1. Intangible assets and development expenditure

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company, including land use rights, software, patents and non-patented technology.

* + - 1. Initial measurement of intangible assets

The cost of purchasing intangible assets includes the purchase price, related taxes and fees, and other expenditures directly attributable to the intended use of the assets. If the purchase price of intangible assets exceeds the normal credit conditions for deferred payment, it is essentially of financing nature. The cost of intangible assets is determined on the basis of the present value of the purchase price.

Debt restructuring obtains intangible assets used by the debtor to settle debts, determines its entry value on the basis of the fair value of the intangible assets, and calculates the difference between the book value of the restructured debt and the fair value of the intangible assets used to settle debts into current profits and losses.

On the premise that the exchange of non-monetary assets possesses commercial essence and the fair value of assets exchanged or converted can be reliably measured, the entry value of intangible assets exchanged for non-monetary assets is determined on the basis of the fair value of assets exchanged, unless there is conclusive evidence that the fair value of assets exchanged is more reliable; and the exchange of non-monetary assets that does not meet the above premise is not satisfied. The book value of the converted assets and the relevant taxes and fees payable shall be taken as the cost of the converted intangible assets, and the profits and losses shall not be recognized.

The book value of intangible assets acquired by enterprises under the same control shall be determined by the book value of the merged party, and the book value of intangible assets acquired by enterprises under different control shall be determined by the fair value.

The cost of the internal self-developed intangible assets includes the material consumed in the development of the intangible assets, the cost of labor services, the registration fee, the amortization of other patents and concessions used in the development process, and the interest charges to meet the capitalization conditions, as well as other direct expenses incurred before the intangible assets reach their intended purposes.

* + - 1. Follow-up measurement of intangible assets

When the company acquires intangible assets, its service life is analyzed and judged, which is divided into intangible assets with limited service life and uncertain service life.

1. Intangible assets with limited service life

For intangible assets with limited service life, they are amortized according to the straight-line method within the period of time when they bring economic benefits to the enterprise. The life expectancy of intangible assets with limited service life and its basis are as follows:

| project | Predicted service life | Basis |
| --- | --- | --- |
| land use right | 50 years | Beneficiary period stipulated in the contract |
| Software | 5 years | Estimated useful life |
| patent right | 2-20 years | Expected useful life or contractual useful life |
| nonpatented technology | 4-8 years | Expected useful life or contractual useful life |

At the end of each period, the service life and amortization methods of intangible assets with limited service life are reviewed. If there are differences from the original estimates, corresponding adjustments are made.

After review, the service life and amortization methods of intangible assets at the end of this period are not different from those previously estimated.

* + - 1. Specific criteria for dividing research and development stages of internal research and development projects

Research Stage: The stage of creative investigation and research activities for acquiring and understanding new scientific or technological knowledge.

Development stage: The stage in which research results or other knowledge are applied to a plan or design before commercial production or use to produce new or substantially improved materials, devices, products, etc.

Expenditures incurred during the research phase of internal research and development projects are included in current profits and losses.

* + - 1. Expenditure at the development stage meets the specific criteria of capitalization

Expenditures incurred during the development phase of internal research and development projects are recognized as intangible assets when the following conditions are met:

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

(2) Having the intention to complete the intangible assets and use or sell them;

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

(4) To have sufficient technical, financial and other resources to support the development of the intangible assets and the ability to use or sell the intangible assets;

(5) Expenditures attributable to the development phase of intangible assets can be measured reliably.

Expenditures at the stage of development that do not meet the above conditions shall be included in current profits and losses when they occur. Development expenditures that have been recorded in profits and losses in the previous period are not recognised as assets in the subsequent period. Expenditures at the capitalized stage of development are shown on the balance sheet as development expenditures, which are converted to intangible assets from the date the project reaches its intended purpose.

1. Long-term assets impairment

On the balance sheet date, the company judges whether there are signs of possible impairment of long-term assets. If there are signs of impairment of long-term assets, the recoverable amount of a single asset is estimated on the basis of a single asset; if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of an asset group is determined on the basis of the asset group to which the asset belongs.

The estimated recoverable amount of assets is determined by the higher value between the net amount after deducting disposal expenses from its fair value and the present value of the expected future cash flow of assets.

The measurement results of recoverable amount show that if the recoverable amount of long-term assets is lower than its book value, the book value of long-term assets shall be written down to the recoverable amount, and the amount written down shall be recognized as the loss of impairment of assets, which shall be included in the current profits and losses, and the corresponding provision for impairment of assets shall be made. Once the loss of impairment of assets has been confirmed, it shall not be reversed in the future accounting period.

After the loss of impairment of assets is confirmed, the depreciation or amortization expenses of impaired assets shall be adjusted accordingly in the future so that the adjusted book value of assets can be systematically apportioned (deducting the estimated net residual value) within the remaining useful life of the assets.

Whether there are signs of impairment or not, intangible assets with uncertain goodwill and service life formed by business mergers are tested annually.

When testing the impairment of goodwill, the book value of goodwill is allocated to the asset group or portfolio expected to benefit from the synergistic effect of enterprise merger. When testing the impairment of relevant asset groups or portfolios containing goodwill, if there are signs of impairment of assets or portfolios related to goodwill, the impairment test of assets or portfolios without goodwill is carried out first, the recoverable amount is calculated, and the corresponding impairment loss is confirmed by comparing with the relevant book value. Then the impairment test is carried out on the asset group or portfolio containing goodwill, and the book value of these related asset groups or portfolios (including the book value of the apportioned goodwill) is compared with their recoverable amount, such as the recoverable amount of the relevant asset group or portfolio is lower than their book value, and the impairment loss of goodwill is confirmed.

1. Long-term pending expenses
2. Amortization method

Long-term prepaid expenses refer to the expenses that have occurred in the company but should be borne by the current and subsequent periods for an apportionment period of more than one year. Long-term expenses to be apportioned shall be amortized in phases according to the straight line method during the period of benefit.

1. Amortization period

| category | Amortization period |
| --- | --- |
| Decoration fee | 5 years |
| rent | Lease contract duration |

1. Employee remuneration

Employee remuneration refers to various forms of remuneration or compensation given by the company to obtain services provided by employees or to terminate labor relations. Employees'salaries include short-term salaries, after-service benefits, dismissal benefits and other long-term employee benefits.

1. Short-term salary

Short-term remuneration refers to the remuneration of employees who need to be paid in full within 12 months after the end of the annual report period for the provision of relevant services by the company, with the exception of after-service benefits and dismissal benefits. During the accounting period when employees provide services, the company recognizes the short-term remuneration payable as liabilities, and calculates the related assets cost and expenses according to the beneficiaries of the services provided by employees.

1. Post-service benefits

After-service benefits refer to the various forms of remuneration and benefits provided by the company after retirement of employees or termination of labor relations with enterprises in order to obtain services provided by employees, except short-term remuneration and dismissal benefits.

The company's after-service benefits plan is all set up for withdrawal plan.

The set-up withdrawal plan for after-service benefits is mainly for participating in social basic old-age insurance and unemployment insurance organized and implemented by local labor and social security institutions; during the accounting period when employees provide services to the company, the amount of deposits payable calculated according to the set-up withdrawal plan is recognized as liabilities, and is included in current profits and losses or related asset costs.

After the company regularly pays the above amount in accordance with the standards stipulated by the state, it will no longer have other payment obligations.

1. termination benefits

Retirement benefits refer to the company's termination of the labor relationship with employees before the expiration of the labor contract, or the compensation given to employees to encourage employees to voluntarily accept reductions. When the company cannot unilaterally withdraw the plan for the termination of labor relations or the proposal for reductions, and when it confirms the costs and expenses related to the restructuring of the payment of the retirement benefits, it confirms the early termination of the labor relationship with employees. Liabilities arising from the compensation given by labor relations are also included in current profits and losses.

1. Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term salary, after-service benefits and dismissal benefits.

For other long-term employee benefits that meet the requirements of setting up withdrawal plans, the amount of deposits payable shall be recognized as liabilities during the accounting period in which the employee provides services to the company, and shall be included in the current profits and losses or the cost of related assets.

1. Projected liabilities
2. Recognition Criteria of Expected Liabilities

When the obligations relating to contingencies satisfy the following conditions, the company recognizes them as expected liabilities:

This obligation is the current obligation of our company.

The fulfillment of this obligation will probably result in the outflow of economic benefits from the company.

The amount of this obligation can be measured reliably.

1. Measuring Method of Predicted Liabilities

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

In determining the best estimate, the company takes into account the risk, uncertainty and time value of money related to contingencies. For the time value of money, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with in the following cases:

If there is a continuous range (or interval) of expenditure required and the likelihood of various outcomes occurring within that range is the same, the best estimate is determined by the median value of the range, i.e. the average of the upper and lower limits.

Expenditure requirements do not exist in a continuous range (or interval), or although there is a continuous range, the likelihood of various outcomes within that range is different. If a contingency involves a single item, the best estimate is determined by the most likely amount; if a contingency involves multiple items, the best estimate is determined by various possible outcomes and related probabilities. 。

Where all or part of the expenditure required by the Company to settle its estimated liabilities is expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined that it can be received, and the amount of compensation confirmed shall not exceed the book value of the estimated liabilities.

1. Share payment
2. Types of Share Payment

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

1. The Method of Determining the Fair Value of Equity Instruments

The fair value of equity instruments such as options granted in an active market is determined according to the quotation in the active market. For the equity instruments such as options that do not exist active market, the option pricing model is adopted to determine their fair value. The following factors are considered in the option pricing model: (1) the exercise price of options; (2) the validity period of options; (3) the current price of underlying shares; (4) the expected volatility of stock prices; (5) the expected dividends of shares; (6) the validity period of options. Risk-free interest rate.

When determining the fair value of equity instruments on the granting date, the market conditions and non-feasible rights conditions in the feasible rights conditions stipulated in the share payment agreement should be taken into account. Where there are conditions for non-feasible rights in share-based payment, as long as the employees or other parties satisfy the non-market conditions of all feasible rights (e.g. service duration, etc.), the corresponding cost of the services obtained will be confirmed.

1. The Basis for Determining the Best Estimation of the Tool of Available Rights and Interests

On each balance sheet day during the waiting period, the best estimate is made based on the latest available follow-up information, such as changes in the number of employees with feasible rights, and the number of equity instruments with predicted feasible rights is revised. On the feasible date, the number of instruments of the feasible rights and interests is eventually predicted to be the same as the actual number of feasible rights.

1. Accounting Processing Method

Share-based payment settled by equity shall be measured at the fair value of the equity instruments granted to employees. If the right is available immediately after granting, the relevant costs or expenses shall be accounted for according to the fair value of the equity instruments on the granting date, and the capital reserve shall be increased accordingly. If the right can only be exercised after the completion of the service during the waiting period or the required performance conditions are met, the services acquired in the current period shall be included in the relevant costs or expenses and capital accumulation on each balance sheet day during the waiting period, based on the best estimation of the number of the feasible equity instruments and according to the fair value of the equity instrument award date. No adjustments are made to the recognized costs or expenses and the total owner's equity after the feasible date.

In cash-settled share-based payments, the fair value of liabilities determined on the basis of shares or other equity instruments assumed by the Company shall be measured. If the right is available immediately after granting, the fair value of the liabilities borne by the company shall be included in the relevant costs or expenses on the date of granting, and the liabilities shall be increased accordingly. Share-based payment with cash settlement can be executed only after the service within the waiting period has been completed or the specified performance conditions have been met. On each balance sheet day during the waiting period, the services acquired in the current period are included in costs or expenses and corresponding liabilities according to the fair value of the liabilities assumed by the company on the basis of the best estimation of the exercisable rights. The fair value of the liabilities shall be re-measured on each balance sheet date and settlement date before the settlement of the relevant liabilities, and the changes shall be recorded in the profits and losses of the current period.

If the rights and interests instruments granted are cancelled during the waiting period, the company will cancel the rights and interests instruments granted as an accelerated exercise of rights. The amount to be confirmed during the remaining waiting period will be immediately included in the current profits and losses, and the capital reserve will be confirmed. If an employee or other party can choose to satisfy the conditions of non-feasible rights but fails to meet them during the waiting period, the company will cancel them as a tool for granting rights and interests.

1. income
2. Specific Judgment Criteria for Confirmation Time of Sales Revenue

The company has transferred the main risks and rewards of commodity ownership to the purchaser; the company has neither retained the continuing management rights associated with ownership nor effectively controlled the commodities sold; the amount of revenue can be measured reliably; the relevant economic benefits are likely to flow into the enterprise; and the confirmer shall confirm the relevant costs that have occurred or will occur when they can be measured reliably. Sales revenue is realized.

The company confirms the sales revenue of goods in specific ways: in the case of advance payment, the revenue is recognized when the product is delivered to the purchaser or the consignor entrusted by the company; in the case of credit sale, the revenue is confirmed when the product is delivered to the purchaser or the consignor entrusted by the company.

1. The Basis for Confirming the Income of the Right to Use the Transferred Assets

When the economic benefits related to the transaction are likely to flow into the enterprise and the amount of income can be reliably measured, the amount of income from the transfer of the right to the use of assets shall be determined in the following circumstances:

(1) The amount of interest income shall be calculated and determined according to the time when other people use their own enterprise's monetary funds and the actual interest rate.

(2) The amount of royalty income shall be calculated and determined according to the time and method of royalty stipulated in the relevant contracts or agreements.