Perpetual Capital Securities

39. Revenue

Whether the new revenue standards have been implemented?

□ Yes √ No

(1) Revenue from sale of goods

Revenue from sale of goods shall be recognized when the following criteria are satisfied: Significant risks and rewards related to ownership of the goods have been transferred to the buyer; The Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; Relevant amount of revenue can be measured reliably; It is probable that the economic benefits associated with the transaction will flow into the Company; and relevant amount of cost incurred or to be incurred can be measured reliably.

(2) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined based on the measurement of the work completed.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: A. the amount of revenue can be measured reliably; B. it is probable that the associated economic benefits will flow to the Company; C. the percentage of completion of the transaction can be measured reliably; D. the costs incurred and to be incurred for the transaction can be measured reliably.

The Company shall determine the total revenue from rendering of services based on the received or receivable price stipulated in the contract or agreement, unless the received or receivable amount as stipulated in the contract or agreement is unfair. At the balance sheet date, the Company shall recognize the revenue from rendering of the services in current period, based on the amount of multiplying the total amount of revenues from rendering of the services by the percentage of completion then deducting the accumulative revenues from rendering of the services that have been recognized in the previous accounting periods. At the same time, the Company shall recognize the current cost incurred for rendering of the services based on the amount of multiplying the total estimated cost for rendering of the services by the percentage of completion and then deducting the accumulative costs from rendering of the services that have been recognized in the previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, the accounting treatment shall be based on the following circumstances, respectively:

①When the costs incurred are expected to be recovered, revenue shall be recognized to the extent of costs incurred and charge an equivalent amount of cost to the profit and loss;

②When the costs incurred are not expected to be recovered, revenue shall not be recognized and the costs incurred are recognized into current profit or loss.

(3) Revenue from alienating the right to use assets

When it is probable that the economic benefits associated with the transaction will flow into the Company and amount of revenue can be measured reliably, the Company shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

①Interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or

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

(4) Specific principles for revenue recognition of the Company

①Revenue from brand comprehensive service

Brand comprehensive service refers to the comprehensive services such as brand licensing, supply chain services, etc. provided by NJDS to licensed manufacturers based on the batch of trademark labels issued, and will be charged with the brand comprehensive service fees. The revenue of the Company's brand comprehensive service will be apportioned and recognized within the agreed service period for each product.

②Revenue from web-celebrity traffic monetization service

The web celebrity traffic monetization service refers to the value-added services on the Internet mobile terminal through the Company's web celebrity's influence. The revenue of the Company's web-celebrity traffic realization service will be apportioned and recognized within the service period agreed in the contract.

③Revenue from park platform service

The park platform service refers that the Company consolidates the logistics, information flow, capital flow, data flow, product flow and service flow together through the big data system platform to integrate the management, and charges the service fees accordingly. After obtaining the settlement information confirmed by the counter-parties, the Company will recognize the revenue from park service.

④Revenue from finance leases

A. Accounting for the start date of the lease term

On the start date of the lease term, the difference between the sum of the finance lease payment receivable and the unguaranteed residual value, and its present value will be recognized as unrealized financial revenue, and will be also recognized as lease revenues in each period in which the rent will be received in the future. The initial direct expenses incurred by the Company will be included in the initial measurement of finance lease receivables, and the amount of revenue recognized during the lease term will be reduced.

B. Distribution of unrealized financing revenue

Unrealized financing revenue will be distributed in each period of the lease term and recognized as lease revenue. At the time of distribution, the Company will use the effective interest method to calculate the lease revenue that should be recognized in the current period. The effective interest rate refers to the discount rate that makes the sum of the present value of the minimum lease income and the present value of the unguaranteed residual value equal to the sum of the fair value of the leased asset and the initial direct expenses incurred by the Company on the lease start date.

C. Accounting for changes with unguaranteed residual values

When the unguaranteed residual value decreases and the unguaranteed residual value of the recognized loss is recovered, the implicit interest rate (effective interest rate) of the lease will be recalculated, and the lease revenue to be recognized in each subsequent period will be determined based on the revised net lease investment and the recalculated implicit interest rate of the lease. When the unguaranteed residual value increases, no adjustment will be made.

⑤Factoring revenue

Factoring revenue refers to the fees charged by the Company for offering the financing and related comprehensive financial services for the receivables arising from the commodity sales, and the rendering of services or other reasons by the clients to their buyers.

⑥Revenue from distributor brand licensing service

The distributor brand licensing service means NJDS provides brand licensing and e-commerce services to the licensed distributors, and collects the distributor brand licensing fee accordingly. The distributors mainly sell products to consumers through Alibaba, JD.com, PDD, VIP.com and other e-commerce platforms. The revenue from the distributor brand licensing service of the Company will be apportioned and recognized within the service period agreed in the service agreement.

⑦Revenue from mobile Internet media delivery service

When the Company's wholly-owned subsidiary Timelink has completed the media delivery per the request of clients and the relevant costs can be reliably measured, the Company will recognize the revenue in accordance with the delivery schedule or monthly settlement sheet confirmed by clients.

⑧Revenue from mobile Internet traffic integration service

The wholly-owned subsidiary Timelink purchases the available scattered traffic from the traffic suppliers based on customers' needs, and customizes and executes marketing plans. When the relevant costs can be reliably measured, the Company will recognize revenue in accordance with the monthly statement confirmed by clients.

40. Government Grants

(1) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

①The Company will comply with the conditions attaching to them; and

②The grants will be received.

(2) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a nominal value of RMB 1.00 when reliable fair value is not available.

(3) Accounting for government grants

①Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognized as deferred income, and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

②Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants shall be recognized as deferred income and included into profit or loss in the same period as the relevant expenses or losses are recognized;

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized into current profit or loss.

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.

Government grants related to daily operation activities are recognized in other income (or write down related expenses) in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognized in non-operating income.

③Loan interest subsidy

When loan interest subsidy is allocated to the bank, and the bank provides a loan at lower-market rate of interest to the Company, the loan is recognized at the actual received amount, and the interest expense is calculated based on the principal of the loan and the lower-market rate of interest.

When loan interest subsidy is directly allocated to the Company, the subsidy shall be recognized as offsetting the relevant borrowing cost.

④Repayment of the government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognized into current profit or loss; or directly recognized into current profit or loss for other circumstances.

41. Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date. The Company recognizes and measures the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(1) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

①Is not a business combination; and

②At the time of the transaction, affects neither accounting profit nor taxable profit (or deductible tax loss)

The Company shall recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, only to the extent that, it is probable that:

①The temporary difference will reverse in the foreseeable future; and

②Taxable profit will be available against which the deductible temporary difference can be utilized.

At the balance sheet date, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the balance sheet date. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(2) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except for the following circumstances:

①No deferred tax liability shall be recognized for taxable temporary differences arising from:

A. The initial recognition of goodwill; or

B. The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

②An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

A. The Company is able to control the timing of the reversal of the temporary difference; and

B. It is probable that the temporary difference will not reverse in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets involved in special transactions or events

①Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted based on relevant deferred tax expense (income).

②Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include: other comprehensive income generated from fair value fluctuation of available for sale investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

③Unused tax losses and unused tax credits

A. Unused tax losses and unused tax credits generated from daily operation of the Company itself

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

B. Unused tax losses and unused tax credits arising from a business combination

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognized. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realized, the Company shall recognize acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognized in profit or loss. All other acquired deferred tax benefits realized shall be recognized in profit or loss.

④Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognized directly in equity and business combination.

⑤Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognized according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognized according to the accounting standards, the tax effect of the excess amount shall be recognized directly in equity.

42. Leases

(1) Accounting for operating leases

①When the Company as a lessee, the lease payments should be recognized into profit or loss of the reporting period over the lease terms on a straight-line basis or the amount of usage. If the lessor provides the rent-free period, the Company shall allocate total lease payment over the entire lease terms including the rent-free period using straight-line basis or other reasonable method. Lease expense and the corresponding liabilities shall be recognized during the rent-free period. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized into current profit or loss. Contingent rental, if included in the lease contract, shall be recognized into profit or loss upon occurrence.

②When the Company as a lessor, lease income should be recognized over the lease terms on a straight-line basis. If the lessor provides the rent-free period, the Company shall allocate total lease income over the entire lease terms including the rent-free period using straight-line basis or other reasonable method. Lease income shall be recognized during the rent-free period. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized into current profit or loss; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized into profit or loss upon occurrence.

(2) Accounting for finance leases

①When the Company as a lessee, at commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and the differences shall be recognized as unrecognized finance charges, which shall be amortized over the lease terms as finance expenses by using effective interest rate method and recognized into finance cost.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its self-owned fixed assets. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets at the expiration of the lease, the depreciation period will be the useful lives of the leased assets. If it is not certain that the Company will obtain the ownership of the asset at the expiration of the lease, the depreciation period is the shorter of the lease period and their useful lives.

②When the Company as a lessor, at commencement of the lease, lease receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions and recognized as long-term receivable in the statement of financial position. Unguaranteed residual values are recorded simultaneously. The differences between the total of minimum lease receivable, initial direct cost and unguaranteed residual values and their present value shall be recognized as unearned finance income, and shall amortized over the lease terms as lease income at the effective interest rate method.

43. Other significant accounting policies and accounting estimates

Repurchase of the Company's Share

(1) If the Company reduces its registered capital through repurchase of the Company's share according to the approval required in relevant laws and regulations, the share capital shall be reduced at the par value of the shares deregistered, the difference between the consideration paid for repurchase (including the transaction cost) and the par value of the shares shall adjust the owner's equity. Any excess of the total par value shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn. If the consideration paid is less than the total par value, the difference shall increase the capital reserve (share premium).

(2) Before being deregistered or transferred, shares repurchased by the Company shall be treated as treasury stock and all expenditures of the repurchase shall be recognized as the cost of treasury stock.

(3) Any excess of the income generated from transferring the treasury stock over their cost shall increase the capital reserve (share premium), and any less shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn.

44. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in accounting polices

√ Applicable (A) □ Not applicable (N/A)

Contents and reasons of changes with accounting policies	Approval procedure	Remarks
Notice of Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (CK [2019] No.6)	Approved at the 14th Session of the 6th Board of Directors Meeting	
Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017) (CK [2017] No. 7)	Approved at the 12th Session of the 6th Board of Directors Meeting	
Accounting Standard for Business Enterprises No. 23 - Transfer of financial assets (Revised in 2017) (CK [2017] No. 8)	Approved at the 12th Session of the 6th Board of Directors Meeting	

Accounting Standards for Business Enterprises No. 24 - Hedging (Revised in 2017) (CK [2017] No. 9)	Approved at the 12th Session of the 6th Board of Directors Meeting	
Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (Revised in 2017) (CK [2017] No. 14)	Approved at the 12th Session of the 6th Board of Directors Meeting	
Accounting Standards for Business Enterprises No. 7 - Exchange of Non-Monetary Assets (CK [2019] No. 8)	Approved at the 24th Session of the 6th Board of Directors Meeting	
Accounting Standards for Business Enterprises No. 12 - Debt Restructuring" (CK [2019] No. 9)	Approved at the 24th Session of the 6th Board of Directors Meeting	

Item (Unit: RMB)	Consolidated statement		Parent statement	
	December 31,2018	January 1, 2019	December 31,2018	January 1, 2019
Notes receivable and accounts receivable	764,901,999.22	—	97,520,342.97	—
Notes receivable	—	40,318,407.59	—	700,000.00
Accounts Receivable	—	724,583,591.63	—	96,820,342.97
Held-for-trading financial assets	—	450,000,000.00	—	50,000,000.00
Other current assets	486,849,976.13	36,849,976.13	54,634,672.85	4,634,672.85
Available-for-sale financial assets	240,057.98	—	—	—
Held-for-trading financial assets	—	140,057.98	—	—
Other equity instrument investment	—	100,000.00	—	—
Notes payable and accounts payable	52,048,994.98	—	23,630,397.14	—
Notes payable	—	—	—	—
Accounts payable	—	52,048,994.98	—	23,630,397.14

(2) Changes in significant accounting estimates

□ Applicable (A) √ Not applicable (N/A)

(3) Adjustments of the financial statements at the beginning of the reporting period for the first year adopting new standards for financial instruments, revenue or leases since 2019.

√ Applicable (A) □ Not applicable (N/A)

Consolidated Balance Sheet

Item (Unit: RMB)	December 31,2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	1,189,754,162.14	1,189,754,162.14	
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Held-for-trading financial assets		450,140,057.98	450,140,057.98
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	40,318,407.59	40,318,407.59	
Accounts receivable	724,583,591.63	724,583,591.63	
Accounts receivable financing			
Advances to suppliers	552,797,861.17	552,797,861.17	
Premium receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other accounts receivable	59,849,623.62	59,849,623.62	
Including: Interests receivable			
Dividends receivable			
Financial assets held under resale agreements			
Inventory	3,361,669.70	3,361,669.70	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	486,849,976.13	36,849,976.13	-450,000,000.00
Total current assets	3,057,515,291.98	3,057,655,349.96	140,057.98
Non-current assets:			
Loans and advances to customers			
Debt investment			
Available-for-sale financial assets	240,057.98		-240,057.98
Other debt investment			

Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investment	14,230,858.19	14,230,858.19	
Other equity instrument investment		100,000.00	100,000.00
Other non-current financial assets			
Investment properties			
Fixed assets	3,021,813.45	3,021,813.45	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	562,683,064.77	562,683,064.77	
Research and development expenditure			
Goodwill	889,770,009.82	889,770,009.82	
Long-germ deferred expenses	109,113.12	109,113.12	
Deferred tax assets	6,679,125.79	6,679,125.79	
Other non-current assets	14,999,379.61	14,999,379.61	
Total non-current assets	1,491,733,422.73	1,491,593,364.75	-140,057.98
Total assets	4,549,248,714.71	4,549,248,714.71	
Current liabilities:			
Short-term borrowings	70,360,000.00	70,360,000.00	
Borrowings from the central bank			
Borrowings from banks and other financial institutions			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable			
Accounts payable	52,048,994.98	52,048,994.98	
Advances from customers	369,750,631.85	369,750,631.85	
Contract liabilities			
Financial assets sold under repurchase agreements			
Deposits from customers and banks			
Customer stock brokerage deposits			
Customer stock underwriting deposits			

Employee benefits payable	28,396,002.54	28,396,002.54	
Taxes payable	66,445,511.72	66,445,511.72	
Other payables	167,238,218.29	167,238,218.29	
Including: Interests payable	150,492.26	150,492.26	
Dividends payable			
Fees and commissions payable			
Reinsurance payables			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other non-current liabilities	30,106,369.18	30,106,369.18	
Total current liabilities	784,345,728.56	784,345,728.56	
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual capital securities			
Lease liabilities			
Long-term accounts payable			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities	634,200.00	634,200.00	
Other Non-current liabilities			
Total non-current liabilities	634,200.00	634,200.00	
Total liabilities	784,979,928.56	784,979,928.56	
Owner's equities:			
Share capital	417,326,994.00	417,326,994.00	
Other equity instruments			
Including: Preferred shares			
Perpetual capital securities			
Capital reserves	1,480,832,771.89	1,480,832,771.89	
Less: Treasury stock	67,590,687.09	67,590,687.09	
Other comprehensive income			

Specific reserves			
Surplus reserve	131,720,855.52	131,720,855.52	
General risk reserve			
Retained earnings	1,776,292,224.02	1,776,292,224.02	
Total owner’s equity attributable to parent company	3,738,582,158.34	3,738,582,158.34	
Minority interests	25,686,627.81	25,686,627.81	
Total owner’s equity	3,764,268,786.15	3,764,268,786.15	
Total liabilities and owner's equities	4,549,248,714.71	4,549,248,714.71	

Notes to adjustments

Balance Sheet of Parent Company

Item (Unit: RMB)	December 31,2018	January 1, 2019	Adjustment
Current assets:			
Cash and cash equivalents	546,501,650.58	546,501,650.58	
Held-for-trading financial assets		50,000,000.00	50,000,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	700,000.00	700,000.00	
Accounts receivable	96,820,342.97	96,820,342.97	
Accounts receivable financing			
Advances to suppliers	349,364.99	349,364.99	
Other receivable	32,667,995.54	32,667,995.54	
Including: Interests receivable			
Dividends receivable			
Inventories	441,903.73	441,903.73	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	54,634,672.85	4,634,672.85	-50,000,000.00
Total current assets	732,115,930.66	732,115,930.66	
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investment			
Long-term accounts receivable			

Long-term equity investment	3,938,050,533.14	3,938,050,533.14	
Other equity instrument investment			
Other non-current financial assets			
Investment properties			
Fixed assets	34,734.60	34,734.60	
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	101,189.01	101,189.01	
Research and development expenditure			
Goodwill			
Long-germ deferred expenses			
Deferred tax assets			
Other non-current assets	14,684,511.69	14,684,511.69	
Total non-current assets	3,952,870,968.44	3,952,870,968.44	
Total assets	4,684,986,899.10	4,684,986,899.10	
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivate financial liabilities			
Notes payable			
Accounts payable	23,630,397.14	23,630,397.14	
Advances from customers	28,401,099.61	28,401,099.61	
Contract liabilities			
Employee benefits payable	7,552,651.67	7,552,651.67	
Taxes payable	149,514.97	149,514.97	
Other payables	115,799,734.66	115,799,734.66	
Including: Interests payable			
Dividends payable			
Debts held for sale			
Non-current liabilities due within one year			
Other non-current liabilities			
Total current liabilities	175,533,398.05	175,533,398.05	

Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual capital securities			
Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other Non-current liabilities			
Total non-current liabilities			
Total liabilities	175,533,398.05	175,533,398.05	
Owner's equities:			
Share capital	2,454,870,403.00	2,454,870,403.00	
Other equity instruments			
Including: Preferred shares			
Perpetual capital securities			
Capital reserves	1,860,926,915.10	1,860,926,915.10	
Less: Treasury stock	67,590,687.09	67,590,687.09	
Other comprehensive income			
Specific reserves			
Surplus reserve	75,063,622.20	75,063,622.20	
Retained earnings	186,183,247.84	186,183,247.84	
Total owner’s equity	4,509,453,501.05	4,509,453,501.05	
Total liabilities and owner's equities	4,684,986,899.10	4,684,986,899.10	

Notes to adjustments

(4) Retrospective restatement of previous comparative data for the first adoption of new financial instruments standards or new leases standards since 2019

□ Applicable (A) √ Not applicable (N/A)

45. Miscellaneous

Note VI. Taxation

1. Main tax categories and tax rates

Tax category	Taxation basis	Tax rate
Value added tax (VAT)	Taxable sales revenue	16%, 13%, 6%
Urban maintenance and construction tax	Payable turnover tax	7%, 5%, 1%
Corporate income tax	Taxable income	0%, 15%, 25%
Educational surcharge	Payable turnover tax	3%
Local educational surcharge	Payable turnover tax	1%, 2%

Income tax rates of different taxpayers are stated as below:

Name of taxpayer	Income tax rate
Nanji E-commerce Co., Ltd.	25%
Nanji E-commerce (Shanghai) Co., Ltd.	15% (refer to “2. Tax Preference”)
NANJIREN (Shanghai) E-commerce Co., Ltd.	25%
Shanghai Xiaodai Finance Lease Co., Ltd.	25%
Shanghai One-Stop Network Technology Service Co., Ltd.	15% (refer to “2. Tax Preference”)
Shanghai Shuimishang Culture Communication Co., Ltd.	25%
Xinjiang Juchang E-commerce Co., Ltd.	(refer to “2. Tax Preference”)
Xinjiang NANJIREN E-commerce Co., Ltd.	(refer to “2. Tax Preference”)
Xinjiang Cartelo E-commerce Co., Ltd.	(refer to “2. Tax Preference”)
Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd.	25% (refer to “2. Tax Preference”)
Xinjiang Yuduocheng E-commerce Co., Ltd.	(refer to “2. Tax Preference”)
Xinjiang Jingshang E-commerce Co., Ltd.	(refer to “2. Tax Preference”)
Beijing Timelink Network Technology Co., Ltd.	25%
Beijing HENRI JAYER Technology Co., Ltd	15% (refer to “2. Tax Preference”)
Xinjiang HENRI JAYER Network Technology Co., Ltd.	(refer to “2. Tax Preference”)
Xinjiang RAYAS Network Technology Co., Ltd.	(refer to “2. Tax Preference”)
Xinjiang Chambertin Network Technology Co., Ltd.	(refer to “2. Tax Preference”)

2. Tax Preference

On November 2, 2018, the Company’s subsidiary Shanghai NJDS obtained the certificate of high or new technology enterprise (“HNTE”) (Certificate No.: GR201831003563, and Valid Term: 3 years) jointly issued by Shanghai Municipal Science and Technology Committee, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Service Bureau of State Taxation Administration. NJDS enjoys the national tax preference for HNTE from 2018 to 2020 with the corporate income tax calculated and paid at the rate of 15% in line with relevant regulations.

On December 6, 2017, the Company's subsidiary Henri Jayer obtained the certificate of HNTE (Certificate No.: GR201711007629, and Valid Term: 3 years) jointly issued by Beijing Municipal Science and Technology Committee, Beijing Municipal Finance Bureau, Beijing Municipal Tax Service Bureau of State Taxation Administration and Beijing Municipal Taxation Bureau. Henri Jayer enjoys the national tax preference for HNTE from 2017 to 2019 with the corporate income tax calculated and paid at the rate of 15% in line with relevant regulations.

On October 8, 2019, the Company's subsidiary Shanghai One-Stop obtained the certificate of HNTE (Certificate No.: GR201931000269, and Valid Term: 3 years) jointly issued by Shanghai Municipal Science and Technology Committee, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Service of State Taxation Administration. Shanghai One-Stop enjoys the national tax preference for HNTE from 2019 to 2021 with the corporate income tax calculated and paid at the rate of 15% in line with relevant regulations.

In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Policies for Corporate Income Tax in Kashi and Khorgos Special Economic Development Zones in Xinjiang* (CS No. [2011]112), the new enterprises established in Kashi and Khorgos Special Economic Development Zones in Xinjiang from January 1, 2010 to December 31, 2020 and within the scope of the *Preferential Catalogue of Corporate Income Tax of Key Industries Encouraged to Develop in Underdeveloped Areas in Xinjiang* shall be exempted from corporate income tax for five years from the tax year of the first revenue generated from production and operation. The Company's subsidiaries Xinjiang Henri Jayer, Chambertin, RAYAS, Xinjiang Juchang E-commerce, Xinjiang NANJIREN, Xinjiang Crocodile E-commerce, Xinjiang Jingshang E-commerce and Xinjiang Yuduocheng E-commerce were exempted from business income tax in 2019.

3. Miscellaneous

Note VII. Notes to the Consolidated Financial Statements

1. Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Initial balance
Cash on hand	13,213.71	112,576.06
Cash in bank	1,280,491,738.71	1,157,232,273.16
Other monetary funds	327,080.86	32,409,312.92
Total	1,280,832,033.28	1,189,754,162.14

Other notes:

The restricted amount of bank deposit is RMB 493,200,000.00, including fixed deposit of RMB 490,000,000.00, and the remaining RMB 3,200,000.00 is restricted mainly due to corporate litigations, however, the litigations are already settled. Except for that, no other monetary funds are restricted to use or in some potential risks of recovery due to the mortgage, pledge or freezing.

2. Held-for-trading financial assets

Unit: RMB

Item	Ending balance	Initial balance
Financial Assets at Fair Value through Profit or Loss	1,490,000,000.00	450,140,057.98
Including:		
Including:		
Total	1,490,000,000.00	450,140,057.98

Other notes:

(1) Held-for-trading financial assets at the end of the period are all the financial products purchased from banks.

(2) The ending balance of held-for-trading financial assets has increased significantly compared with the initial balance, mainly because that the financial assets listed as "other current assets" in the original statements are reclassified as "held-for-trading financial assets" according to the new financial instrument standards the Company implemented since January 1, 2019.

3. Derivative financial assets

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

4. Notes receivable

(1) Notes receivable by category

Unit: RMB

Item	Ending balance	Initial balance
Bank acceptance bills	73,506,158.00	40,318,407.59
Total	73,506,158.00	40,318,407.59

Unit: RMB

Category	Ending balance					Initial balance				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
including:										

Notes receivable with bad debt provision recognized collectively	73,506,158.00				73,506,158.00	40,318,407.59				40,318,407.59
including:										
Total	73,506,158.00				73,506,158.00	40,318,407.59				40,318,407.59

Provision for bad debt recognized individually:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Accrual proportion	Reason for provision

Provision for bad debt recognized collectively:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Accrual proportion

Note to the basis for determining the group:

In case the bad debt provisions for the notes receivable are recognized by the general model of expected credit loss, please disclose the relevant information of bad debt provision in line with the disclosure method of other receivables:

□ Applicable (A) √ Not applicable (N/A)

(2) Changes of provision for bad debt during the reporting period

Provision of bad debt during the reporting period:

Unit: RMB

Category	Initial balance	Changes during the reporting period				Ending balance
		Provision	Recovery or reversal	Write off	Others	

Including: significant recovery or reversal of bad debt provision during the reporting period:

□ Applicable (A) √ Not applicable (N/A)

(3) Notes receivable at the end of the period pledged by the Company

Unit: RMB

Item	Pledged amount at the end of the period

(4) Notes receivable discounted or endorsed to third parties but not yet matured on the balance sheet date

Item (Unit: RMB)	Ending amount of derecognition	Ending amount of recognition
Bank acceptance bills		390,000.00
Total		390,000.00

(5) Notes receivable transferred to accounts receivable at the end of the period due to drawers' inability of fulfillment

Unit: RMB

Item	Amounts transferred to accounts receivable at the end of the period

Other notes

(6) Notes receivable actually written off during the reporting period

Unit: RMB

Item	Amount written off

Including: Notes receivable with significant balance write-off during the reporting period:

Unit: RMB

Entity name	Nature of notes receivable	Amount written off	Write-off reason	Write-off procedures	Due from related parties or not

Description of notes receivable write-off:

5. Accounts receivable

(1) Accounts receivable by category

Unit: RMB

Category	Ending balance					Initial balance				
	Book balance		Bad-debt provision		Book value	Book balance		Bad-debt provision		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Provision for bad debt recognized individually	56,604,805.13	6.46%	28,410,817.07	50.19%	28,193,988.06	3,696,463.47	0.48%	3,696,463.47	100.00%	
Including:										
Provision for bad debt recognized collectively	820,197,013.12	93.54%	58,686,870.98	7.16%	761,510,142.14	772,498,506.84	99.52%	47,914,915.21	6.20%	724,583,591.63

Including:										
Group 1: Accounts receivable arising from businesses other than finance leasing business and factoring business	786,875,904.78	89.74%	49,647,847.00	6.31%	737,228,057.78	599,716,880.20	77.26%	41,986,119.21	7.00%	557,730,760.99
Group 2: Accounts receivable arising from factoring business	33,321,108.34	3.80%	9,039,023.98	27.13%	24,282,084.36	172,781,626.64	22.26%	5,928,796.00	3.43%	166,852,830.64
Group 3: Accounts receivable arising from finance leasing business										
Total	876,801,818.25	100.00%	87,097,688.05	9.93%	789,704,130.20	776,194,970.31	100.00%	51,611,378.68	6.65%	724,583,591.63

Provision for bad debt recognized individually: Accounts receivable

Unit: RMB

Entity Name	Ending balance			
	Book balance	Bad-debt provision	Provision ratio	Reason for provision
Shenzhen Qianhai Xinzhijiang Information Technology Co., Ltd.	56,387,976.13	28,193,988.07	50.00%	Litigation
Nantong Weida E-commerce Co., Ltd.	216,829.00	216,829.00	100.00%	Expected to be irrecoverable
Total	56,604,805.13	28,410,817.07	--	--

Provision for bad debt recognized individually:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt provision	Provision ratio	Reason for provision

Provision for bad debt recognized collectively: Accounts receivable generated other than from financial leasing or factoring services with bad-debt provisions recognized by aging analysis method

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Provision ratio
Within 1 year	728,876,389.47	36,443,819.49	5.00%
1-2 years	41,041,567.78	4,104,156.78	10.00%

2-3 years	11,225,824.00	3,367,747.20	30.00%
Above 3 years	5,732,123.53	5,732,123.53	100.00%
Total	786,875,904.78	49,647,847.00	--

Note to the basis for determining the group:

Provision for bad debt recognized collectively: Accounts receivable arising from factoring business with bad-debt provisions recognized by aging analysis method

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Provision ratio
Within 1 year	3,301,063.89	33,010.64	1.00%
1-2 years	30,020,044.45	9,006,013.34	30.00%
2-3 years			
Above 3 years			
Total	33,321,108.34	9,039,023.98	--

Note to the basis for determining the group:

Provision for bad debt recognized collectively:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt provision	Provision ratio

Note to the basis for determining the group:

In case the bad debt provisions for the accounts receivable are recognized by the general model of expected credit loss, please disclose the relevant information of bad debt provision in line with the disclosure method of other receivables:

□ Applicable (A) √ Not applicable (N/A)

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	788,615,429.49
1 to 2 years	71,061,612.23
2 to 3 years	11,273,265.25
Above 3 years	5,851,511.28
3 to 4 years	4,626,789.12
4 to 5 years	1,224,722.16
Total	876,801,818.25

(2) Changes of provision for bad debt during the reporting period

Provision of bad debt during the reporting period:

Unit: RMB

Category	Initial balance	Changes during the reporting period				Ending balance
		Provision	Recovery or reversal	Write off	Others	
Bad-debt provision	51,611,378.68	40,472,733.49	-100,000.00	5,086,424.12		87,097,688.05
Total	51,611,378.68	40,472,733.49	-100,000.00	5,086,424.12		87,097,688.05

Including: Significant recovery or reversal of provision for bad debt during the reporting period:

Unit: RMB

Entity name	Recovered or reversed amount	Recovery method
Jiangyin Zhuo'er Textile Products Co., Ltd.	100,000.00	Bank deposit
Total	100,000.00	--

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

Unit: RMB

Item	Amount written off
Accounts receivable actually written off	5,086,424.12

Including: Accounts receivable with significant balance write-off during the reporting period:

Unit: RMB

Entity name	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedures	Due from related parties or not
Nantong Handuo Textile Co., Ltd.	Payment for business transaction	1,406,550.00	Irrecoverable	General Manager Meeting	No
Wujiang Yijinfang Textile Co., Ltd.	Payment for business transaction	2,286,976.92	Irrecoverable	General Manager Meeting	No
Yiwu Tianying Maternal and Infant Products Co., Ltd.	Payment for business transaction	910,520.00	Irrecoverable	General Manager Meeting	No
Total	--	4,604,046.92	--	--	--

Note to accounts receivable write-off:

(4) Top five ending balances by debtors

Unit: RMB

Entity name	Ending balance of accounts receivable	Proportion of the balance to the total accounts receivable	Ending balance of bad-debt provisions
Shenzhen Qianhai Xinzhijiang Information Technology Co., Ltd.	56,387,976.13	6.43%	28,193,988.07
Zhejiang A *** Co., Ltd.	30,700,000.00	3.50%	1,535,000.00
Shanghai Tuoxin Industry Co., Ltd.	30,000,000.00	3.42%	9,000,000.00
Hangzhou Qu *** Co., Ltd.	29,225,311.60	3.33%	1,461,265.58
Zhejiang Juren Supply Chain Management Co., Ltd.	28,598,345.80	3.26%	2,098,584.58
Total	174,911,633.53	19.94%	

(5) Accounts receivable derecognized due to financial assets transfer

(6) Assets or liabilities arising from continuing involvement in transferred accounts receivable

Other notes:

6. Accounts receivable financing

Unit: RMB

Item	Ending balance	Initial balance

Increase/decrease of accounts receivable financing in the current period and changes in fair value

□ Applicable (A) √ Not applicable (N/A)

In case the provision for accounts receivable financing impairment is recognized by the general model of expected credit loss, please disclose the relevant information of impairment provision in line with the disclosure method of other receivables:

□ Applicable (A) √ Not applicable (N/A)

Other notes:

7. Advances to Suppliers

(1) Advances to suppliers by aging

Account age	Ending balance (RMB)		Initial balance (RMB)	
	Amount	Proportion	Amount	Proportion
Within 1 year	223,546,773.54	97.49%	551,075,388.32	99.69%
1 to 2 years	5,756,142.09	2.51%	1,708,215.11	0.31%

2 to 3 years	0.11	0.00%	14,257.74	0.00%
Total	229,302,915.74	--	552,797,861.17	--

Note to the failure to settle advances to suppliers of significant amount aged over 1 year:

NONE

(2) Top five closing balances by entity

Entity name	Amount (RMB)	Proportion of the balance to the total advances to suppliers (%)
Guangzhou Xiaomi Information Service Co., Ltd.	116,212,705.26	50.68
Hubei Jinri Toutiao Technology Co., Ltd.	43,922,215.38	19.15
Vivo Mobile Communications Co., Ltd.	34,034,434.14	14.84
Guangdong HeyTap Technology Co., Ltd.	7,943,396.23	3.46
Shanghai Jinzhao Culture Communication Co., Ltd.	5,975,140.76	2.61
Total	208,087,891.77	90.74

Other notes:

The balance of advances to suppliers decreased by 58.52% at the end of the reporting period compared with that at the beginning, mainly due to the decrease of advance payment to the traffic suppliers by the Company's subsidiary Timelink at the end of the reporting period.

8. Other receivables

Item	Ending balance (RMB)	Initial balance (RMB)
Other receivables	88,075,286.90	59,849,623.62
Total	88,075,286.90	59,849,623.62

(1) Interests receivable

① Classification of interests receivable

Item	Ending balance (RMB)	Initial balance (RMB)

② Significant overdue interests

Borrower	Ending balance (RMB)	Overdue period	Reason for overdue	Impairment or not (if have, the indications for that)

Other notes:

③ Provision for bad debt

□ Applicable (A) √ Not applicable (N/A)

(2) Dividends receivable

① Classification of dividends receivable

Project (or investee)	Ending balance (RMB)	Initial balance (RMB)

② Dividends receivable over one year with significant balance

Project (or investee)	Ending balance (RMB)	Account age	Reason for overdue	Impairment or not (if have, the indications for that)

③ Provision for bad debt

□ Applicable (A) √ Not applicable (N/A)

Other notes:

(3) Other receivables

① Other receivables by nature

Nature of the payment	Ending book balance (RMB)	Initial book balance (RMB)
Business deposit	92,005,304.21	61,398,438.49
Business transaction payment	1,534,223.09	1,741,355.10
Equity transfer payment		410,000.00
Others	1,145,515.45	385,620.02
Total	94,685,042.75	63,935,413.61

② Provision for bad debt

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance on January 1, 2019	3,785,789.99		300,000.00	4,085,789.99

Balance on January 1, 2019 in the current period	——	——	——	——
Provision in the current period	2,794,356.16			2,794,356.16
Write-off in the current period	270,390.30			270,390.30
Balance on December 31, 2019	6,309,755.85		300,000.00	6,609,755.85

Book balance changes with significant changes in loss allowance in the current period

□ Applicable (A) √ Not applicable (N/A)

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	89,032,787.69
1 to 2 years	633,941.80
2 to 3 years	4,176,558.56
Above 3 years	841,754.70
3 to 4 years	841,754.70
Total	94,685,042.75

③ Changes of provision for bad debt during the reporting period

Provision of bad debt during the reporting period:

Unit: RMB

Category	Initial balance	Changes during the reporting period				Ending balance
		Provision	Recovery or reversal	Write off	Others	
Bad-debt provision	4,085,789.99	2,794,356.16		270,390.30		6,609,755.85
Total	4,085,789.99	2,794,356.16		270,390.30		6,609,755.85

Including: Significant recovery or reversal of provision for bad debt during the reporting period:

Unit: RMB

Entity name	Reversed or recovered amount	Recovery method

④ Other receivables actually written off during the reporting period

Unit: RMB

Item	Amount written off
Other receivables actually written off	270,390.30

Including: Other receivables with significant balance write-off during the reporting period:

Unit: RMB

Entity name	Nature of other receivables	Amount written off	Write-off reason	Write-off procedures	Due from related parties or not

Note to other receivables write-off:

⑤ Top five ending balances by debtors

Unit: RMB

Entity name	Nature	Ending balance	Aging	Proportion of the balance to the total other receivables	Ending balance of bad-debt provisions
Shenzhen Tencent Computer System Co., Ltd.	Deposit	77,026,000.00	Not more than 3 years	81.35%	4,351,300.00
Shanghai High Thai Real Estate Development Co., Ltd.	Deposit	5,245,783.50	Not more than 1 year	5.54%	262,289.18
Guangzhou Xiaomi Information Service Co., Ltd.	Deposit	4,000,000.00	Not more than 3 years	4.22%	700,000.00
Vivo Mobile Communications Co., Ltd.	Deposit	2,000,000.00	Not more than 1 year	2.11%	100,000.00
Beijing LDDC No. 55 Cultural Development Co., Ltd.	Deposit	943,697.00	Not more than 1 year	1.00%	47,184.85
Total	--	89,215,480.50	--	94.22%	5,460,774.03

⑥ Other receivables relating to government grants

Unit: RMB

Entity name	Name of government grant	Balance at the end of the reporting period	Aging at the end of the reporting period	Estimated date, amount and basis for the receipt

7) Derecognition of other receivables for transfer of financial assets

8) Assets or liabilities arising from continuing involvement in transferred other receivables

Other notes:

9. Inventories

Whether the new revenue standards have been implemented?

□ Yes √ No

(1) Inventories by category

Unit: RMB

Item	Ending balance			Initial balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Raw material	1,985,150.79		1,985,150.79	2,223,458.92		2,223,458.92
Finished goods	8,298,955.07	4,872,544.62	3,426,410.45	4,872,544.62	3,734,333.84	1,138,210.78
Goods sold	24,007.40		24,007.40			
Work in process - outsourced	36,293.50		36,293.50			
Total	10,344,406.76	4,872,544.62	5,471,862.14	7,096,003.54	3,734,333.84	3,361,669.70

(2) Provision for impairment

Unit: RMB

Item	Initial balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Reversal or written-down	Others	
Finished goods	3,734,333.84	1,138,210.78				4,872,544.62
Total	3,734,333.84	1,138,210.78				4,872,544.62

(3) Capitalized borrowing costs included in the balance at the end of the period

(4) Work performed but not yet settled under construction contracts at the end of the period

Unit: RMB

Item	Amount

Other notes:

10. Contract assets

Unit: RMB

Item	Ending balance			Initial balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Amount of and reason for significant changes in the book value of contract assets in the current period:

Unit: RMB

Item	Amount of change	Reason for change

In case the bad debt provisions for contract assets by the general model of expected credit loss, please disclose the relevant information of bad debt provision in line with the disclosure method of other receivables:

□ Applicable (A) √ Not applicable (N/A)

Provision for impairment of contract assets in the current period

Unit: RMB

Item	Provision in the current period	Reversal in the current period	Write-off in the current period	Reason

Other notes:

11. Assets classified as held for sale

Unit: RMB

Item	Ending book balance	Impairment provision	Ending book value	Fair value	Estimated disposal cost	Estimated disposal time
Disposal of 10% equity of Guangzhou XiEnEn Culture Communication Co., Ltd.	15,441,091.08		15,441,091.08	15,633,458.64		December 31, 2020
Total	15,441,091.08		15,441,091.08	15,633,458.64		--

Other notes:

(1) The balance of assets classified as held for sale increased at the end of the period compared with that at the beginning, mainly due to the equity transfer agreement signed between the Company and Mrs. HE Tinghua (the actual controller of Guangzhou XiEnEn Culture Communication Co., Ltd.) on September 10, 2019, stipulating that the 10% of equity of Guangzhou XiEnEn held by the Company shall be transferred to HE Tinghua under the agreed price of RMB 15,633,458.64. The Company shall handle the industrial and commercial change procedures after receiving the full payment for equity transfer according to the signed equity transfer agreement. The industrial and commercial change procedures are not handled yet by the end of the current period.

(2) There is no provision for impairment of assets classified as held for sale at the end of the period.

12. Non-current assets due within one year

Unit: RMB

Item	Ending balance	Initial balance
Input VAT to be deducted	3,746,477.30	
Total	3,746,477.30	

Significant debt investments / other debt investments

Unit: RMB

Debt item	Ending balance				Initial balance			
	Par value	Nominal rate	Actual rate	Maturity date	Par value	Nominal rate	Actual rate	Maturity date

Other notes:

13. Other current assets

Whether the new revenue standards have been implemented?

□ Yes √ No

Unit: RMB

Item	Ending balance	Initial balance
Unused traffic returns	16,288,812.64	9,906,934.01
Prepaid corporate income tax	1,125,274.50	2,406,229.79
Input VAT to be deducted	12,088,607.56	20,163,637.63
Deferred expense	5,159,175.94	4,373,174.70
Total	34,661,870.64	36,849,976.13

Other notes:

The ending balance of other current assets has decreased by 92.88% compared with the initial balance, mainly because the financial assets listed as "other current assets" in the original statements are reclassified as "held-for-trading financial assets" in line with the requirement of the latest statement format as per the new financial instrument standards the Company implemented since January 1, 2019.

14. Debt investment

Unit: RMB

Item	Ending balance			Initial balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Significant debt investment

Unit: RMB

Debt item,	Ending balance				Initial balance			
	Par value	Nominal rate	Actual rate	Maturity date	Par value	Nominal rate	Actual rate	Maturity date

Provision for impairment

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance on January 1, 2019 in the current period	——	——	——	——

Book balance changes with significant changes in loss allowance in during the reporting period

□ Applicable (A) √ Not applicable (N/A)

Other notes:

15. Other debt investment

Unit: RMB

Item	Initial balance	Accrued interest	Changes of fair value during the reporting period	Ending balance	Costs	Cumulative changes in fair value	Accumulative loss allowance recognized in other comprehensive income	Remarks

Significant other debt investment

Unit: RMB

Item of other debt	Ending balance				Initial balance			
	Par value	Nominal rate	Actual rate	Maturity date	Par value	Nominal rate	Actual rate	Maturity date

Provision for impairment

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	

Balance by January 1, 2019 in the current period	——	——	——	——

Book balance changes with significant changes in loss allowance during the reporting period

□ Applicable (A) √ Not applicable (N/A)

Other notes:

16. Long-term receivables

(1) Details of long-term receivables

Unit: RMB

Item	Ending balance			Initial balance			Discount rate range
	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value	

Impairment of bad-debt provisions

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in the next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance on January 1, 2019 in the current period	——	——	——	——

Book balance changes with significant changes in loss allowance in during the reporting period

□ Applicable (A) √ Not applicable (N/A)

(2) Long-term receivables derecognized due to financial assets transfer

(3) Assets or liabilities arising from continuing involvement in transferred long-term receivables

Other notes

17. Long-term equity investments

Unit: RMB

Investee	Initial	Increase/decrease in the current period	Ending	Ending

	balance (book value)	Increase in investment	Decrease in investment	Gain /(loss) on investment under equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividend or profit declared to distribute	Impairment provision	Others	balance (book value)	balance of impairment provisions
I. Joint ventures											
Guangzhou XiEnEn Culture Communication Co., Ltd.	14,230,858.19			1,210,232.89					15,441,091.08		
Subtotal	14,230,858.19			1,210,232.89					15,441,091.08		
II. Associated enterprise											
Total	14,230,858.19			1,210,232.89					15,441,091.08		

Other notes:

The balance of long-term equity investment at the end of the period is lower than that at the beginning. See “Note VII.11. Notes to Assets Classified as Held for Sale” for the main reasons.

18. Other equity instrument investments

Unit: RMB

Item	Ending balance	Initial balance
Zhuji East China One-Stop Women's Wear E-commerce Co., Ltd.	100,000.00	100,000.00
Total	100,000.00	100,000.00

Non-trading equity instrument investments by items in the current period

Unit: RMB

Item	Recognized dividend income	Cumulative gains	Cumulative losses	Amount of other comprehensive income transfer to retained earnings	Reason for designated as fair value through other comprehensive income	Reason for the transfer of other comprehensive income to retained earnings

Zhuji East China One-Stop Women's Wear E-commerce Co., Ltd.					Designated by the management based on the business model of equity investment and the characteristics of future cash flow	

Other notes:

19. Other non-current financial assets

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

20. Investment Properties

(1) Investment properties accounted for using cost model

□ Applicable (A) √ Not applicable (N/A)

(2) Investment properties accounted for using fair value model

□ Applicable (A) √ Not applicable (N/A)

(3) Investment properties without certificate of title

Unit: RMB

Item	Book value	Reason for the failure to obtain the certificate of title

Other notes

21. Fixed assets

Unit: RMB

Item	Ending balance	Initial balance
Fixed assets	6,718,909.97	3,021,813.45
Total	6,718,909.97	3,021,813.45

(1) Details of fixed assets

Item (Unit: RMB)	Buildings and constructions	Transport equipment	Office equipment	Electronic equipment	Total
I. Original book value					
1. Initial balance	19,802.44	7,373,533.14	781,284.91	4,025,877.48	12,200,497.97
2. Increase in the current period			2,759,913.06	2,299,694.31	5,059,607.37
(1) Purchase			2,759,913.06	2,299,694.31	5,059,607.37
(2) Transfer from construction-in-progress					
(3) Increase from business combination					
3. Decrease in the current period			582,838.81	997,183.19	1,580,022.00
(1) Disposal			582,838.81	997,183.19	1,580,022.00
4. Ending balance	19,802.44	7,373,533.14	2,958,359.16	5,328,388.60	15,680,083.34
II. Accumulated depreciation					
1. Initial balance	13,168.53	5,605,946.18	586,213.09	2,973,356.72	9,178,684.52
2. Increase in the current period	940.56	713,698.25	64,966.11	446,251.84	1,225,856.76
(1) Provision	940.56	713,698.25	64,966.11	446,251.84	1,225,856.76
3. Decrease in the current period			531,023.36	912,344.55	1,443,367.91
(1) Disposal			531,023.36	912,344.55	1,443,367.91
4. Ending balance	14,109.09	6,319,644.43	120,155.84	2,507,264.01	8,961,173.37
III. Impairment provision					
1. Initial balance					
2. Increase in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or scrap					
4. Ending balance					
IV. Book value					
1. Ending book value	5,693.35	1,053,888.71	2,838,203.32	2,821,124.59	6,718,909.97
2. Initial book value	6,633.91	1,767,586.96	195,071.82	1,052,520.76	3,021,813.45

(2) Idle fixed assets

Item (RMB)	Initial cost	Accumulated depreciation	Impairment provision	Book value	Remarks
NONE					

(3) Fixed assets acquired under finance leases

Unit: RMB

Item	Initial cost	Accumulated depreciation	Impairment provision	Book value
NONE				

(4) Fixed assets leased out under operating lease

Unit: RMB

Item	Ending book value
NONE	

(5) Fixed assets without certificate of title

Unit: RMB

Item	Book value	Reason for the failure to obtain the certificate of title
NONE		

Other notes

(6) Disposal of fixed assets

Unit: RMB

Item	Ending balance	Initial balance

Other notes

22. Construction-in-progress

Unit: RMB

Item	Ending balance	Initial balance

(1) Details of construction-in-progress

Unit: RMB

Item	Ending balance			Initial balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

(2) Changes in significant projects of construction in progress in the current period

Unit: RMB

Project name	Budget	Initial balance	Increase in the current period	Transfer to fixed asset in the current period	Other decrease in the current period	Ending balance	Proportion of accumulative project input to budget	Rate of progress	Accumulated amount of interest capitalization	Including: capitalized interest in the current period	Interest capitalization rate of the current period	Source of funds

(3) Provision for impairment of construction-in-progress in the current period

Unit: RMB

Item	The amount of provision in the current period	Reason for provision

Other notes

(4) Construct materials

Unit: RMB

Item	Ending balance			Initial balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Other notes

23. Productive biological assets

(1) Productive biological assets accounted for using cost model

□ Applicable (A) √ Not applicable (N/A)

(2) Productive biological assets accounted for using fair value model

□ Applicable (A) √ Not applicable (N/A)

24. Oil and gas assets

□ Applicable (A) √ Not applicable (N/A)

25. Right-of-use asset

Unit: RMB

Item		Total

Other notes

26. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Software	Trademark right	Copyright	Total
I. Initial cost							
1. Initial balance	114,971.32			2,738,922.42	559,229,900.00	5,496,400.00	567,580,193.74
2. Increase in the current period				376,606.35			376,606.35
(1) Purchase				376,606.35			376,606.35
(2) Internal research and development							
(3) Increase from business combination							
3. Decrease in the current period				985,259.26			985,259.26
(1) Disposal				985,259.26			985,259.26
4. Ending balance	114,971.32			2,130,269.51	559,229,900.00	5,496,400.00	566,971,540.83
II. Accumulated amortization							
1. Initial balance	33,725.09			1,903,803.88		2,959,600.00	4,897,128.97
2. Increase in the current period	9,137.16			364,609.17		2,536,800.00	2,910,546.33
(1) Provision	9,137.16			364,609.17		2,536,800.00	2,910,546.33
3. Decrease in the current period				985,259.26			985,259.26
(1) Disposal				985,259.26			985,259.26

4. Ending balance	42,862.25			1,283,153.79		5,496,400.00	6,822,416.04
III. Impairment provision							
1. Initial balance							
2. Increase in the current period							
(1) Provision							
3. Decrease in the current period							
(1) Disposal							
4. Ending balance							
IV. Book value							
1. Ending book value	72,109.07			847,115.72	559,229,900.00		560,149,124.79
2. Initial book value	81,246.23			835,118.54	559,229,900.00	2,536,800.00	562,683,064.77

The proportion of intangible assets from internal research and development to the balance of all intangible assets at the end of period.

(2) Land-use rights without certificate of title

Unit: RMB

Item	Book value	Reason for the failure to obtain the certificate of title

Other notes:

27. Research and Development Expenditure

Unit: RMB

Item	Initial balance	Increase in the current period			Decrease in the current period			Ending balance
		Internal research and development	Others		Recognized as intangible assets	Recognized in current profit or loss		
Total								

Other notes

28. Goodwill

(1) Initial recognition of goodwill

Unit: RMB

Investees or matters that goodwill arising from	Initial balance	Increase in the current period		Decrease in the current period		Ending balance
		Business combination		Disposal		
Acquired CARTELO CROCODILE	109,969,096.91					109,969,096.91
Acquired Beijing Timelink Network Technology Co., Ltd.	779,800,912.91					779,800,912.91
Total	889,770,009.82					889,770,009.82

(2) Provision for goodwill impairment

Unit: RMB

Investees or matters that goodwill arising from	Initial balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision		Disposal		
Acquired CARTELO CROCODILE PTE LTD., Note 1						
Acquired Beijing Timelink Network Technology Co., Ltd., Note 2						
Total						

Information related to the CGUs or CGU groups that goodwill lies in (CGU=Cash Generating Unit)

Explain the process of goodwill impairment test with key parameters (such as the growth rate in the forecast period, the growth rate in the stable period, the profit margin, the discount rate and the forecast period adopted when estimating the present value of future cash flow) and the recognition method of goodwill impairment loss:

The Company carried out an impairment test on the above goodwill on December 31, 2019, showing no impairment in the current year, so the Company did not need to make impairment provisions for goodwill in the current year.

The present value of the expected future cash flow which is determined by the cash flow forecast on basis of the recent financial budget approved by the management is adopted for the recoverable amount of the CGU related to goodwill.

The calculation of the present value of the expected future cash flow of the relevant CGU as of December 31, 2019 was based on assumptions, with details of the key parameters made by the management in determining the cash flow forecast for the goodwill impairment test go as follows:

Revenue growth: Determined by the corresponding growth rate to maintain in line with the expected market demand and the Company's own business development and marketing strategies on basis of the revenue growth rate achieved in the year preceding the budget year as well as other historical data.

Budgeted gross margins: Determined by the average gross margins achieved in the year immediately before the budget year with proper adjustment in line with expected efficiency improvements and expected market development.

Discount rate - The discount rate used in the test reflects the discount rate before tax of specific risks relating to the relevant CGU.

Impact of goodwill impairment test

Other notes:

The following are the key results of goodwill impairment test:

Note 1: The Company purchased 95% of the equity of Cartelo Crocodile Pte Ltd. in 2016, forming goodwill of RMB 109,969,096.91. The goodwill, upon confirmation of the management, lies in the corresponding CGU that includes "CARTELO" brand and related trademarks, such as CARTELO & crocodile figure, Cartelo, Cartelo crocodile, Cartelo & figure trademarks of CCPL purchased before June 14, 2016. The Company conducted the impairment test accordingly.

The recoverable amount of the CGU was determined by the present value of the expected future cash flow of the CGU. The expected future cash flows refer to the cash flow forecast in the recent financial budget approved by the management. The results of goodwill impairment test indicated that the Company did not need to make impairment provisions for this goodwill.

Note 2: The Company purchased 100% of the equity of Timelink in 2017, forming goodwill of RMB 779,800,912.91. After the merger and acquisition, the business, technology and personnel of Timelink were still relatively independent, with cash inflow generated independently. Therefore, the Company allocated the goodwill to Timelink CGU and conducted the impairment test accordingly.

The recoverable amount of the asset group was determined by the present value of the expected future cash flow of the asset group. The expected future cash flows refer to the cash flow forecast in the recent financial budget approved by the management.

Completion status of performance commitment and its impact on goodwill impairment test

Completion status of M&A Restructuring performance commitment made when the goodwill was formed:

(Unit: RMB 10,000)

Item	Year 2016	Year 2017	Year 2018	Year 2019	Accumulative completion
Performance commitment of the year	6,800.00	9,000.00	11,700.00	13,200.00	40,700.00

Actual completion (net profit attributable to the owner of the parent company after deducting non-recurring profits and losses)	7,240.68	10,936.22	12,761.77	11,146.23	42,084.90

The performance commitment of Timelink has been completed for the years from 2016 to 2019.

There was no need to supplement any impairment provisions for the goodwill that Timelink recognized on December 31, 2019 as per the goodwill impairment test process.

29. Long-term deferred expenses

Unit: RMB

Item	Initial balance	Increase in the current period	Amortization amount of the current period	Other amount of decrease	Ending balance
Decoration cost	109,113.12	7,479,136.04	305,883.76		7,282,365.40
Total	109,113.12	7,479,136.04	305,883.76		7,282,365.40

Other notes:

The balance of long-term deferred expenses increased significantly at the end of the period compared with that at the beginning, mainly due to the increase of decoration cost of the Company's newly leased office building.

30. Deferred tax assets/liabilities

(1) Deferred tax assets before offsetting

Unit: RMB

Item	Ending balance		Initial balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Asset impairment provision	42,141,746.70	7,427,749.09	40,391,040.68	6,651,685.70
Difference between accounting income and taxable income	182,933.96	27,440.09	182,933.96	27,440.09
Share-based payment	3,990,470.73	710,795.49		
Total	46,315,151.39	8,165,984.67	40,573,974.64	6,679,125.79

(2) Deferred tax liabilities before offsetting

Item	Ending balance (RMB)		Initial balance (RMB)	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Assets appreciation arising from business combination not under common control			2,536,800.00	634,200.00
Total			2,536,800.00	634,200.00

(3) Net balance of deferred tax liabilities and deferred tax assets after offsetting

Item (RMB)	Offset amount of deferred tax assets and liabilities at the end of the period	Ending balance of deferred tax assets or liabilities after offset	Initial offset amount of deferred tax assets and liabilities	Initial balance of deferred tax assets or liabilities after offset
Deferred tax assets		8,165,984.67		6,679,125.79
Deferred tax liabilities				634,200.00

(4) Details of unrecognized deferred tax assets

Item	Ending balance (RMB)	Initial balance (RMB)
Deductible loss	16,153,644.28	186,175,175.74
Asset impairment loss	56,438,241.82	19,040,461.83
Share-based payment	45,962.41	
Total	72,637,848.51	205,215,637.57

(5) Deductible losses not recognized as deferred tax assets will expire in the following periods

Year	Ending amount (RMB)	Initial amount (RMB)	Remarks
Year 2019		185,033,393.70	
Year 2020			
Year 2021			
Year 2022			
Year 2023	1,141,782.04	1,141,782.04	
Year 2024	15,011,862.24		
Total	16,153,644.28	186,175,175.74	--

Other notes

31. Other non-current assets

Whether the new revenue standards have been implemented?

□ Yes √ No

Unit: RMB

Item	Ending balance	Initial balance
Input VAT to be deducted		14,684,511.69
Prepayment for long-term assets	1,886,792.26	314,867.92
Total	1,886,792.26	14,999,379.61

Other notes:

The balance of other non-current assets decreased significantly at the end of the period compared with that at the beginning, mainly because the input VAT to be deducted is expected to be fully deducted within the next year, and the Company reclassified its balance to the account "non-current assets due within one year".

32. Short-term borrowings

(1) Short-term borrowings by category

Unit: RMB

Item	Ending balance	Initial balance
Mortgage loans		20,360,000.00
Guarantee loans	100,000,000.00	50,000,000.00
Interests payable	105,694.45	
Total	100,105,694.45	70,360,000.00

Note to classification of short-term borrowings:

The guarantee loans include a short-term borrowing of RMB 50 million from Shanghai Qingpu Sub-branch of China Construction Bank to the Company's subsidiary Beijing Henri Jayer with a joint and several liability guarantee from the Company, and a short-term borrowing of RMB 50 million from Shanghai Branch of Xiamen International Bank to the Company's subsidiary Xinjiang Henri Jayer with a joint and several liability guarantee from the Company and its subsidiary Timelink.

(2) Overdue short-term borrowings

At the end of the current period, total amount of overdue short-term borrowings amounted to RMB 0.00, among which, overdue short-term borrowings with significant balances are as follows:

Unit: RMB

Borrower	Ending balance	Borrowing rate	Overdue time	Overdue interest rate

Other notes

33. Held-for-trading financial liabilities

Unit: RMB

Item	Ending balance	Initial balance
Including:		
Including:		

Other notes:

34. Derivative financial liabilities

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

35. Notes payable

Unit: RMB

Category	Ending balance	Initial balance

The total amount of notes payable matured but not yet paid at the end of the current period is RMB 0.00.

36. Accounts payable

(1) Details of accounts payable

Unit: RMB

Item	Ending balance	Initial balance
Payments for goods	43,665,225.25	32,466,406.96
Payments for advertisement	7,735,848.91	10,660,377.50
Payments for services	15,617,761.46	8,645,057.35
Others	1,714,941.05	277,153.17
Total	68,733,776.67	52,048,994.98

(2) Significant accounts payable with aging of over one year

Unit: RMB

Item	Ending balance	Reasons for not paid or carried forward

Other notes:

The balance of accounts payable at the end of the period increased by 32.06% compared with that at the beginning, mainly due to the increase of unpaid payments for goods and services at the end of the current period.

37. Advances from Customers

Whether the new revenue standards have been implemented?

□ Yes √ No

(1) Details of advances from customers

Unit: RMB

Item	Ending balance	Initial balance
Advances for goods	117,290,131.03	310,115,449.97
Advances for licensing services	82,622,019.59	59,266,883.94
Advances for factoring services	226,805.13	368,297.94
Advances for web celebrity traffic monetization services	737,079.37	
Total	200,876,035.12	369,750,631.85

(2) Significant advances from customers with aging of over one year

Unit: RMB

Item	Ending balance	Reasons for not being paid or carried forward

(3) Work settled but not yet performed under construction contracts at the end of the period

Unit: RMB

Item	Amount

Other notes:

38. Contract liabilities

Unit: RMB

Item	Ending balance	Initial balance

Amount of and reason for significant changes in the book value within the reporting period

Unit: RMB

Item	Amount of change	Reason for change

39. Employee Benefits Payable

(1) Details of employee benefits payable

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
1. Short-term employee benefits	27,978,262.95	141,177,364.12	132,072,773.85	37,082,853.22
2. Post-employment benefits - defined contribution plans	417,739.59	12,644,504.56	12,786,302.18	275,941.97
3. Termination benefits		1,939,150.00	1,939,150.00	
Total	28,396,002.54	155,761,018.68	146,798,226.03	37,358,795.19

(2) Details of short-term employee benefits

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
1. Salary, bonus, subsidy and allowance	27,680,825.83	124,726,168.45	115,539,057.50	36,867,936.78
2. Employees welfares		3,488,692.69	3,488,692.69	
3. Social insurance	233,927.12	7,596,117.52	7,642,757.00	187,287.64
Including: Health insurance	208,349.61	6,770,007.59	6,810,918.40	167,438.80
Injury insurance	9,037.13	165,349.67	170,236.58	4,150.22
Birth insurance	16,540.38	660,760.26	661,602.02	15,698.62
4. Housing provident fund	63,510.00	5,289,305.98	5,325,187.18	27,628.80
5. Funds for labor union and employee education		77,079.48	77,079.48	
Total	27,978,262.95	141,177,364.12	132,072,773.85	37,082,853.22

(3) Details of defined contribution plans

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic pension insurance	400,191.53	12,059,384.45	12,198,895.54	260,680.44
2. Unemployment insurance	17,548.06	585,120.11	587,406.64	15,261.53
Total	417,739.59	12,644,504.56	12,786,302.18	275,941.97

Other notes:

The balance of payroll payable at the end of the period increased by 31.56% compared with that at the beginning, mainly due to two reasons: a) increase of the number of staff in the current period as compared with the previous period, b) the recognition of bonus for performance completion in commitment period to the Company's subsidiary Timelink at the end of the current period in accordance with the agreement.

40. Taxes payable

Unit: RMB

Item	Ending balance	Initial balance
Value added tax (VAT)	39,787,454.45	20,156,833.97
Corporate income tax	34,593,278.13	43,555,729.29
Individual income tax	501,974.73	276,508.03
Urban maintenance and construction tax	2,361,821.91	1,095,120.02
Educational surcharge	1,181,826.33	604,396.86
Local educational surcharge	787,889.91	254,236.57
Others	359,801.65	502,686.98
Total	79,574,047.11	66,445,511.72

Other notes:

41. Other payables

Unit: RMB

Item	Ending balance	Initial balance
Interests payable		150,492.26
Other payables	119,528,535.68	167,087,726.03
Total	119,528,535.68	167,238,218.29

(1) Interests payable

Unit: RMB

Item	Ending balance	Initial balance
Interests payable on short-term borrowings		150,492.26
Total		150,492.26

Unpaid overdue interest with significant balance:

Unit: RMB

Borrower	Overdue amount	Reason for overdue

Other notes:

(2) Dividends payable

Unit: RMB

Item	Ending balance	Initial balance

Other notes: the overdue reasons for significant dividends payable with aging of over one year:

(3) Other payables

① Other payables by nature

Unit: RMB

Item	Ending balance	Initial balance
Equity transfer payment	8,307,649.32	69,032,000.00
Deposit	110,401,486.99	96,167,377.29
Business transaction payment (via third party)	752,199.34	1,770,902.19
Others	67,200.03	117,446.55
Total	119,528,535.68	167,087,726.03

② Significant other payables with aging over one year

Unit: RMB

Item	Ending balance	Reasons for not paid or carried forward

Other notes:

42. Liabilities held for sale

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

43. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

44. Other current liabilities

Whether the new revenue standards have been implemented?

□ Yes √ No

Unit: RMB

Item	Ending balance	Initial balance
Deferred income –traffic returns	13,798,829.77	24,384,191.84
Provision of advertising fee	5,541,792.45	5,541,792.45
Notes endorsement financing	390,000.00	
Provision of service fee	180,384.89	180,384.89
Total	19,911,007.11	30,106,369.18

Change in short-term bonds payable:

Unit: RMB

Bond name	Par value	Date of issue	Bond duration	Issued amount during the reporting period	Initial balance	Current issuance	Interest accrued on face value	Premium or discount amortization	Repayment during the reporting period		Ending balance

Other notes:

The balance of other current liabilities at the end of the period decreased by 33.86% compared with that at the beginning, mainly because the increase in the use of returned traffics by clients of the Company's subsidiary Timelink in the current period led to the decrease of unused traffic returns at the end of the period.

45. Long-term loans

(1) Classification of long-term borrowings

Unit: RMB

Item	Ending balance	Initial balance

Note to classification of long-term borrowings

Other notes, including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Ending balance	Initial balance

(2) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual capital securities)

Unit: RMB

Bond name	Par value	Date of issue	Bond duration	Issued amount	Initial balance	Issued amount during the reporting period	Interest accrued on face value	Premium or discount amortization	Repayment during the reporting period		Ending balance
Total	--	--	--								

(3) Conversion period and conditions for convertible bonds

(4) Other financial instruments classified as financial liabilities

Basic information of other financial instruments such as preferred shares and perpetual capital securities issued at the end of the period

Table of changes in other financial instruments such as preferred shares and perpetual capital securities issued at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase in the current period		Decrease in the current period		End of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Note to basis of other financial instruments classified as financial liabilities

Other notes

47. Lease liabilities

Unit:

Item	Ending balance	Initial balance

Other notes

48. Long-term payables

Unit: RMB

Item	Ending balance	Initial balance

(1) Long-term payables by nature

Unit: RMB

Item	Ending balance	Initial balance

Other notes:

(2) Specific items payables

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance	Reason

Other notes:

49. Long-term employee benefits payable

(1) General information of long-term employee benefits payable

Unit: RMB

Item	Ending balance	Initial balance

(2) Changes in defined benefit plans

Present value of the defined benefit obligation:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period

Plan assets:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period

Net liabilities (net assets) under defined benefit plans

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period

Note to nature and risks associated with defined benefit plans and the effect on future cash flows, timing and uncertainty of the Company:

Note to significant actuarial assumptions and sensitivity analysis results of defined benefit plans:

Other notes:

50. Estimated liabilities

Whether the new revenue standards have been implemented?

□ Yes √ No

Unit: RMB

Item	Ending balance	Initial balance	Reason

Other notes, including significant assumptions and estimates for significant estimated liabilities:

51. Deferred income

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance	Reason

Items related to government grants:

Unit: RMB

Liability items	Initial balance	Increase during the reporting period	Recognized in non-operating income during the reporting period	Recognized in other income during the reporting period	Costs offset during the reporting period	Other changes	Ending balance	Related to assets / Related to profit or loss

Other notes:

52. Other non-current liabilities

Whether the new revenue standards have been implemented?

□ Yes √ No

Item	Ending balance (RMB)	Initial balance (RMB)

Other notes:

53. Share capital

Unit: RMB	Initial balance	Changes (+/-) during the reporting period					Ending balance
		New issues	Bonus issues	Conversion from capital reserve	Others	Subtotal	
Total shares	417,326,994.00						417,326,994.00

Other notes:

The Company prepared the consolidated statements in accordance with the principle of reverse acquisition, with the amount of equity instruments in the consolidated financial statements reflecting the par value of the shares and the amount of equity instruments issued by the subsidiary-in-law (Shanghai NJDS).

The quantity and structure of the share capital of the parent company in law

Item	January 1, 2019	Changes (+/-) during the reporting period					December 31, 2019
		New issues	Bonus issues	Conversion from capital reserve	Others	Subtotal	
I. Shares with sales restriction	975,038,627.00	—	—		-416,396,151.00	-416,396,151.00	558,642,476.00
1. State-owned shares	—	—	—	—	—	—	—
2. Shares held by state-owned legal person	—	—	—	—	—	—	—
3. Shares held by other domestic entities	975,038,627.00	—	—		-416,396,151.00	-416,396,151.00	558,642,476.00
4. Shares held by foreign entities	—	—	—	—	—	—	—
II. Shares without sales restrictions	1,479,831,776.00	—	—		416,396,151.00	416,396,151.00	1,896,227,927.00
1. RMB denominated ordinary shares	1,479,831,776.00	—	—		416,396,151.00	416,396,151.00	1,896,227,927.00
2. Domestically listed foreign shares (B share)	—	—	—	—	—	—	—
3. Overseas-listed foreign shares (H share, etc.)	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
III. Total shares	2,454,870,403.00	—	—	—	—	—	2,454,870,403.00

In 2019, the Company's 416,396,151 restricted shares have been converted into the shares without sales restrictions.

54. Other equity instruments

(1) Basic information of other financial instruments such as preferred shares and perpetual capital securities issued at the end of the period

(2) Table of changes in other financial instruments such as preferred shares and perpetual capital securities issued at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase in the current period		Decrease in the current period		End of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Note to changes, relevant reasons and accounting treatment for other equity instruments

Other notes:

55. Capital reserves

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
Capital (share) premium	1,480,832,771.89		5,932,833.81	1,474,899,938.08
Other capital reserves		4,036,433.14		4,036,433.14
Total	1,480,832,771.89	4,036,433.14	5,932,833.81	1,478,936,371.22

Other notes, including the increase/decrease in the current period & the reason for the change:

(1) Change in share premium:

Refer to Note VII.2(1) for the detailed reason for the change

The share premium of capital reserves decreased in the current period, mainly due to the offset by the difference between the additions in long-term equity investment arising from the purchase of CARTELO minority interest and the net assets of the subsidiary attributable to the Company calculated continuously from the acquisition date by the additional share proportion.

(2) Changes in other capital reserves:

As per the *Company's Proposal on 2019 Stock Options Incentive Plan (Draft) and Its Summary* and the *Company's Proposal on Performance Assessment Management Measures for Implementation of 2019 Stock Options Incentive Plan* reviewed and approved in the 16th Meeting of the 6th Board of Directors of the Company and the Second Extraordinary General Meeting of the Company in 2019, the Company decided to apply Stock Options Incentive Plan on the management and key technical (business) personnel.

The increase of other capital reserves in the current period refers to the expenses of share-based payment in 2019 recognized in accordance with the Stock Options Incentive Plan.

56. Treasury stock

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
Treasury stock	67,590,687.09	84,095,555.19		151,686,242.28
Total	67,590,687.09	84,095,555.19		151,686,242.28

Other notes, including the increase/decrease in the current period & the reason for the change:

As per the *Proposal on Company Share Repurchase for Employee Incentives* reviewed and approved in the 6th Meeting of the 6th Board of Directors and the 5th Extraordinary General Meeting in 2018, the Company would use its self-owned funds to buy back some shares of the Company by centralized bidding, block trading, fund, and other means permitted by laws and regulations for subsequent stock options incentive or employee stock ownership plans.

As per the Announcement on the Expiration of the Company's Share Repurchase Period and the Completion of the Implementation of the Share Repurchase Plan released by the Company on October 8, 2019, the cumulative number of shares repurchased by the Company as of October 7, 2019 through the special securities account for share repurchase by centralized bidding is 16,956,927, accounting for 0.69% of the Company's current total shares. The highest transaction price is RMB 10.989/share, the lowest is RMB 6.895/share, and the total price paid is RMB 151,655,831.53 (excluding transaction costs).

57. Other comprehensive income

Unit: RMB

Item	Initial balance	Changes during the reporting period						Ending balance
		Amount incurred before income tax during the reporting period	Less: Amount previously recognized in other comprehensive income being reclassified to current profit or loss	Less: amount previously recognized in other comprehensive income being reclassified to current retained earnings	Less: Income tax expense	After-tax income attributable to the parent company	After-tax income attributable to minority shareholders	

Other notes, including adjustments for amounts of the effective portion of cash flow hedge transferred to the initial carrying amounts of hedged items

58. Specific reserves

Unit: RMB

Item	Initial balance	Increase in 2019	Decrease in 2019	Ending balance

Other notes, including the increase/decrease in the current period & the reason for the change:

59. Surplus reserves

Unit: RMB

Item	Initial balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	131,720,855.52	41,803,824.77		173,524,680.29
Total	131,720,855.52	41,803,824.77		173,524,680.29

Note to surplus reserve, including the increase/decrease of the current period and the reasons for the change:

In accordance with the relevant provisions of the *Corporate Law* and the Articles of Associations of the Company, the Company shall allocate 10% of the net profit to the statutory surplus reserve, until the accumulated statutory surplus reserve reaches more than 50% of the Company's registered capital.

60. Retained Earnings

Unit: RMB

Item	Current period	Previous period
Balance at the end of last period before adjustments	1,776,292,224.02	1,029,000,343.50
Balance at the beginning of the reporting period after adjustments	1,776,292,224.02	1,029,000,343.50
Add: net profit attributable to owners of the parent company for the reporting period	1,206,136,918.38	886,472,236.97
Less: appropriation to statutory surplus reserves	41,803,824.77	37,712,386.52
Ordinary share dividend payable		101,467,969.93
Balance at the end of the reporting period	2,940,625,317.63	1,776,292,224.02

Adjustments for the initial balance:

(1) For the retrospective adjustment based on *Accounting Standards for Business Enterprises* and other relevant new regulations, the financial effects amounted to RMB 0.00.

(2) For changes in accounting policies, the financial effects amounted to RMB 0.00.

(3) For correction of significant prior period errors, the financial effects amounted to RMB 0.00.

(4) For changes in consolidation scope under common control, the financial effects amounted to RMB 0.00.

(5) For other adjustments, the financial effects amounted to RMB 0.00.

61. Operating revenue and operating cost

Item	2019 (RMB)		2018 (RMB)	
	Revenues	Costs	Revenues	Costs
Main business	3,905,189,015.65	2,401,537,867.99	3,352,201,464.88	2,196,989,723.67

Other business	1,659,220.76	1,160,584.05	658,507.59	152,164.19
Total	3,906,848,236.41	2,402,698,452.04	3,352,859,972.47	2,197,141,887.86

Whether the new revenue standards have been implemented?

□ Yes √ No

Other notes

62. Taxes and surcharges

Item (Unit: RMB)	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	3,843,258.70	3,501,238.13
Educational surcharge	3,131,246.51	2,786,265.72
Stamp duty	1,973,741.17	1,808,684.24
Construction fee for cultural undertakings	1,097,834.95	1,156,138.73
Disabled employment security fund	210,986.94	288,300.50
Others	13,502.56	16,863.36
Total	10,270,570.83	9,557,490.68

Other notes:

63. Selling and Distribution Expenses

Item (Unit: RMB)	Amount incurred in the current period	Amount incurred in the previous period
Salaries and wages	65,058,456.74	38,896,278.08
Advertising fees	36,758,702.26	64,805,416.00
Conference and travel expenses	5,158,761.58	4,421,330.15
Equity incentive expenses	2,819,745.92	
Rental fees	1,773,577.94	637,563.20
Testing fees	1,511,536.99	48,568.87
Business entertainment expenses	1,224,728.95	1,350,636.07
Decoration costs	1,091,915.73	325,633.53
Freights	885,832.80	416,097.85
Property and utilities charges	436,234.54	26,199.71
Office expenses	193,142.65	169,210.83
Others	1,727,935.45	256,480.22
Total	118,640,571.55	111,353,414.51

Other notes:

64. General and Administrative Expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salaries and wages	41,454,041.49	29,806,649.17
Service fees	9,632,820.02	9,839,958.20
Rental fees	9,207,533.46	5,042,728.12
Depreciation and amortization	3,327,949.26	3,333,918.81
Intellectual property fees	3,040,716.03	1,770,004.16
Conference and travel expenses	3,855,799.52	1,747,893.50
Property and utilities charges	2,395,841.02	363,542.07
Business entertainment expenses	1,913,863.03	1,271,542.90
Administrative expenses	1,507,606.39	1,124,769.21
Equity incentive expense	1,141,916.02	
Decoration cost	529,402.96	45,384.72
Others	2,433,845.92	2,454,424.05
Total	80,441,335.12	56,800,814.91

Other notes:

The general and administrative expenses in the reporting period increased by 41.62% compared with the previous period, mainly due to the increase of management personnel for the Company's business scale expansion and the corresponding increase in salaries, office building rentals, property and utilities charges.

65. Research and Development Expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Salaries and wages	37,545,101.00	33,224,700.91
Rental fees	4,247,773.03	2,545,366.68
Depreciation, amortization	658,593.83	962,698.80
Office expenses	140,748.00	92,091.80
Property and utilities charges	105,490.04	
Others	606,898.05	975,984.90
Total	43,304,603.95	37,800,843.09

Other notes:

66. Financial costs

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	6,667,018.42	9,910,388.23
Less: interest income	7,213,315.85	5,154,367.25
Net interest expenses	-546,297.43	4,756,020.98
Foreign exchange losses	21.85	432,035.73
Less: Foreign exchange gains	109,356.80	159,435.61
Net foreign exchange losses	-109,334.95	272,600.12
Bank charges	192,552.43	178,628.17
Total	-463,079.95	5,207,249.27

Other notes:

There was a decrease in the financial expenses in the current period compared to the previous period, mainly due to the following reasons: on the one hand, Timelink's loans have decreased during the current period, and the outstanding loans at the end of the period were all new loans borrowed by Timelink in the latter half of the year; On the other hand, as a result of the Company's operating cash inflows, the monetary funds have increased, hence, the interest income have increased.

67. Other income

Unit: RMB

Sources of other income	Amount incurred in the current period	Amount incurred in the previous period
1. Government grant recognized in other income	800,000.00	
Including: government grant related to deferred income (related to assets)		
Government grant related to deferred income (related to income)		
Government grant directly recognized in current profit or loss (related to income)	800,000.00	
2. Others related to daily operation activities and recognized in other income	4,061,177.33	342,670.98
Including: input tax plus deduction	4,061,177.33	
3. Return of service charge		342,670.98

68. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investments under equity method	1,210,232.89	427,104.15
Gains on disposal of long-term equity investments		-1,212,850.38
Gains on disposal of held-for-trading financial assets	59,942.02	
Investment income from bank financial products	33,933,372.78	23,715,571.43
Total	35,203,547.69	22,929,825.20

Other notes:

The investment income in the current period increased by 53.53% compared with the previous period, mainly due to the increase in the investment income from bank financial products in the current period.

69. Income from net exposure hedging

Item (Unit: RMB)	Amount incurred in the current period	Amount incurred in the previous period

Other notes:

70. Gains on changes in fair value

Unit: RMB

Sources of gains on changes in fair value	Amount incurred in the current period	Amount incurred in the previous period

Other notes:

71. Credit impairment loss

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses of other receivables	-2,794,356.16	
Bad debt losses of accounts receivable	-40,472,733.49	
Total	-43,267,089.65	

Other notes:

Credit impairment losses in the current period increased significantly compared with the previous period, mainly due to changes in accounting policies.

72. Asset impairment loss

Whether the new revenue standards have been implemented?

□ Yes √ No

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Bad debt loss		-19,058,482.36
II. Loss on depreciation of inventories	-1,138,210.78	-2,354,588.00
Total	-1,138,210.78	-21,413,070.36

Other notes:

Asset impairment losses in the current period decreased significantly compared with the previous period, mainly due to changes in accounting policies.

73. Gains/losses from disposal of assets

Unit: RMB

Items	Amount incurred in the current period	Amount incurred in the previous period
Gains or losses from disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale:	4,212.88	1,321.15
Including: gains from disposal of fixed assets	4,212.88	1,321.15

74. Non-operating income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in the current non-recurring profits and losses
Government grants	20,284,858.72	17,644,542.22	20,284,858.72
Penalty income	7,944,983.37	6,857,636.87	7,944,983.37
Others	2,386,263.54	1,980,883.23	2,386,263.54
Total	30,616,105.63	26,483,062.32	

Government grants recognized in the current profits or losses:

Unit: RMB

Item	Granting institution	Reason for grant	Nature/type	Does the subsidy affect the current	Special grant (Yes or No?)	Amount incurred in the current	Amount incurred in the previous	Related to assets / income

				profit or loss (Yes or No?)		period	period	
Financial Support Fund for Scientific and Technological Innovations of Enterprises		Subsidy	Subsidies for research, development, technology upgrading and transformation	No	No	17,473,000.00	15,435,000.00	Related to income
Special Government Support Fund with Special Account of Expo Zone Development Management Committee of Shanghai Pudong New Area	Expo Zone Development Management Committee of Shanghai Pudong New Area, Shanghai	Subsidy	Subsidies from compliance with local government support policies, such as investment promotion	No	No	2,387,000.00		Related to income
Shanghai 2019 Action Plan for Science and Technology Innovation	Shanghai Municipal Science and Technology Committee	Subsidy	Subsidies for research, development, technology upgrading and transformation	No	No	200,000.00		Related to income
Enterprises to be Awarded by Provincial Finance with Research and Development Expenses in 2018	Finance Bureau of Shengze Town, Jiangsu Province	Award	Subsidies for research, development, technology upgrading and transformation	No	No	100,000.00		Related to income
Financial Support for the Development of Financial	Finance Bureau of Pudong New Area, Shanghai	Subsidy	Subsidies due to compliance with local government support	No	No		968,000.00	Related to income

Industry in Pudong New Area in the 13th Five Year Plan			policies, such as investment promotion					
E-commerce Benchmark Enterprise Award	Commerce Bureau of Qingpu District, Shanghai	Award	Subsidies from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations)	No	No		500,000.00	Related to income
2016 Headquarter Enterprise Award	Shengze Town Government, Jiangsu Province	Award	Subsidies due to compliance with local government support policies, such as investment promotion	No	No		326,200.00	Related to income
2017 Wujiang District Business Development Award	Finance Bureau of Wujiang District, Jiangsu Province	Award	Subsidies from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations)	No	No		150,000.00	Related to income
Top 100 Taxpayer	Finance Bureau of	Award	Subsidies due to compliance	No	No	100,000.00	120,000.00	Related to income

Award of Qingpu District	Qingpu District, Shanghai		with local government support policies, such as investment promotion					
2017 "Software Information Service Industry" Support Project in Qingpu District	Science and Technology Committee of Qingpu District, Shanghai	Subsidy	Subsidies for research, development, technology upgrading and transformation	No	No		60,000.00	Related to income
2017 Top 10 Advanced Service Enterprise	Shengze Town Government, Jiangsu Province	Award	Subsidies from engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations)	No	No		50,000.00	Related to income
2018 Award for the Accelerated Promotion of High-Quality Development in Wujiang High-Tech Development Zone (Shengze Town)	Finance Bureau of Shengze Town, Jiangsu Province	Award	Subsidies for research, development, technology upgrading and transformation	No	No	19,000.00		Related to income
Patent grant	Shanghai Intellectual	Subsidy	Subsidies from	No	No	3,655.00	2,000.00	Related to income

	Property Administration		engaging in specific trades and industries encouraged and supported by the state (in accordance with national policies and regulations)					
Others		Subsidy	Subsidies due to compliance with local government support policies, such as investment promotion	No	No	2,203.72	33,342.22	Related to income

Other notes:

75. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount recognized in the current non-recurring profits or losses
Penalty, overdue fine	11,380.05	202.58	11,380.05
Losses from damage or scrapping of non-current assets	98,440.31		98,440.31
Including: losses from damage or scrapping of fixed assets	98,440.31		98,440.31
Losses from compensations	6,091.50	100,542.43	6,091.50
Others	114,754.88	202,739.66	114,754.88
Total	230,666.74	303,484.67	

Other notes:

76. Income tax expenses

(1) Details of income tax expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	73,964,933.20	76,740,977.21
Deferred income tax expenses	-2,121,058.88	-982,068.15
Total	71,843,874.32	75,758,909.06

(2) Reconciliation of accounting profit and income tax expenses

Unit: RMB

Item	Amount incurred in the current period
Total profit	1,278,004,859.23
Income tax expense at the statutory /applicable tax rate	319,501,214.81
Effect of different tax rates of subsidiaries	-198,949,809.06
Adjustments of impact from prior period income tax	-4,488,524.49
Effect of non-deductible costs, expenses and losses	719,554.59
Effect of usage of deductible losses previously not recognized as deferred income tax assets	-44,368,060.94
Effect of deductible temporary difference or deductible losses not recognized as deferred tax assets in the reporting period	3,077,968.81
R&D expenses plus deduction	-3,648,469.40
Income tax expense	71,843,874.32

Other notes

77. Other comprehensive income

Refer to the relevant notes.

78. Items in cash flow statement

(1) Other cash received relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Margins and deposits	43,830,308.37	22,526,178.35
Government grants	21,084,858.72	18,442,213.20

Penalty income	6,785,336.25	6,738,187.62
Business transaction payment	887,693.28	5,744,926.84
Others	114,835.94	1,105,334.25
Total	72,703,032.56	54,556,840.26

Note to other cash received relating to operating activities:

(2) Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Advertising fees	36,720,239.48	54,122,761.68
Deposits	56,952,563.32	25,737,978.91
Service fees	9,632,820.02	9,655,935.33
Rental fees	15,734,245.07	8,739,953.74
Conference and travel expenses	9,014,561.10	6,412,601.08
Business entertainment expenses	3,138,591.98	2,622,178.97
Intellectual property fees	3,040,716.03	1,770,004.16
Office expenses	1,841,497.04	1,386,071.84
Property and utilities charges	2,937,565.60	389,741.78
Testing fee	1,511,536.99	48,568.87
Decoration cost	1,718,958.84	371,018.25
Others	9,814,630.63	4,400,453.73
Total	152,057,926.10	115,657,268.34

Note to other cash paid relating to operating activities:

(3) Other cash received relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income	7,213,315.85	5,154,367.25
Others		38,632.08
Total	7,213,315.85	5,192,999.33

Note to other cash received relating to investing activities:

(4) Other cash paid relating to investing activities

Unit: RMB

Items	Amount incurred in the current period	Amount incurred in the previous period
Cash and cash equivalents held by subsidiaries on the date of loss of control		724,920.46
Total		724,920.46

Note to other cash paid relating to investing activities:

(5) Other cash received relating to financing activities

Unit: RMB

Items	Amount incurred in the current period	Amount incurred in the previous period

Note to other cash received relating to financing activities:

(6) Other cash paid relating to financing activities

Unit: RMB

Items	Amount incurred in the current period	Amount incurred in the previous period
Share repurchase	84,095,555.19	67,590,687.09
Total	84,095,555.19	67,590,687.09

Note to other cash paid relating to financing activities:

79. Supplementary information to the Statement of Cash Flows

(1) Supplementary information to the Statement of Cash Flows

Unit: RMB

Supplementary information	2019	2018
1.Adjustments of net profit to cash flows from operating activities:	--	--
Net profit	1,206,160,984.91	887,279,687.71
Add: Provisions for impairment of assets	1,138,210.78	21,413,070.36
Depreciation of fixed assets, oil and gas assets, and productive biological assets	43,267,089.65	
Depreciation of right-of-use assets	1,225,856.76	1,375,147.44
Amortization of intangible assets	2,910,546.33	2,991,799.30
Amortization of long-term deferred expenses	305,883.76	187,050.96

Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	-4,212.88	-1,321.15
Losses /("-" for gains) on scrapping of fixed assets	98,440.31	
Finance costs /("-" for income)	-655,632.38	5,483,621.10
Investment losses /("-" for income)	-35,203,547.69	-22,929,825.20
Decreases /("-" for increases) in deferred tax assets	-1,486,858.88	-347,868.15
Increases /("-" for decreases) in deferred tax liabilities	-634,200.00	-634,200.00
Decreases /("-" for increases) in inventories	-3,248,403.22	6,892,693.37
Decreases /("-" for increases) in operating receivables	120,508,976.46	-684,014,858.36
Increases /("-" for decreases) in operating payables	-79,471,307.29	333,691,935.28
Net cash flows from operating activities	1,254,911,826.62	551,386,932.66
2. Significant investing and financing activities not involving cash receipts and payments:	--	--
3. Net changes in cash and cash equivalents:	--	--
Cash at end of the reporting period	787,632,033.28	1,189,754,162.14
Less: Cash at beginning of the reporting period	1,189,754,162.14	1,461,202,577.10
Net increase in cash and cash equivalents	-402,122,128.86	-271,448,414.96

(2) Net cash payments for acquisition of subsidiaries in the reporting period

Unit: RMB

	Amount
Including:	--
Including:	--
Add: Cash or cash equivalents paid in the reporting period for business combination occurred in the prior periods	68,832,000.00
Including:	--
Net cash payments for acquisition of subsidiaries	68,832,000.00

Other notes:

(3) Net cash received from disposals of subsidiaries in the reporting period

Unit: RMB

	Amount
Including:	--
Including:	--
Add: Cash or cash equivalents received in the reporting period from disposal of subsidiaries occurred in the prior periods	410,000.00
Including:	--
Net cash received from disposals of subsidiaries	410,000.00

Other notes:

(4) Components of cash and cash equivalents

Unit: RMB

Items	Balance at 31/12/2019	Balance at 1/1/2019
Cash	787,632,033.28	1,189,754,162.14
Including: Cash on hand	13,213.71	112,576.06
Cash in bank available for immediate use	787,291,738.71	1,157,232,273.16
Other monetary funds available for immediate use	327,080.86	32,409,312.92
Cash and cash equivalents at 31/12/2019	787,632,033.28	1,189,754,162.14

Other notes:

Note: The cash in bank available for immediate use did not include the 3-year fixed deposit of RMB 490,000,000.00 and the restricted bank funds of RMB 3,200,000.00.

80. Notes to the Statement of Changes in Equity

Note to adjustments for balance at 31 December 2018 included in the balance of "Others":

81. Assets with restricted ownership or right of use

Unit: RMB

Items	Carrying amount at 31 December 2019	Reason
Cash and cash equivalents	490,000,000.00	Fixed deposit
Cash and cash equivalents	3,200,000.00	Restriction caused by litigation
Total	493,200,000.00	--

Other notes:

82. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Items	Balance of foreign currency at the end of the reporting period	Exchange rate	Balance in RMB at the end of the reporting period
Cash and cash equivalents	--	--	
Including: USD	641,071.92	6.9762	4,472,245.93
EUR			
HKD			
Accounts Receivable	--	--	
Including: USD			
EURO			
HKD			
Long-term borrowings	--	--	
Including: USD			
EURO			
HKD			

Other notes:

(2) Note to overseas business entities, including the disclosure of the overseas principal place of business, functional currency and selection basis for the important overseas business entities as well as the reasons for the change of functional currency.

□ Applicable (A) √ Not applicable (N/A)

Subsidiary name	Principal place of business	Functional currency
NANJI INTERNATIONAL CO., LTD.	British Virgin Islands (BVI)	RMB
CARTELO CROCODILE PTE LTD	Samoa	RMB
TOTAL CLASSIC INVESTMENTS LIMITED	British Virgin Islands (BVI)	RMB
UNIVERSAL NEW LIMITED	British Virgin Islands (BVI)	RMB

83. Hedges

Disclosure of hedge items, relevant hedging instruments, qualitative and quantitative information for risks of the hedged items by category.

84. Government Grants

(1) Basic information of government grants

Unit: RMB

Type	Amount	Items	Amount recognized in current profit or loss
Financial support fund for scientific and technological innovations of enterprises	17,473,000.00	Non-operating income	17,473,000.00
Additional deduction of service input tax	4,061,177.33	Other income	4,061,177.33
Special Government Support Fund with Special Account of Expo Zone Development Management Committee of Pudong New District, Shanghai	2,387,000.00	Non-operating income	2,387,000.00
Integrated comprehensive service platform (R&D subsidy)	800,000.00	Other income	800,000.00
Shanghai 2019 Action Plan for Science and Technology Innovation	200,000.00	Non-operating income	200,000.00
Enterprises to be Awarded by Provincial Finance with Research and Development Expenses in 2018	100,000.00	Non-operating income	100,000.00
Top 100 Taxpayer Award of Qingpu District	100,000.00	Non-operating income	100,000.00
2018 Award for the Accelerated Promotion of High-Quality Development in Wujiang High-Tech Development Zone (Shengze Town)	19,000.00	Non-operating income	19,000.00
Patent Grant	3,655.00	Non-operating income	3,655.00
Others	2,203.72	Non-operating income	2,203.72

(2) Return of government grants

□ Applicable (A) √ Not applicable (N/A)

Other notes:

85. Others

Note VIII. Changes in the Scope of Consolidation

1. Business Combination not Under Common control

(1) Business combination not under common control during the reporting period

Unit: RMB

Name of acquiree	Date of acquiring the equity interests	Acquisition costs	Ratio of equity acquired	Ways to acquire the equity	Acquisition date	Basis for determination of the acquisition date	Revenue of the acquirees from the acquisition date to the end of the reporting period	Net profits of the acquirees from the acquisition date to the end of the reporting period

Other notes:

(2) Combination costs and goodwill

Unit: RMB

Combination costs	

Note to the method of determining the fair value of the combination cost, or contingent consideration and its changes:

Main reason for significant goodwill:

Other notes:

(3) Identifiable assets and liabilities of the acquirees as at the acquisition date

Unit: RMB

	Fair value	Carrying amount

Determination method of fair value of identifiable assets and liabilities:

Acquirees' contingent liabilities borne from business combination:

Other notes:

(4) Gains or losses of the equity held before acquisition date, arising from remeasurement at fair value

Whether combination is realized in stages through multiple transactions and the controlling rights are obtained within the reporting period?

□ Yes √ No

(5) Note to failing to reasonably determine the combination consideration or fair value of acquiree's identifiable assets and liabilities on acquisition date or by the end of combination period

(6) Other notes

None

2. Business Combination under Common Control

(1) Business combination under common control during the reporting period

Unit: RMB

Name of the combined entity	Percentage of equity interest acquired during the combination (%)	Basis for the determination of business combination under common control	Combination date	Basis for the determination of the combination date	Revenue of the combined entity from the beginning of the reporting period to the combination date	Net profits of the combined entity from the beginning of the reporting period to the combination date	Revenue of the combined entity during the comparison reporting period	Net profits of the combined entity during the comparison reporting period

Other notes:

(2) Carrying amount of assets and liabilities of the combined entity as at combination date

Unit: RMB

	Combination date	End of prior period

Acquiree's contingent liabilities borne by the acquirer during the business combination:

Other notes:

None

3. Reverse purchase

General information of the transaction, basis of determination as reverse purchase, whether the asset and liability held by the company treated as the basis of the transaction, determination of the combined cost, amount and measurement of adjustment of equity interest under equity transaction treatment:

The Company (parent company) in law shall prepare the consolidated financial statements according to the following principles:

(1) In the consolidated financial statements, assets and liabilities of the subsidiary-in-law shall be recognized and

measured at the carrying amount before combination.

(2) The amounts of equity instruments in the consolidated financial statements reflect the face value of shares issued by the subsidiary before combination and the amount of equity instruments newly issued during the process of determining the business combination cost. However, the equity structure in the consolidated financial statements shall reflect the equity structure of the parent company in law, i.e., the quantity and type of equity securities issued by the parent company in law.

(3) The comparison information in the consolidated financial statements shall be the comparison information of the subsidiary-in-law (the consolidated financial statements of the subsidiary-in-law before the combination).

(4) The separate financial statements of the parent company shall recognize the book value of the acquired assets as per provisions in the *Accounting Standards for Business Enterprises No. 2 - Long Term Equity Investment* and other provisions. The separate financial statements used for previous comparison are those of the parent company.

4. Disposal of Subsidiaries

Is there a case that the disposal of subsidiaries through one transaction causes a loss of control?

□ Yes √ No

Whether there is the condition of loss controlling rights with disposing subsidiary on multiple steps through many transactions or not

Is there a case that the subsidiaries have been disposed in stages through multiple transactions and the loss of control occurred during the reporting period?

□ Yes √ No

5. Other Reasons of Changes in the Scope of Consolidation

Specify other reasons of changes in the scope of consolidation (such as establishment of new subsidiaries and liquidation of subsidiaries) and other related situations:

(1) Establishment of new subsidiaries

① Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd. was a newly established holding subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 30 million, and the equity held by the Company accounted for 86.67%. The registered capital of RMB 26 million had been paid as of December 31, 2019.

② Shanghai Aosang Cultural Communication Co., Ltd. was a newly established holding subsidiary, invested by the Company's subsidiary Nanji E-commerce (Shanghai) Co., Ltd. in January 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 96%. No capital had been contributed as of December 31, 2019.

③ Xinjiang Jingshang E-commerce Co., Ltd. was a newly established holding subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. The registered capital of RMB 100,000 had been paid as of December 31,2019.

④ Xinjiang Yuduocheng E-commerce Co., Ltd. was a newly established holding subsidiary, invested by the Company in November 2019, with the registered capital of RMB 10 million, and the equity held by the Company accounted for 100%. The registered capital of RMB 100,000 had been paid as of December 31,2019.

(2) Liquidation of subsidiaries

① Shanghai Shuimishang Culture communication Co., Ltd. has completed the liquidation and cancellation in July 2019 and has finished the industrial and commercial change procedures.

② Shanghai Aosang Cultural Communication Co., Ltd. has completed the liquidation and cancellation in September 2019 and has finished the industrial and commercial change procedures.

6. Others

None

Note IX. Interests in Other Entities

1. Interests in subsidiaries

(1) Composition of corporate group

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity held by the Company		Ways of acquisition
				Direct	Indirect	
Nanji E-commerce (Shanghai) Co., Ltd.	Shanghai	Shanghai	Sales of the clothing fabrics, clothing accessories, and knitwear & textiles, etc., business information consulting, and enterprise management consulting, etc.,	100.00%		Establishment
Jiwenwu (Shanghai) Culture Co., Ltd.	Shanghai	Shanghai	Planning of cultural and artistic exchange activities, enterprise image planning, planning of public relations activities, brand management, engagement in online cosmetics retail, wholesale, import and export and related supporting services of daily necessities, apparel & accessory, knitwear & textile, leather products, bags & suitcases, shoes & hats, bedding, and cosmetics.	55.00%		Establishment
Shanghai Shuimishang	Shanghai	Shanghai	Cultural and artistic exchange planning and consulting,	60.00%		Establishment

Culture Communication Co., Ltd.			enterprise image planning, public relations consulting, brand management, and sales of daily necessities, fashion, apparel & accessory, knitwear & textile, leather products, bags & suitcases, shoes & hats, bedding, cosmetics, etc.			
NANJIREN (Shanghai) E-commerce Co., Ltd.	Shanghai	Shanghai	E-commerce, e-commerce information consulting, etc.		100.00%	Establishment
Shanghai One-Stop Network Technology Service Co., Ltd.	Shanghai	Shanghai	Technical services, technical consulting, e-commerce in the field of network science and technology		100.00%	Establishment
Shanghai Xiaodai Finance Lease Co., Ltd.	Shanghai	Shanghai	Financial leasing businesses, leasing business; purchase and lease property at home and aboard; disposal of residual value and maintenance of leased property; consulting and guarantee of leasing transactions; engagement in the commercial factoring business related to the main business		75.00%	Establishment
Nanji International Co., Ltd. Note 1	BVI	BVI	Brand licensing business, charging of royalty, etc.		100.00%	Establishment
Cartelo Crocodile Pte Ltd Note 1	Samoa	Samoa	CCPL licenses the licensee to use the CARTELO brand and charges royalties to allow the licensee to operate on a product category or multiple product categories.		100.00%	Acquisition
Total Classic Investments Limited Note 2	BVI	BVI	Brand licensing		100.00%	Establishment
Universal New Limited Note 2	BVI	BVI	Brand licensing		100.00%	Acquisition
Xinjiang Juchang E-commerce Co., Ltd.	Khorgos, Xinjiang	Khorgos, Xinjiang	E-commerce (excl. value-added telecommunications and financial business), E-commerce		100.00%	Establishment

			information consulting, business consulting, and marketing planning; Foreign trade, and consulting of enterprise management information, etc.			
Xinjiang NANJIREN E-commerce Co., Ltd.	Khorgos, Xinjiang	Khorgos, Xinjiang	E-commerce (excl. value-added telecommunications and financial business); E-commerce information consulting; Knitwear & textile, leather products, apparel & accessory, shoes & hats, daily necessities, plastic products, craft gifts, pet supplies, washing products, labor protection apparatus/appliances, metal products, furniture, household appliances, etc.		100.00%	Establishment
Xinjiang Cartelo E-commerce Co., Ltd.	Khorgos, Xinjiang	Khorgos, Xinjiang	E-commerce information consulting; Enterprise management consulting; brand management; conference services; enterprise image planning, planning of public relations activities, marketing planning, and exhibition services; development, transfer, consulting and services of information technology and textile technology		100.00%	Establishment
Cartelo Crocodile Kale (Shanghai) Trading Co., Ltd.	Shanghai	Shanghai	Knitwear & textile, apparel &accessory, shoes & hats, bags & suitcases, leather products, bedding, daily necessities, toys, e-commerce (excl. value-added telecommunications and financial business), import and export business of goods and technology, and engagement in technical development, consulting, transfer and services in the field of biotechnology		86.67%	Establishment
Xinjiang Jingshang E-commerce Co.,	Khorgos, Xinjiang	Khorgos, Xinjiang	E-commerce (excl. value-added telecommunications, financial services), e-commerce information	100.00%		Establishment

Ltd.			consulting, business consulting, and marketing planning; Foreign trade and consulting of enterprise management information; Conference services, brand management, planning of public relations activities, and exhibition services; development, transfer, consulting and services of network technology and information technology			
Xinjiang Yuduocheng E-commerce Co., Ltd.	Khorgos, Xinjiang	Khorgos, Xinjiang	E-commerce (excl. value-added telecommunications and financial business), e-commerce information consulting, business consulting, and marketing planning; Foreign trade and consulting of enterprise management information; conference services, brand management, planning of public relations activities, and exhibition services; development, transfer, consulting and services of network technology, information technology and textile technology	100.00%		Establishment
Shanghai Aosang Cultural Communication Co., Ltd	Shanghai	Shanghai	Cultural and artistic exchange planning, e-commerce (excl. value-added telecommunications and financial business), sales of clothing, shoes & hats, cosmetics, office supplies, stationery, photographic equipment, sound equipment, daily necessities, packaging materials, building materials, conference services, exhibition services, computer graphics and text design, business information consulting, import and export of goods and technology, stage building, leasing of own equipment, and engagement in technical development, consulting, transfer and services in the field of		96.00%	Establishment

			biotechnology			
Beijing Timelink Network Technology Co., Ltd. Note 3	Beijing	Beijing	Technology promotion service; design, production, agency and delivery of advertisement; translation services; organization of cultural and artistic exchange activities (excluding performance); convention and exhibition services; marketing research; enterprise planning	100.00%		Acquisition
Xinjiang Henri Jayer Network Technology Co., Ltd. Note 3	Beijing	Kashi, Xinjiang	Technical development, consulting, services and transfer; infrastructure software services; application software services; software development; software consulting; product design; public relations services; conference services, etc.		100.00%	Acquisition
Beijing Henri Jayer Technology Co., Ltd. Note 3	Beijing	Beijing	Technical development, consulting, services and transfer; infrastructure software services; application software services; software development; software consulting; product design; public relations services; conference services, etc.		100.00%	Acquisition
Xinjiang Chambertin Network Technology Co., Ltd. Note 3	Beijing	Khorgos, Xinjiang	Technical development, consulting, services and transfer of computer and software; infrastructure software services; application software services; software development; software consulting; product design; public relations services, etc.		100.00%	Establishment
Xinjiang RAYAS Network Technology Co., Ltd. Note 3	Beijing	Kashi, Xinjiang	Technical development, consulting, services and transfer in the field of network technology; infrastructure software services; application software services; software development; software consulting; product design; public relations services; conference services; computer animation		100.00%	Establishment

			design; enterprise marketing planning; Enterprise management consulting; computer system services; sales of self-developed products; design, production, agency and release of various domestic advertising;			

Note to the difference between percentage of equity interests and percentage of voting rights:

Basis for control exists when voting rights in the investees is 50% or lower, and no control exists when voting rights in the investees is above 50%

Basis for control of those significant structured entities within the scope of consolidation:

Basis for defining the Company as an agent or a principal:

Other notes:

Note 1: CARTELO CROCODILE PTE LTD is a wholly-owned subsidiary of NANJI INTERNATIONAL CO., LTD.

Note 2: UNIVERSAL NEW LIMITED is a wholly-owned subsidiary of TOTAL CLASSIC INVESTMENTS LIMITED.

Note 3: Henri Jayer and Xinjiang Henri Jayer are the wholly-owned subsidiaries of Timelink. Chambertin and RAYAS are the wholly-owned subsidiaries of Henri Jayer.

(2) Significant non-wholly owned subsidiaries (RMB)

Name of subsidiary	Proportion of ownership interest held by non-controlling interests	Profit or loss attributable to minority shareholders during the reporting period	Dividends declared to distribute to minority shareholders during the reporting period	Minority interests at the end of the reporting period

Note to difference between ownership interest held by non-controlling interests and the voting rights:

Other notes:

(3) Main financial information of significant non-wholly owned subsidiaries (RMB)

Name of subsidiary	Balance at the end of the reporting period						Balance at the beginning of the reporting period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Name of subsidiary	2019				2018			
	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities

Other notes:

(4) Material restrictions to using the assets and settling the liabilities of the group

(5) Financial support or other support to consolidated structured entities

Other notes:

2. Transactions which Resulted in Change of Equity Interests in a Subsidiary without Loss of Control

(1) Note to the changes of the proportion of equity interests in the subsidiary

According to the *Acquisition Agreement on the Sales and Purchase of 5% Shares of Cartelo Crocodile Pte Ltd* signed between Shanghai NJDS and Cartelo Crocodile Holding Co., Ltd: The Parties agree that the share transfer amount shall be negotiated and determined by the Parties of the *Agreement* with reference to the appraisal value recorded on the ZSZYPBZ [2016] No. 2366 Appraisal Report issued by Zhongshui Zhiyuan Assets Appraisal Co., Ltd., which is engaged by the Seller and is qualified for securities and futures business in Mainland China, for 100% of the issued shares of the Target Company. Through negotiation between the Parties, the amount for the sales of 5% shares by the Seller is determined to be RMB 31,394,986.60.

(2) Impact on the minority interests and the owner's equity attributable to the parent company

Unit: RMB

	CARTELO CROCODILE PTE LTD
Cash	31,394,986.60
Consideration paid for acquisition /consideration received for disposal	31,394,986.60
Less: Subsidiary's net assets calculated at the proportion of equity interest acquired or disposed	25,462,152.79
Difference	5,932,833.81
Including: Adjustment of capital surplus	5,932,833.81

Other notes

3. Interests in Joint Arrangements or Associates

(1) Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Registered address	Nature of business	Proportion of equity held by the Company		Measurement methods on investment for joint ventures or associates
				Direct	Indirect	

Note to the differences between the proportion of equity interests and the voting rights in joint ventures or associates:

Basis for having significant influence over the investees with voting rights of less than 20%, and having no significant influence over the investee with voting rights of 20% or above:

(2) Main financial information of the significant joint ventures

Unit: RMB

	Balance at the end of the reporting period/the amount incurred in the reporting period	Balance at the beginning of the reporting period/ the amount incurred in the prior period

Other notes

(3) Main financial information of significant associates

Unit: RMB

	Balance at the end of the reporting period/the amount incurred in the reporting period	Balance at the beginning of the reporting period/ the amount incurred in the prior period

Other notes

(4) Summarized financial information about insignificant joint ventures and associates

Unit: RMB

	Balance at the end of the reporting period/the amount incurred in the reporting period	Balance at the beginning of the reporting period/ the amount incurred in the prior period
Joint ventures:	--	--
The aggregate amounts of below items calculated based on proportion of equity interests:	--	--
Associate:	--	--
Total carrying amount of investments	15,441,091.08	14,230,858.19
The aggregate amount of below items calculated based on proportion of equity interests:	--	--
-- Net profit	1,210,232.89	427,104.15
-- Other comprehensive income		0.00
-- Total comprehensive income	1,210,232.89	427,104.15

Other notes

According to the *Proposal on Investment in Equity of Guangzhou XiEnEn Culture Communication Co., Ltd. and Related-party Transactions* reviewed and approved at the Seventeenth Meeting of the Fifth Board of Directors of the Company on October 28, 2016, NJDS purchased 10% equity of Guangzhou XiEnEn Culture Communication Co., Ltd. (hereinafter referred to as "XiEnEn") at RMB 12.67 million and ZHANG Yuxiang, the actual controller of NJDS, purchased 20% equity of XiEnEn at RMB 25.33 million.

According to the *Articles of Association* of XiEnEn, XiEnEn shall have a Board of Directors (3 members) and Board of Supervisors (3 members). After the equity purchase, NJDS has assigned a director and a supervisor to XiEnEn, and has a significant influence on the production and operation of the investee.

An equity transfer agreement was signed between the Company and Mrs. HE Tinghua (the actual controller of Guangzhou XiEnEn Culture Communication Co., Ltd.) on September 10,2019, stipulating that the Company's 10% equity of Guangzhou XiEnEn shall be transferred to HE Tinghua under the agreed price of RMB 15,633,458.64. The Company shall assist in the industrial and commercial change procedures after receiving the full payment for equity transfer according to the equity transfer agreement. The industrial and commercial change procedures are not handled yet by the end of the reporting period.

(5) Note to the significant restrictions on the ability of joint ventures or associates transferring funds to the Company

(6) Excess deficit from joint ventures or associates

Unit: RMB

Name of joint ventures or associates	Cumulative unrecognized loss of prior period	Unrecognized profit in the reporting period (or share of net profit in the reporting period)	Cumulative unrecognized loss at end of the reporting period

Other notes

(7) Unrecognized commitments relating to investments in joint ventures

(8) Contingent liabilities relating to investments in joint ventures or associates

4. Important Joint Operations

Name of joint operation	Principal place of business	Registered address	Nature of business	Proportion of equity interests /shares by the Company	
				Direct	Indirect

Note to the differences between the proportion of equity interests and the voting rights in the joint operations:

Basis for being classified as a joint operation when the joint operation is a single entity:

Other notes

None

5. Equity in Structured Entities not Included in the Consolidated Financial Statements

Note to structured entities not included in the consolidated financial statements:

None

6. Others

None

Note X. Risks Relating to Financial Instruments

Risks related to the financial instruments of the Company arise from the recognition of various financial assets and financial liabilities during its operation, including credit risk, liquidity risk and market risk.

The Company's management is responsible for determining risk management objectives and policies related to financial instruments. Operational management is responsible for the daily risk management through functional departments (e.g. the Company's credit management department reviews each credit sale). Internal audit department is responsible for the daily supervision of implementation of the risk management policies and procedures, and reports the findings to the audit committee in a timely manner.

Overall risk management objective of the Company is to establish risk management policies to minimize the risks without unduly affecting the competitiveness and resilience of the Company.

1. Credit Risk

Credit risk is the risk of one party of the financial instrument to face a financial loss because the other party of the financial instrument fails to fulfill its obligation. The credit risk of the Company is related to cash and equivalent, notes receivable, accounts receivables, other receivables and long-term receivables. Credit risk of these financial assets is derived from the counterparty's breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Cash and cash equivalent of the Company has lower credit risk, as they are mainly deposited in such financial institutions as commercial bank, of which the Company thinks with higher reputation and financial position.

For notes receivable, other receivables and long-term receivables, the Company establishes the corresponding policies to control their credit risk exposure. The Company assesses credit capability of its clients and determines their credit terms based on their financial position, possibility of the guarantee from third party, credit record and other factors (such as current market status, etc.). The Company monitors its clients' credit record periodically, and for those clients with poor credit record, the Company will take measures such as written call, shortening or cancelling their credit terms so as to ensure the overall credit risk of the Company is controllable.

(1) Determination of significant increases in credit risk

The Company assesses at each reporting date as to whether the credit risk on financial instruments has increased significantly since initial recognition. When the Company determines whether the credit risk has increased significantly since initial recognition, it considers based on reasonable and supportable information that is available without undue cost or effort, including quantitative and qualitative analysis of historical information, external credit ratings and forward-looking information. The Company determines the changes in the risk of a default occurring over the expected life of the financial instrument through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with the similar credit risk characteristics.

When occurrence of one or more of the following quantitative or qualitative criteria, the Company determines that the credit risk on financial instruments has increased significantly: the quantitative criteria applied mainly because as at the reporting date, the increase in the probability of default occurring over the lifetime is more than a certain percentage since the initial recognition; the qualitative criteria applied if the debtor has adverse changes in business and economic conditions, early warning list of customer, and etc.

(2) Definition of credit-impaired financial assets

The criteria adopted by the Company for determination of credit impairment are consistent with internal credit risk management objectives of relevant financial instruments in considering both quantitative and qualitative indicators.

When the Company assesses whether the debtor has incurred the credit impairment, the main factors considered are as following: Significant financial difficulty of the issuer or the borrower; a breach of contract, e.g., default or past-due event; a lender having granted a concession to the borrower for economic or contractual reasons relating to the borrower's financial difficulty that the lender would not otherwise consider; the probability that the borrower will enter bankruptcy or other financial re-organization; the disappearance of an active market for the financial asset because of financial difficulties of the issuer or the borrower; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

(3) The parameter of expected credit loss measurement

The Company measures provision for impairment for different assets with the expected credit loss of 12-month or the lifetime based on whether there has been a significant increase in credit risk or credit impairment has occurred. The key parameters for expected credit loss measurement include default probability, default loss rate and default risk exposure. The Company sets up the model of default probability, default loss rate and default risk exposure in considering the quantitative analysis of historical statistics (such as counterparties' ratings, guarantee method and collateral type, repayment method, etc.) and forward-looking information.

Relevant definitions are as following:

Default probability refers to the probability of the debtor will fail to discharge the repayment obligation over the next 12 months or the entire remaining lifetime;

Default loss rate refers to the Company's expectation of the loss degree of default risk exposure. The default loss rate varies depending on the type of counterparty, recourse method and priority, and the collateral. The default loss rate is the percentage of the risk exposure loss when default has occurred and it is calculated over the next 12 months or the entire lifetime;

The default risk exposure refers to the amount that the company should be repaid when default has occurred in the next 12 months or the entire lifetime. Both the assessment of significant increase in credit risk of forward-looking information and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Company identifies key economic indicators that have impact on the credit risk and expected credit losses for each business.

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset in the statement of financial position. The Company does not provide any other guarantees that may expose the Company to credit risk. Please refer to Note VII.4 & 6 for the information on risk exposure of accounts receivable and other receivables of the Company.

2. Liquidity Risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all of its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as to ensure to maintain adequate cash and cash equivalents.

As of December 31, 2019, the financial liabilities of the Company are as follows (Unit: RMB):

Items	December 31, 2019		
	Carrying amount	Within 1 year	Over 1 year
Financial liabilities:			
Short-term borrowings	100,105,694.45	100,105,694.45	—
Accounts payable	68,733,776.67	60,743,449.40	7,990,327.27
Other payables	119,528,535.68	68,391,396.99	51,137,138.69
Non-current liabilities maturing within one year	—	—	—
Long-term borrowings	—	—	—

(Continued)

Items	December 31, 2018		
	Carrying amount	Within 1 year	Over 1 year
Financial liabilities:			
Short-term borrowings	70,360,000.00	70,360,000.00	—
Accounts payable	52,048,994.98	49,409,707.30	2,639,287.68
Other payables	167,238,218.29	41,757,791.35	125,480,426.94
Non-current liabilities maturing within one year	—	—	—
Long-term borrowings	—	—	—

The loan details are as following:

Borrower bank	Type of borrowing	Amount of borrowing	Beginning date of borrowing	Due date of borrowing	Borrowing conditions

Shanghai Qingpu Subbranch of China Construction Bank	Short-term borrowings	50,000,000.00	2019/12/30	2020/12/29	Nanji E-commerce Co., Ltd. provides a joint liability guarantee
Shanghai Branch of Xiamen International Bank	Short-term borrowings	50,000,000.00	2019/7/2	2020/7/2	NJDS and Timelink provide joint liability guarantees
Total	—	100,000,000.00	—	—	—

3. Market Risk

(1) Foreign exchange risk

The main business of the Company is conducted in China and settled in RMB; however, foreign exchange risk may exist for the foreign currency assets and liabilities recognized by the Company as well as foreign currency transactions in the future. The Company’s Finance Department is responsible for monitoring the foreign currency transactions and the size of foreign assets and liabilities so as to reduce the exposure to foreign exchange risks. Please refer to "82. Foreign currency monetary items" in Note VII for the amount of foreign currency financial assets and foreign currency financial liabilities held by the Company converted into RMB.

Sensitivity analysis of exchange rate risk of financial assets and financial liabilities: The Company's exposure to foreign exchange risk is mainly related to changes in the exchange rate of USD against RMB. As of December 31, 2019, with other risk variables unchanged, if the RMB appreciates or depreciates by 1% against foreign currency, the Company's net profit will increase or decrease by RMB 44,700.00, and the Company believes that the exchange rate risk is generally controllable.

(2) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or cash flow in the future may fluctuate due to changes of market interest rate. As of December 31,2019, the Company's borrowings from financial institutions are subject to fixed interest rates, so they are not exposed to the risk of market interest rate fluctuation.

Note XI. Fair Value Disclosures

1. Assets and Liabilities Measured at Fair Value at the End of the Reporting Period

Unit: RMB

Items	Fair value at the end of the reporting period			
	Level 1	Level 2	Level 3	Total
I. Recurring fair value measurements	--	--	--	--
(I) Held-for-trading financial assets		1,490,000,000.00		1,490,000,000.00
1. Financial assets at fair value through profit or loss		1,490,000,000.00		1,490,000,000.00

(1) Debt instruments		1,490,000,000.00		1,490,000,000.00
(III) Equity instruments			100,000.00	100,000.00
Total liabilities measured at fair value on a recurring basis		1,490,000,000.00	100,000.00	1,490,100,000.00
II. Nonrecurring fair value measurements	--	--	--	--

2. Determination for the Quoted Prices of Fair Value Measurement in Level 1 on a Recurring or Nonrecurring Basis

N/A

3. Valuation Technique(s), Qualitative and Quantitative Information about the Significant Inputs Used for Fair Value Measurement in Level 2 on a Recurring or Nonrecurring Basis

For financial products at the end of the reporting period, due to the short remaining term, low interest rate and small fluctuation, and small difference between the book value and the fair value, the cost price is adopted as the fair value.

4. Valuation Technique(s), Qualitative and Quantitative Information about the Significant Inputs Used for Fair Value Measurement in Level 3 on a Recurring or Nonrecurring Basis

None

5. Reconciliations of the Opening Balances and Closing Balances and the Sensitivities Analysis of Significant Unobservable Inputs for Fair Value Measurement in Level 3 on a Recurring Basis

The Company’s other equity instrument investments for fair value measurement in Level3 refer to the equities held by the Company in unlisted companies.

Due to no significant of operating environment, management and financial position of other invested enterprises, the Company measures the equity as a reasonable estimate of fair value.

6. Reasons and Time Determination of Any Transfers into or out of Each Level of the Fair Value Measurement Hierarchy on a Recurring Basis

7. Change in the Valuation Technique during the Reporting Period and the Reason(s) for Such Changes

8. Fair Value of Financial Assets or Financial Liabilities which are not Measured at Fair Value

9. Others

Note XII. Related Parties and Related Party Transactions

1. General Information of the Parent Company

Name of the parent company	Registered address	Nature of business	Registered capital	Percentage of equity interests in the Company	Voting rights in the Company

Notes to the parent company

The Company is ultimately controlled by Mr. ZHANG Yuxiang and Ms. ZHU Xuelian.

Other notes:

As of December 31, 2019, Mr. ZHANG Yuxiang and Ms. ZHU Xuelian directly held 27.69% shares of the Company and indirectly held 2.29% shares of the Company through Fengnan Investment, their person acting in concert, 29.98% shares of the Company in total, and they are the Company's largest shareholder. Therefore, Mr. ZHANG Yuxiang and Ms. ZHU Xuelian are the actual controller of the Company.

2. General Information of Subsidiaries

Please refer to "Note IX. Interests in Other Entities" for the details of the subsidiaries.

3. Joint Ventures and Associates of the Company

Please refer to "3. Interests in Joint Arrangements or Associates" in Note IX .3 for details of significant joint ventures and associates.

Details of other joint ventures or associates trading with or with outstanding to the Company during the reporting period or prior periods:

Name of joint venture or associate	Relationship with the Company

Other notes

4. Other Related Parties of the Company

Name of related party	Relationship with the Company
ZHANG Yuxiang	Chairman and actual controller of the Company
ZHANG Yun	A close relative of the actual controller
Shanghai Fengnan Investment Center LLP	A shareholder of the Company, and an enterprise controlled by ZHANG Yuxiang
Shanghai Qiangxiang Machinery Equipment Co. Ltd.	A company controlled by ZHANG Yuxiang
Shanghai Chaolin Consulting and Management Center LLP	An enterprise controlled by ZHANG Yuxiang
ZHU Xueqin	A shareholder of Fengnan Investment, and a close relative of the actual controller

SHEN Chenxi	A director of the Company, a shareholder of Fengnan Investment, and a close relative of the actual controller
LIU Rui	A shareholder and director of the Company
Beijing Wenri Science & Technology Co., Ltd.	A company in which LIU Rui, a director of the Company, serves as a director
Beijing Shilian Tianxia Science & Technology Co., Ltd.	A company in which LIU Rui, a director of the Company, serves as a director
Shanghai Qishi International Trade Co., Ltd.	A company in which LIU Rui, a director of the Company, serves as a director
Beijing Baifu Trading Co., Ltd.	A company controlled by LIU Rui (a director of the Company)
ZHANG Yanni	A director of the Company
Jiangsu RENAC Power Technology Co., Ltd.	A company controlled by spouse of ZHANG Yanni
Wuxi Le-PV Energy Technology Co., Ltd.	A company controlled by spouse of ZHANG Yanni
Wuxi Nayuan IoT Technology LLP	A company controlled by spouse of ZHANG Yanni,
Shanghai Naxin New Energy Technology Co., Ltd.	A company controlled by spouse of ZHANG Yanni
Jiangxi Guoyuan Electric Power Testing Co., Ltd.	A company controlled by ZHANG Yanni
LU Lining	A director and deputy general manager of the Company
Shanghai Lanmei E-commerce Co., Ltd.	A company controlled by spouse of LU Lining
Shanghai Lanmei Xingchen E-commerce Co., Ltd.	A company controlled by spouse of LU Lining
Zhejiang Lanmei Fengying E-commerce Co., Ltd.	A company controlled by spouse of LU Lining
Shanghai Yangwei Trading Co., Ltd.	A company controlled by spouse of LU Lining
Shanghai Sichuan Network Technology Co., Ltd.	A company controlled by spouse of LU Lining
Shanghai Lanba Garment Co., Ltd.	A company controlled by spouse of LU Lining
Jiangyin Shuyihui Trading Co., Ltd.	A company controlled by spouse of LU Lining
Zhejiang Xinzhi E-commerce Co., Ltd.	A company controlled by a younger brother of LU Lining's spouse
YANG Bin	A director of the Company
Suzhou Hengkang Life Science Co., Ltd	A company in which YANG Bin, a director of the Company, serves as a director
ZHENG Dingxia	Chairman of the Board of Supervisors of the Company
CHEN Xiaojie	A supervisor of the Company
Suzhou Moye Trading Co., Ltd.	A company controlled by spouse of CHEN Xiaojie
HU Xianghuai	A supervisor of the Company
Shanghai Junhuai Industrial Co., Ltd.	A company controlled by spouse of HU Xianghuai
CAO Yitang	Board secretary and deputy general manager of the Company
Shanghai Caoyitang Enterprise Management Center	A company controlled by CAO Yitang

Shanghai Étant Capital Consulting Co., Ltd.	A company controlled by spouse of CAO Yitang
LIN Zecun	Deputy General Manager of the Company
FENG Jie	Deputy General Manager of the Company
JI Yanfen	Deputy General Manager of the Company
Dongfang Xinmin Holding Co., Ltd. (hereinafter referred to as "Dongfang Xinmin")	A shareholder of the Company
Wujiang Xinmin Industrial Investment Co., Ltd.	A shareholder of the Company
JIANG Xueming	A shareholder of the Company and the actual controller of Dongfang Xinmin
Dongfang Hengxin Capital Holding Group Co., Ltd. (hereinafter referred to as "Dongfang Hengxin")	A company controlled by JIANG Xueming, and the controlling shareholder of Dongfang Xinmin
Far East International Investment Co., Ltd.	A company controlled by JIANG Xueming
Dongwu Cement International Limited	A company controlled by JIANG Xueming
Orient Financial Holdings Group Co., Ltd.	A company controlled by JIANG Xueming
Orient Expressway (Hong Kong) Co., Ltd.	A company controlled by JIANG Xueming
Xuzhou Dongtong Construction and Development Co., Ltd.	A company controlled by JIANG Xueming
Suzhou Orient Jiujiu Industrial Co., Ltd.	A company controlled by JIANG Xueming
Shanghai Wenqi Investment Co., Ltd.	A company controlled by JIANG Xueming
Oriental Strait Capital Management Co., Ltd.	A company controlled by JIANG Xueming
Orient Zhongan Information Technology Co., Ltd.	A company controlled by JIANG Xueming
Suzhou Industrial Park Orient Huayu Investment Co., Ltd.	A company controlled by JIANG Xueming
Suzhou Dongtong Environmental Protection Technology Co., Ltd.	A company controlled by JIANG Xueming
Suzhou Industrial Park Foreign Language School	A company controlled by JIANG Xueming
Global Mining (China) Co., Ltd.	A company controlled by JIANG Xueming
Huaxin Resources Co., Ltd.	A company controlled by JIANG Xueming
Dosilicon Semiconductor Co., Ltd.	A company controlled by Dongfang Hengxin
Fidelix Co., Ltd.	A company controlled by Dongfang Hengxin
Huzhou Dongyuan Real Estate Co., Ltd.	A company controlled by Dongfang Hengxin
Wujiang Hongyuan Investment Management Co., Ltd.	A company controlled by Dongfang Hengxin
Wujiang Xinmin Chemical Fibre Co., Ltd.	A company controlled by Dongfang Xinmin
Suzhou Orient Kangtan New Energy Technology Co., Ltd.	A company controlled by Dongfang Hengxin
Suzhou Tailong Real Estate Development Co., Ltd.	A company controlled by Dongfang Hengxin
Suzhou Orient Hengfu Investment Management Co., Ltd.	A company controlled by Dongfang Hengxin
Orient Holdings Group (Overseas) Investment Co., Ltd.	A company controlled by Dongfang Hengxin
Orient Hengkang Life Science Co., Ltd.	A company controlled by Dongfang Hengxin

Suzhou Hengkang Life Science Co., Ltd	A company controlled by Dongfang Hengxin
Suzhou Xinmin Textile Co., Ltd.	A company controlled by Xinmin Industrial
Mumi Enterprise Management (Shanghai) Co., Ltd. (former name: Jueqing Enterprise Management (Shanghai) Co., Ltd.)	A company controlled by CHEN Ye, a former deputy general manager of the Company

Other notes

Far East International Investment Co., Ltd. is registered in Samoa, Orient Financial Holdings Group Co., Ltd. and Orient Expressway (Hong Kong) Co., Ltd. are registered in Hong Kong, and Dongwu Cement International Limited is registered in the Cayman Islands.

Jiangyin Shuyihui Trading Co., Ltd. and Shanghai Sichuan Network Technology Co., Ltd. are formerly controlled by spouse of LU Lining (the formally held 90% equities have been transferred to a third party and the commercial changes have been completed by the end of September 2019).

5. Related Party Transactions

(1) Purchases or sales of goods, rendering or receiving of services

Purchases of goods/ receiving of services

Unit: RMB

Related parties	Nature of the transaction	Amount incurred in the current period	Trading limit approved	Excess to trading limit	Amount incurred in the prior period
Guangzhou XiEnEn Culture Communication Co., Ltd.	Sales of goods			No	167,657.96
Mumi Enterprise Management (Shanghai) Co., Ltd.	Receiving of services	9,165,454.31	9,165,454.31	No	9,799,489.12

Sales of goods and rendering of services

Unit: RMB

Related parties	Nature of the transaction	2019	2018
Shanghai Lanmei E-commerce Co., Ltd.	Brand comprehensive services	22,107,464.93	5,194,794.36
Shanghai Lanmei E-commerce Co., Ltd.	Distributor licensing services	183,018.91	217,641.56
Shanghai Lanmei E-commerce Co., Ltd.	Sales of goods		1,114,070.08
Shanghai Lanmei E-commerce Co., Ltd.	Park services		1,599.11
Shanghai Lanmei E-commerce Co., Ltd.	Others	9,203.00	451,229.42
Zhejiang Lanmei Fengying E-commerce Co., Ltd.	Brand comprehensive services	4,783,040.00	
Zhejiang Lanmei Fengying E-commerce Co., Ltd.	Distributor licensing services	20,754.72	

Shanghai Yangwei Trading Co., Ltd.	Distributor licensing services	5,660.38	4,060,398.00
Shanghai Sichuan Network Technology Co., Ltd.	Brand comprehensive services	18,679.33	2,617,925.00
Shanghai Sichuan Network Technology Co., Ltd.	Distributor licensing services	53,301.90	16,981.13
Shanghai Lanba Garment Co., Ltd.	Distributor licensing services	3,773.60	4,716.99
Jiangyin Shuyihui Trading Co., Ltd.	Distributor licensing services	75,471.68	47,169.80
Zhejiang Xinzhi E-commerce Co., Ltd.	Brand comprehensive services	4,716,993.00	
Zhejiang Xinzhi E-commerce Co., Ltd.	Distributor licensing services	49,056.59	
Beijing Wenri Science & Technology Co., Ltd.	Mobile Internet media delivery services	18,253.01	
Mumi Enterprise Management (Shanghai) Co., Ltd.	Other business	348,902.08	
Guangzhou XiEnEn Culture Communication Co., Ltd.	Web celebrity traffic monetization services		98,630.13
Guangzhou XiEnEn Culture Communication Co., Ltd.	Distributor licensing services	37,735.84	
Guangzhou XiEnEn Culture Communication Co., Ltd.	Brand comprehensive services	23,583.38	69,027.83

Note to related party transactions for purchases or sales of goods, rendering or receiving of services.

(2) Related Entrustment/Contracting

Entrusting /contracting with the Company:

Unit: RMB

Name of the entruster/employer	Name of the entrustee/ contractor	Type of asset	Start date	End date	Basis for pricing of trustee /contract income	Income recognized in the reporting period

Note to entrustment / contracting

Entrusted with/ contracting-out of the Company:

Unit: RMB

Name of the entruster/employer	Name of the entrustee/ contractor	Type of assets	Start date	End date	Basis for pricing of trustee fee /contract expenditure	Trustee fee /contract expenditure recognized in the reporting period

Note to entrustment/ contracting-out

(3) Related-party leases

The Company as lessor:

Unit: RMB

The lessee	Type of assets	Lease income recognized in the reporting period	Lease income recognized in the prior period

The Company as lessee:

Unit: RMB

The lessor	Type of assets	Lease expense recognized in the reporting period	Lease expense recognized in the prior period
Shanghai Qiangxiang Machinery Equipment Co. Ltd.	Warehouse	475,247.40	430,487.18
ZHANG Yuxiang	Housing	144,000.00	144,000.00

Note to related related-party leases

(4) Related-party guarantees

The Company as guarantor

Unit: RMB

Guarantee	Amount	Effective date	Expiry date	Whether the guarantee has been fulfilled

The Company as guarantee

Unit: RMB

Guarantor	Amount	Effective date	Expiry date	Whether the guarantee has been fulfilled
LIU Rui	20,360,000.00	November 13,2018	November 13,2019	Yes

Note to the related-party guarantees

(5) Related-party borrowings and lendings

Unit: RMB

Related parties	Amount	Effective date	Expiry date	Notes
Borrowings				
Lendings				

(6) Related-party transfers of assets and debt restructuring

Unit: RMB

Related parties	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period

(7) Key management personnel compensation

Unit: RMB

Items	2019	2018
Key management personnel compensation	10,709,600.00	5,510,900.00

(8) Other related party transactions

6. Receivables and Payables with Related Parties

(1) Receivables

Unit: RMB

Items	Related parties	Balance at 31/12/2019		Balance at 1/1/2019	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Accounts receivable	Shanghai Lanmei E-commerce Co., Ltd.	16,000,000.00	800,000.00	3,099,500.00	154,975.00
Accounts receivable	Zhejiang Lanmei Fengying E-commerce Co., Ltd.	2,400,000.00	120,000.00		
Accounts receivable	Shanghai Yangwei Trading Co., Ltd.	1,254,800.00	125,480.00	3,012,800.00	150,640.00
Accounts receivable	Shanghai Sichuan Network Technology Co., Ltd.	1,240,000.00	123,010.00	1,942,500.00	97,125.00
Accounts receivable	Zhejiang Xinzhi E-commerce Co., Ltd.	2,500,000.00	125,000.00	3,099,500.00	154,975.00
Accounts receivable	Mumi Enterprise Management (Shanghai) Co., Ltd.	126,983.62	6,349.18		
Advances to suppliers	ZHANG Yuxiang	72,000.00			
Other receivables	Guangzhou XiEnEn Culture Communication Co., Ltd.			11.00	0.55
Other receivables	Mumi Enterprise Management (Shanghai) Co., Ltd.			362,754.61	18,137.73

(2) Payables

Unit: RMB

Items	Related parties	31 December 2019	1 January 2019
Accounts payable	Mumi Enterprise Management (Shanghai) Co., Ltd.	3,745,965.27	8,428,001.74
Advances from customers	Guangzhou XiEnEn Culture Communication Co., Ltd.		65,000.05
Advances from customers	Shanghai Lanmei E-commerce Co., Ltd.	481,500.00	185,000.00
Advances from customers	Zhejiang Lanmei Fengying E-commerce Co., Ltd.	135,000.00	22,000.00
Advances from customers	Shanghai Yangwei Trading Co., Ltd.	11,000.00	3,000.00
Advances from customers	Shanghai Sichuan Network Technology Co., Ltd.	73,000.00	55,000.00
Advances from customers	Shanghai Lanba Garment Co., Ltd.	24,000.00	
Advances from customers	Jiangyin Shuyihui Trading Co., Ltd.	120,000.00	80,000.00
Advances from customers	Zhejiang Xinzhi E-commerce Co., Ltd.	66,000.00	185,000.00
Other payables	LIU Rui		34,057,500.00
Other payables	Guangzhou XiEnEn Culture Communication Co., Ltd.	2,137,671.32	230,000.00
Other payables	Shanghai Lanmei E-commerce Co., Ltd.	235,000.00	145,000.00
Other payables	Shanghai Yangwei Trading Co., Ltd.	10,000.00	10,000.00
Other payables	Shanghai Sichuan Network Technology Co., Ltd.	20,000.00	20,000.00
Other payables	Shanghai Lanba Garment Co., Ltd.	25,000.00	25,000.00
Other payables	Jiangyin Shuyihui Trading Co., Ltd.	20,000.00	20,000.00
Other payables	Zhejiang Xinzhi E-commerce Co., Ltd.	10,000.00	
Other payables	Suzhou Xinmin Textile Co., Ltd.	1,094.40	1,094.40

7. Commitments of related parties

8. Others

Note XIII. Share-based Payments

1. General Information of Share-based Payments

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

Total amount of equity instruments granted during the reporting period	13,489,200.00
Total amount of equity instruments exercised during the reporting period	0.00
Total amount of equity instruments expired during the reporting period	258,000.00

Range of exercise prices of share options outstanding at the end of the reporting period, and the remaining contract period	Note 1, Note 2 and Note 3
Range of exercise prices of other equity instruments outstanding at the end of the reporting period, and the remaining contract period	—

Other notes

Note 1: The *Company's Proposal on 2019 Stock Option Incentive Plan (Draft) and Its Summary* and the *Company's Proposal on Assessment Management Measures for Implementation of 2019 Stock Option Incentive Plan* were reviewed and approved in the Sixteenth Meeting of the Sixth Board of Directors of the Company on September 25,2019 and the Second Extraordinary General Meeting of the Company in 2019 on October 14,2019, and the stock option was adopted as the incentive instrument. The stocks would be the RMB-denominated A-shares of the Company repurchased by the Company from the stock market.

It is stipulated in the proposals that: The Company plans to grant 16,956,927 options to the incentive objects, of which 13,747,200 are granted initially and 3,209,727 are reserved. Where: the initial incentive objects shall be 124 persons, including the directors, middle and senior management, and key technical (business) personnel of the Company (including subsidiaries). The exercise price of the initially-granted stock options shall be 75% of the average repurchase stock price, i.e. RMB 6.70 per share.

On November 13,2019, the Company held the Eighteenth Meeting of the Sixth Board of Directors, and reviewed and approved the *Proposal on Adjusting the List of Employees Granted with Stock Options Initially and Number of Granted Stock Options under the 2019 Stock Option Incentive Plan*. After adjustment, the number of employees initially granted with stock options in the 2019 SOIP of the Company was adjusted from 124 to 122 and the number of stock options granted initially was adjusted from 13,747,200 to 13,597,200. It was determined that the initial grant date was November 13,2019, and the exercise price of the granted stock options is RMB 6.70.

13,489,200 stock options were granted initially, and the number of stock options to be written off due to resignation or voluntary abandonment of the grantees is 258,000 as of December 31, 2019. The write-off of the above stock options has not been conducted yet as of December 31, 2019.

Note 2: Arrangement of exercise

The exercise time of stock options granted initially is arranged as follows:

Exercise arrangement		Exercise time	% of exercisable options to the initially-granted options
Stock options granted initially	First exercise period	From the first trading date after 12 months since the grant date to the last trading date within 24 months since the grant date	30%
	Second exercise period	From the first trading date after 24 months since the grant date to the last trading date within 36 months since the grant date	40%
	Third exercise period	From the first trading date after 36 months since the grant date to the last trading date within 48 months since the grant date	30%

The exercise time of reserved stock options is arranged as follows:

Exercise arrangement	Exercise time	% of exercisable options to the reserved options
First exercise period	From the first trading date after 12 months since the date of granting the reserved options to the last trading date within 24 months since date of granting the reserved options	50%
Second exercise period	From the first trading date after 24 months since the date of granting the reserved options to the last trading date within 36 months since the s date of granting the reserved options	50%

Note 3: Conditions for exercise of stock options

Within the exercise period, the stock options granted to the employees are exercisable when all the following conditions are met at the same time:

(I) The Company is free of any of the following circumstances:

1. The certified public accountant issued negative opinions or cannot express any opinion in the auditor's report for the financial statements of the latest fiscal year;

2. The certified public accountant issued negative opinions or cannot express any opinion in the auditor's report for the internal control of the latest fiscal year;

3. In the last 36 months after the Company's listing, there are circumstances that the profits have not been distributed in accordance with laws, regulations, Articles of Association, and public commitments;

4. The circumstances that no equity incentive can be implemented in accordance with the laws and regulations;

5. Other circumstances identified by the CSRC.

(II) The relevant incentive object is free of any of the following circumstances:

1. Identified as an inappropriate person by the securities exchange within the last 12 months;

2. Identified as an inappropriate person by the CSRC or its branches;

3. Imposed with administrative penalties or "no access to securities market" measure by the CSRC or its branches within the last 12 months due to serious violations of laws and regulations;

4. Not allowed to serve as directors or senior executives of the Company as stipulated in the *Corporate Law*;

5. Not allowed to participate in the stock option incentive of a listed company as stipulated by the laws and regulations;

6. Other circumstances identified by the CSRC.

If the Company has any of the circumstances set out in the above Article (I), all stock options that have been granted to the incentive objects under the 2019 SOIP but not exercised yet shall be written off by the Company; If any employee has any of the circumstances set out in the above Article (II), all stock options that have been granted to this employee under the 2019 SOIP but not exercised yet shall be written off by the Company.

(IV) Requirements for the Company's performance

The stock options granted under the 2019 SOIP shall be subject to performance assessment and exercise in each assessment fiscal year during the exercise period, so as to achieve the performance objective, which is the exercise condition of the employee.

The annual performance objectives of the initially-granted stock options are listed as follows:

Exercise period	Performance objective
First exercise period	Based on 2018, the Company's net profit growth rate in 2019 should not be less than 36%;
Second exercise period	Based on 2019, the Company's net profit growth rate in 2020 should not be less than 28%;
Third exercise period	Based on 2020, the Company's net profit growth rate in 2021 should not be less than 28%.

The annual performance assessment goals of the reserved stock options are listed as follows:

Exercise period	Performance objective
First exercise period	Based on 2019, the Company's net profit growth rate in 2020 should not be less than 28%;
Second exercise period	Based on 2020, the Company's net profit growth rate in 2021 should not be less than 28%;

(IV) Requirements for the employee’s performance

One of the key factors to achieve the above net profit objectives is the year-on-year increase by 40%,30% and 30% of the Company's brand licensing and comprehensive service revenues in 2019, 2020 and 2021 respectively (“Key Revenue Indicator”). In the Company's employee performance assessment plan, this internal key revenue indicator and other performance indicators are broken down into the incentive objectives of each incentive object according to department functions.

According to the *Performance Assessment Management Measures for Implementation of the 2019 Stock Option Incentive Plan* formulated by the Company, the incentive objects should exercise the option rights according to the proportion of exercise corresponding to the performance assessment results of the prior year.

The assessment grade of each incentive object is determined according to his/her total assessment score as per the following table:

Total assessment score (Y)	90-100	80-89	60-79	<0
Assessment grade	Excellent	Good	Qualified	Unqualified
Individual exercise ratio (S)	100%	Y%	Y%	0

When an employee’s Y≥90, this employee’s S equals to 100%; when 90>Y≥60, the employee’s S equals to Y %; when Y<60, the employee’s S equals to 0.

Maximum number of exercisable options of an incentive object in the current year = Individual Exercise Ratio (S) × Number of Individual Exercisable Options in the current year calculated per the assessment results of the Company’s performance achieved in the prior year. The employees shall exercise options within their respective maximum number of exercisable options, and the stock options that cannot be exercised in the year of assessment shall be cancelled by the Company uniformly.

2. Equity-settled Share-based Payment

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

Determination of the fair value of equity instruments at grant date	Option pricing model
Determination of the number of equity instruments that eventually vest	To be determined according to the number of employees, expected return level of stock options, performance evaluation of employees, and other factors
Reasons for significant differences between the valuation during the reporting period and prior periods	—
Cumulative amount of equity-settled share-based payment recognized as capital reserve	4,036,433.14
Total costs recognized by equity-settled share-based payment in the reporting period	4,036,433.14

Other notes

3. Cash-settled Share-based Payment

□ Applicable (A) √ Not applicable (N/A)

4. Modifications and Cancellations of Share-based payment

None

5. Others

Note XIV. Commitments and Contingencies

1. Significant Commitments

Significant commitments existing at the balance sheet date

As of December 31, 2019, the Company had no significant commitments required to be disclosed.

2. Contingencies

(1) Significant contingencies existing at the balance sheet date:

As the products of one client of the Company involved trademark infringement, the Company's subsidiary Shanghai NJDS was listed as a joint defendant, and the bank deposit of RMB 3.2 million was frozen. As ofApril15,2020, the plaintiff and the defendant have signed a settlement agreement, Shanghai NJDS shall not be responsible for the liability for compensation.

As of December 31,2019, the Company had no other significant contingencies required to be disclosed other than that mentioned above.

(2) A note is required when the Company has no significant contingency required to disclose.

The Company has no significant contingencies required to disclose other than that mentioned above.

3. Others

Note XV. Events after the Balance Sheet Date

1. Significant Non-adjusting Events

Unit: RMB

Items	Content	Estimation of its financial effect	Reason for the estimation cannot be made

2. Profit Distribution

Unit: RMB

Profits or dividends proposed to be distributed	302,301,271.02
Profits or dividends declared to be distributed upon approval	302,301,271.02

3. Sales Returns

None

4. Notes to Other Events after the Balance Sheet Date

As of April 15, 2020, the Company had no other events after the balance sheet date required to disclose other than those mentioned above.

Note XVI. Other Significant Matters

1. Corrections of Prior Period Accounting Errors

(1) Retrospective restatement method

Unit: RMB

Correction of accounting errors	Treatment process	Financial statement line items affected in each comparative period	Cumulative effects

(2) Prospective application method

Correction of accounting errors	Approval process	Reasons for adoption of prospective application

2. Debt Restructuring

3. Assets Exchange

(1) Non-monetary assets exchange

(2) Other assets exchange

4. Annuity Plan

5. Discontinued Operations

Unit: RMB

Item	Revenue	Cost and expense	Total profit	Income tax expense	Net profit	Net profit/loss from discontinued operation attributable to the parent company

Other notes

6. Segment Information

(1) Basis of identification and accounting policies of reportable segments

The Company identifies operating segments according to its internal organization structure, management requirements and internal reporting systems. Then the reportable segments are to be determined based on the Company's operating segments.

An operating segment refers to a segment of the Company that simultaneously satisfies all of the following conditions:

① The segment can earn revenues and incur expenses during the daily operations;

② The Company's management can regularly review the segment's operating results to determine resources to be allocated to the segment and to assess its performance;

③ The Company can obtain the accounting information on the segment's financial position, operating results and cash flows.

If two or more operating segments have similar economic characteristics and satisfy certain conditions, the

Company can combine them into one single operating segment.

The Company's reportable segments include: NJDS brand licensing-related businesses (refer to the businesses other than the Internet advertising business of the Company's subsidiary Timelink, hereinafter referred to as the "NJBU Business") and the Internet advertising business of Timelink (hereinafter referred to as "Timelink Business").

Accounting policies for operating segments of the Company are consistent with main accounting policies of the Company.

(2) Financial information of reportable segments

Unit: RMB

Items	NJBU business	Timelink business	Eliminations	Total
Year 2019				
Revenues	1,397,584,877.89	2,510,285,394.83	1,022,036.31	3,906,848,236.41
Costs of revenues	102,063,697.05	2,300,634,754.99		2,402,698,452.04
Operating expenses	171,031,114.87	71,914,352.11	1,022,036.31	241,923,430.67
Total profits	1,171,171,006.59	108,257,263.70	1,423,411.06	1,278,004,859.23
Net profits	1,099,173,887.01	108,418,634.15	1,431,536.25	1,206,160,984.91
Total assets	4,995,853,172.42	666,411,242.37	177,449,402.60	5,484,815,012.19
Total liabilities	398,385,458.50	229,010,001.58	1,307,568.75	626,087,891.33
Net assets	4,597,467,713.92	437,401,240.79	176,141,833.85	4,858,727,120.86
Year 2018				
Revenues	1,037,851,981.67	2,316,017,013.90	1,009,023.10	3,352,859,972.47
Costs of revenues	74,904,813.05	2,122,237,074.81		2,197,141,887.86
Operating expenses	154,574,609.81	57,596,735.07	1,009,023.10	211,162,321.78
Total profits	831,137,418.37	130,412,388.91	-1,488,789.49	963,038,596.77
Net profits	759,857,040.33	125,933,857.89	-1,488,789.49	887,279,687.71
Total assets	3,985,746,747.25	767,988,054.86	204,486,087.40	4,549,248,714.71
Total liabilities	375,750,270.14	439,005,448.22	29,775,789.80	784,979,928.56
Net assets	3,609,996,477.11	328,982,606.64	174,710,297.60	3,764,268,786.15

Note: In accordance with the standards for business combination not under common control in the *Accounting Standards for Business Enterprises No. 20- Business Combinations*, the acquirer shall recognize the fair value of the acquiree's identifiable assets and liabilities acquired in the combination as their book value on the acquisition date.

The above Income Statement of Timelink Business is a fair value statement after adjustments pursuant to the standards for business combination not under common control in the *Accounting Standards for Business Enterprises No. 20- Business Combination*.

(3) A note is required if the Company does not have any reportable segment or it is unable to disclose total assets and total liabilities of the reportable segment.

None

(4) Other notes

① Top five clients of NJBU by operating revenue in 2019

Client name	Operating revenue (RMB)	% in total operating revenue of NJBU of the current year
Zhejiang Shangwei E-commerce Co., Ltd.	54,128,690.61	3.87
Zhejiang A*** Co., Ltd.	53,066,112.28	3.80
Changsha Jiashi Fashion Trading Co., Ltd.	34,932,087.42	2.50
Shanghai Wenjie Textile Co., Ltd.	27,425,011.64	1.96
Quanzhou Quanhong Trading Co., Ltd.	24,713,464.57	1.77
Total	194,265,366.52	13.90

② Top five clients of Timelink by operating revenue in 2019

Client name	Operating revenue (RMB)	% in total operating revenue of Timelink of the current year
Shenzhen Qianhai Xinzhijiang Information Technology Co., Ltd.	492,260,132.50	19.61
Beijing Mai *** Co., Ltd.	270,401,252.54	10.77
Fuzhou 360 Network Petty Loan Co., Ltd. (Note 1)	168,452,185.57	6.71
Beijing Zi *** Co., Ltd. (Note 2)	163,482,085.91	6.51
Taobao (China) Software Co., Ltd. (Note 3)	92,627,266.10	3.69
Total	1,187,222,922.62	47.29

Note 1: The operating revenue from Fuzhou 360 Network Petty Loan Co., Ltd. in the reporting period shall be calculated according to the consolidated scope, including the sales amounts from its related companies - Shanghai Qiyu Information Technology Co. Ltd., 360 Technology Group Co., Ltd., Guangrui Hengyu (Beijing) Technology Co., Ltd., Beijing Qicai Tianxia Technology Co., Ltd. and Ningbo Qihuan Information Technology Co., Ltd.

Note 2: The total operating revenue from Beijing Zi * * * * Co., Ltd. in the reporting period shall be calculated according to the consolidated scope, including the sales amounts from its related companies, Beijing Zi * * * Technology Co., Ltd., Beijing Zhen * * * Co., Ltd., Beijing Yue * * * * Co., Ltd., and Beijing Micro * * * Co., Ltd.

Note 3: The total operating revenue from Taobao (China) Software Co., Ltd. in the reporting period shall be calculated according to the consolidated scope, including the sales amounts from its subsidiary Alibaba (China) Network Technology Co., Ltd. and its related company Zhejiang Tmall Technology Co., Ltd.

As of December31, 2019, the Company had no other significant matters to disclose other than those mentioned above.

7. Other Significant Transactions and Matters which may have a Major Impact on Investor's Decision-making

8. Others

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

1. Accounts Receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Balance at the end of the reporting period					Balance at the beginning of the reporting period				
	Book balance		Bad-debt provision		Carrying amount	Book balance		Bad-debt provision		Carrying amount
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										
Accounts receivable with bad debt provisions recognized collectively	43,008,735.90	100.00%	2,210,268.05	5.14%	40,798,467.85	102,147,001.90	100.00%	5,326,658.93	5.21%	96,820,342.97
Including:										
Group 1: Accounts receivable arising from businesses other than finance leasing business and factoring business	43,008,735.90	100.00%	2,210,268.05	5.14%	40,798,467.85	102,147,001.90	100.00%	5,326,658.93	5.21%	96,820,342.97
Total	43,008,735.90	100.00%	2,210,268.05	5.14%	40,798,467.85	102,147,001.90	100.00%	5,326,658.93	5.21%	96,820,342.97

Provision for bad debt recognized individually:

Unit: RMB

Name	Balance at the end of the reporting period			
	Book balance	Bad-debt provision	Accrual proportion	Reason for provision

Provision for bad debt recognized collectively:

Unit: RMB

Name	Balance at the end of the reporting period

	Book balance	Bad-debt provision	Accrual proportion
Group 1: Accounts receivable arising from businesses other than finance leasing business and factoring business	43,008,735.90	2,210,268.05	5.14%
Total	43,008,735.90	2,210,268.05	--

Note to the basis of determining the group:

Provision for bad debt recognized collectively:

Unit: RMB

Name	Balance at the end of the reporting period		
	Book balance	Bad-debt provision	Accrual proportion

Note to the basis for determining the group:

In case the bad debt provisions for the accounts receivable are recognized by the general model of expected credit loss, please disclose the relevant information of bad-debt provision in line with the disclosure method of other receivables:

□ Applicable (A) √ Not applicable (N/A)

Disclosure by Aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	41,812,110.90
1-2 years	1,196,625.00
Total	43,008,735.90

(2) Changes of provision for bad debt during the reporting period

Provision of bad debt during the reporting period:

Unit: RMB

Category	Balance at the beginning of the reporting period	Changes during the reporting period				Balance at the end of the reporting period
		Provision	Recovery or reversal	Write off	Others	
Bad-debt provision	5,326,658.93	-3,116,390.88				2,210,268.05
Total	5,326,658.93	-3,116,390.88				2,210,268.05

Including: significant recovery or reversal of bad debt provision during the reporting period:

Unit: RMB

Entity	Recovery or reversal amount	Recovery method

(3) Accounts receivable write-off during the reporting period

Unit: RMB

Items	Amount written off

Including: Accounts receivable with significant balance write-off during the reporting period:

Unit: RMB

Entity	Nature of accounts receivable	Amount written off	Write-off reason	Write-off procedures	Due from related parties or not

Note to accounts receivable write-off:

(4) Top five closing balances by entity at the end of the reporting period

Unit: RMB

Entity	Balance of account receivable at 31/12/2019	% of the balance to the total accounts receivable	Balance of bad-debt provision at 31/12/2019
Shanghai Xiaodai Finance Lease Co., Ltd.	9,524,117.06	22.14%	476,205.85
Jingzhou Hongye Knitting Apparels Co., Ltd.	6,486,437.08	15.08%	324,321.85
Xinjiang Cartelo E-commerce Co., Ltd.	5,079,281.33	11.81%	253,964.07
Hangzhou Gesa Information Technology Co., Ltd.	2,645,318.00	6.15%	132,265.90
Changshu Meite Wei'er Garment Co., Ltd.	2,400,000.00	5.58%	120,000.00
Total	26,135,153.47	60.76%	

(5) Derecognition of accounts receivable due to the transfer of financial assets

(6) Assets or liabilities arising from continuing involvement in transferred accounts receivable

Other notes:

2. Other Receivables

Unit: RMB

Items	Balance at the end of the reporting period	Balance at the beginning of the reporting period
Other receivables	4,890,795.89	32,667,995.54
Total	4,890,795.89	32,667,995.54

(1) Interests receivable

① Interests receivable by category

Unit: RMB

Items	Balance at the end of the reporting period	Balance at the beginning of the reporting period

② Significant overdue interest

Borrower	Balance at the end of the reporting period	Overdue time	Reason for overdue	Impairment or not (if have, the indications for that)

Other notes:

③ Provision for bad debt

□ Applicable (A) √ Not applicable (N/A)

(2) Dividends receivable

① Dividends receivable by category

Unit: RMB

Item (or investee)	Balance at the end of the reporting period	Balance at the beginning of the reporting period

② Dividends receivable over one year with significant balance

Unit: RMB

Item (or investee)	Balance at the end of the reporting period	Aging	Reason for overdue	Impairment or not (if have, the indications for that)

③ Provision for bad debt

□ Applicable (A) √ Not applicable (N/A)

Other notes:

(3) Other receivables

① Other receivables by nature

Unit: RMB

Nature	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Business transaction payment	8,674,881.08	35,009,362.50
Deposit	70,000.00	70,000.00
Others	2,564.87	253,521.41
Total	8,747,445.95	35,332,883.91

② Other receivables by bad debt provision method

Unit: RMB

Bad-debt provision	Stage I	Stage II	Stage III	Total
	Expected credit loss in next 12 months	Expected credit loss over the entire duration (without credit impairment)	Expected credit loss over the entire duration (with credit impairment)	
Balance at1 January 2019	2,664,888.37			2,664,888.37
Balance at1 January 2019in the reporting period	——	——	——	——
Provision in the reporting period	1,192,041.69			1,192,041.69
Write-off in the reporting period	280.00			280.00
Balance at December 31,2019	3,856,650.06			3,856,650.06

Book balance changes with significant changes in loss allowance in the reporting period

□ Applicable (A) √ Not applicable (N/A)

Disclose by Aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	5,037,117.25
1-2 years	112,100.00
2 to 3 years	6,635.00

Above 3 years	3,591,593.70
3 to 4 years	3,591,593.70
Total	8,747,445.95

③ Changes of provision for bad debt during the reporting period

Provision of bad debt during the reporting period:

Unit: RMB

Category	Balance at the beginning of the reporting period	Changes during the reporting period				Balance at the end of the reporting period
		Provision	Recovery or reversal	Write off	Others	
Bad-debt provision	2,664,888.37	1,192,041.69		280.00		3,856,650.06
Total	2,664,888.37	1,192,041.69		280.00		3,856,650.06

Including: Significant recovery or reversal of provision for bad debt during the reporting period:

Unit: RMB

Entity	Reversal or recovery amount	Recovery method

④ Other receivables written off during the reporting period

Unit: RMB

Items	Amount written off
Other receivables actually written off	280.00

Including: Other receivables with significant balance write-off during the reporting period:

Unit: RMB

Entity	Nature of other receivables	Write-off amount	Write-off reason	Write-off procedures	Due from related parties or not

Note to other receivable write-off:

⑤ Top five closing balances by entity at end of the reporting period

Unit: RMB

Entity	Nature of payment	Balance at 31 December 2019	Aging	Proportion of the balance to the total other receivables	Bad-debt provisions at 31 December 2019
Nanji E-commerce (Shanghai) Co., Ltd.	Intra-company transaction payment	3,494,298.18	Within 1 year	39.95%	174,714.91

CARTELO CROCODILE PTE LTD	Intra-company transaction payment	3,131,643.70	1-3 years	35.80%	3,111,213.70
Xinjiang Juchang E-commerce Co., Ltd.	Intra-company transaction payment	776,763.40	Within 1 year	8.88%	38,838.17
Beijing Micro Streaming Technology Co., Ltd.	Business transaction payment	600,000.00	Within 1 year	6.86%	30,000.00
Hema International Sports Goods (Shanghai) Co., Ltd.	Business transaction payment	482,350.00	Above 3 years	5.51%	482,350.00
Total	--	8,485,055.28	--	97.00%	3,837,116.78

⑥ Other receivables relating to government grants

Unit: RMB

Entity	Government grant	Balance at the end of the reporting period	Aging at the end of the reporting period	Estimated date, amount and basis for the receipt

⑦ Derecognition of other receivables for transfer of financial assets

⑧ Assets or liabilities arising from continuing involvement in transferred other receivables

Other notes:

3. Long-term Equity Investments

Unit: RMB

Items	Balance at the end of the reporting period			Balance at the beginning of the reporting period		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	3,925,133,859.28		3,925,133,859.28	3,923,819,674.95		3,923,819,674.95
Investment in joint ventures and associates				14,230,858.19		14,230,858.19
Total	3,925,133,859.28		3,925,133,859.28	3,938,050,533.14		3,938,050,533.14

(1) Investment in subsidiaries

Unit: RMB

Investees	Balance at 1 January 2019 (carrying amount)	Changes during the reporting period				Balance at 31 December 2019 (carrying amount)	Balance of impairment provision at 31 December 2019
		Increase	Decrease	Provision for impairment	Others		
Nanji E-commerce (Shanghai) Co., Ltd.	2,966,019,674.95	2,914,184.33				2,968,933,859.28	
Shanghai Shuimishang Culture Communication Co., Ltd.	1,800,000.00		1,800,000.00				
Beijing Timelink Network Technology Co., Ltd.	956,000,000.00					956,000,000.00	
Xinjiang Yuduocheng E-commerce Co., Ltd.		100,000.00				100,000.00	
Xinjiang Jingshang E-commerce Co., Ltd.		100,000.00				100,000.00	
Total	3,923,819,674.95	3,114,184.33	1,800,000.00			3,925,133,859.28	

Note: The increase of the Company's investment in its subsidiary Shanghai NJDS in 2019 is the cost accrued for the grant of stock options to the management of the subsidiary.

(2) Investment in joint ventures and associates

Unit: RMB

Investees	Balance	Changes during the reporting period	Balance	Balance

	at 1 January 2019 (carrying amount)	Increase	Decrease	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity	Declaration of cash dividends or distribution of profit	Provision for impairment	Others	at 31 December 2019 (carrying amount)	of impairment provision at 31 December 2019
I. Joint ventures											
II. Associates											
Guangzhou XiEnEn Culture Communication Co., Ltd.	14,230,858.19			1,210,232.89					-15,441,091.08	0.00	
Subtotal	14,230,858.19			1,210,232.89					-15,441,091.08	0.00	
Total	14,230,858.19			1,210,232.89					-15,441,091.08		

(3) Other notes

4. Operating revenues and Cost of revenue

Unit: RMB

Items	2019		2018	
	Revenues	Costs	Revenues	Costs
Main business	216,999,814.62	44,031,866.73	305,731,920.09	35,740,754.29
Other business	13,516,592.83	91,698.11	7,143,990.44	48,390.61
Total	230,516,407.45	44,123,564.84	312,875,910.53	35,789,144.90

Whether the new revenue standards have been implemented?

□ Yes √ No

Other notes:

5. Investment Income

Items (Unit: RMB)	2019	2018
Investment income from long-term equity investments under cost method		84,000,000.00
Investment income from long-term equity investments under equity method	1,210,232.89	427,104.15
Losses on disposal of long-term equity investments	-308,692.70	
Investment income from bank financial products	10,251,420.05	6,110,042.81
Total	11,152,960.24	90,537,146.96

6. Others

Note XVIII. Supplementary Information

1. Non-recurring Gains or Losses during the Reporting Period

√ Applicable (A) □ Not applicable (N/A)

Unit: RMB

Items	Amount	Notes
Losses on disposal of non-current assets	-34,285.41	—
Tax refunds or reductions with ultra vires approval or without official approval documents		—
Government grants recognized in current profit or loss (except government grants that is closely related to operations and determined based on a fixed scale according to the national unified standard)	25,146,036.05	—
Funds occupation fee recognized in current profit or loss from non-financial companies		—
The excess of attributable fair value of net identifiable assets over the consideration paid for subsidiaries, associates or joint ventures recognized by the Company		—
Gains/(losses) generated from non-monetary asset exchange		—
Gains on entrusted investments or asset managements	33,933,372.78	—
Provision for impairment of each asset due to force majeure such as a natural disaster		—
Gains /(losses) on debt restructuring		—
Corporate restructuring charge, such as expenditure for staff resettlement and integration cost		—
Gains /(losses) from excess of fair value in non-arm's length transactions		—
Net gains /(losses) of subsidiaries arising from business combination under common control from the beginning of the reporting period till the combination date		—
Gains /(losses) arising from contingencies other than those related to normal operations of the Company		—

Gains /(losses) arising from changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities during the holding period and investment income arising from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment except effective hedging transactions related to the Company's normal operations		—
Reversal of provision for impairment of accounts receivable tested for impairment individually	100,000.00	—
Gains /(losses) arising from entrusted loans to other entities		—
Gains /(losses) arising from changes in fair value of investment properties adopting fair value model for subsequent measurement		—
Impact of one-off adjustment to current profit or loss based on the requirements of taxation and accounting laws and regulations		—
Custody fee income from entrusted operations		—
Other non-operating income except for items mentioned above	10,199,020.48	—
Other extraordinary gains/(losses) defined		—
Less: Income tax effect	11,113,272.14	—
Effect of minority interests	23,571.43	—
Total	58,207,300.33	--

Provide explanations for classifying non-recurring profit or loss items defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profits or Losses, and classifying non-recurring profit or loss items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-Recurring Profits and Losses as recurring profit or loss items.

□ Applicable (A) √ Not applicable (N/A)

2. Return on Net Assets and Earnings Per Share ('EPS')

Profit for the reporting period	Weighted average return on net assets	EPS	
		Basic (RMB/share)	Diluted (RMB/share)
Net profit attributable to ordinary shareholders of the Company	28.13%	0.49	0.49
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses	26.77%	0.47	0.47

3. Differences in Accounting Data under Domestic and Overseas Accounting Standards

(1) Difference of net profit and net asset disclosed according to IFRS and CAS

□ Applicable (A) √ Not applicable (N/A)

(2) Difference of net profit and net asset disclosed according to overseas accounting standard and CAS

□ Applicable (A) √ Not applicable (N/A)

(3) Explanation of difference in accounting data disclosed according to overseas accounting standard and if the accounting data has been audited by any overseas audit firm, please disclose the name of the audit firm.

4. Others

Section 13 List of Documents for Reference

(I) Financial statements signed and sealed by the Company's legal representative, the person in charge of accounting, and the finance manager (accountant in charge).

(II) Original of the auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountants.

(III) Originals of all company documents and announcements publicly disclosed on the websites designated by CSRC during the reporting period.

Nanji E-commerce Co., Ltd.

Chairman: ZHANG Yuxiang

April 15, 2020