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1. General

1.1 These Regulations are formulated in accordance with relevant laws and regulations to strengthen the financial budget management of International Djibouti Industrial Parks Operation FZCO (hereinafter referred to as "IDIPO"), standardize the processes of budget preparation, approval, execution, analysis, and assessment, and enhance the level of financial budget management.

1.2 The term "financial budget" in these Regulations refers to the management process whereby the Company, based on its production and operation plans and available resources, conducts comprehensive calculation and balancing to reasonably forecast and estimate various economic resources and business activities for the budget year. This process involves preparing financial budget reports according to a unified format and specifications, and subsequently adjusting, controlling, and supervising the Company's operations accordingly.

1.3 Financial budgeting primarily encompasses stages such as preparation, approval, execution, analysis, and assessment. Among these, the preparation of financial budget reports constitutes a crucial and fundamental component of financial budgeting.

1.4 The responsibilities, tasks, work procedures, and specific internal control requirements for each stage and department involved in financial budget management shall be clearly defined. In establishing and implementing internal controls for financial budgeting, control over at least the following key aspects or critical stages shall be strengthened:

1.4.1 The division of duties, scope of authority, and approval procedures shall be clearly defined and standardized; organizational structures and staffing shall be scientific and reasonable;

1.4.2 The control processes for financial budget preparation, execution, adjustment, analysis, and assessment shall be clear and rigorous. Explicit provisions shall be made regarding financial budget preparation methods, approval procedures, execution monitoring, budget adjustments, and the analysis and assessment of execution results.

1.5 Corresponding records or documents shall be maintained at each stage of financial budget management to accurately document the progress of work, ensuring the entire budget process is effectively controlled.

2. Organization of Financial Budget

2.1 The IDIPO Finance Department, in conjunction with relevant departments, shall form a working group (hereinafter referred to as the "Budget Working Group"). This group is responsible for formulating IDIPO's financial budget objectives, preparation principles, and procedures; reviewing the Company's financial budget adjustment proposals; and organizing the assessment of financial budget execution results.

Composition of the Budget Working Group:

- Leader: General Manager of IDIPO
- Deputy Leader: Chief Financial Officer (CFO) of IDIPO
- Executive Leader: Head of the Finance Department
- Members: Heads of all IDIPO departments

2.2 The IDIPO Finance Department shall serve as the functional department for daily budget management. It is specifically responsible for organizing the Company's financial budget preparation, reporting, execution, and daily monitoring. Its specific duties are as follows:

2.2.1 Formulating budget management measures;

2.2.2 Undertaking the preparation, review, and submission of financial budgets;

2.2.3 Responsible for the implementation and execution of the financial budget;

2.2.4 Organizing and implementing the assessment of financial budget execution.

2.3 All departments shall, in accordance with the Company's financial budget management procedures and requirements, be specifically responsible for the preparation, execution, control, and analysis of their respective departmental production/operation plans and operational budgets. They shall cooperate with the Finance Department in conducting the comprehensive balancing, control, analysis, and assessment of the Company's financial budget..

3. Financial Budget Compilation, Review, and Submission Procedures

3.1 Financial budgets shall be compiled on a realistic basis, adhering to proactive principles, and employing a methodology characterized by a "combination of top-down and bottom-up approaches, level-by-level preparation, step-by-step consolidation, and comprehensive balancing."

3.2 As a key component of the operating plan, the primary procedures for financial budget compilation are:

Budget Compilation: Based on budget compilation guidelines issued by the superior unit, considering the company's actual performance from the previous year and its business development status, and comprehensively analyzing factors such as changes in economic policies, industry market conditions, product competitiveness, and internal environmental shifts during the budget period, internal discussions shall be held. Department heads shall lead the preparation of their respective department's financial budgets.

Plan

Finalization: The Budget Working Group shall compile the overall IDIPO budget based on the comprehensive balancing results. After review and approval by the Budget Working Group, it shall be submitted to the IDIPO General Manager's Office Meeting for approval.

Budget Submission: The procedure for submitting the company's financial budget shall follow the relevant regulations of the joint venture company management. After approval by the Company Executive Meeting and relevant superior supervisory units, the budget shall be submitted to the Company Board of Directors for approval.

Deliberation and Approval: The IDIPO financial budget shall be reviewed and approved by the Company Board of Directors. In principle, by early November each year, IDIPO shall submit the revised budget (incorporating feedback from the superior governing unit) to the Company Board of Directors for approval.

Issuance and Execution: At the beginning of the following year, execution shall commence according to the final budget standards approved by the Board of Directors.

3.3 Financial budgets must satisfy the guidance requirements of the superior supervisory unit and the Company Board of Directors for the company. They must reflect significant operating projects, scale of economic activities, asset and liability status, cost and expense levels, and performance targets during the budget period, meeting the needs of budget control and performance evaluation of management operations.

3.4 Financial budgets shall encompass all operating activities, align with other components of the annual operating plan, and comprehensively forecast financial revenues and expenditures, operating results, and other relevant situations.

3.5 During the financial budget compilation process, control over the following aspects must be emphasized:

3.5.1 Based on the characteristics of its economic activities, production/operating cycle, and management needs, the company shall determine appropriate financial budget compilation starting points and workflows, and define the compilation basis for different budget items.

3.5.2 Operating budgets (e.g., for business volume, revenue, costs, procurement and payments, inventory) must be compiled, and the financial budget shall be prepared based on these.

3.5.3 Each department shall compile cost and expense budgets according to spending standards, strictly control the scope of cost and expense expenditures, and strengthen budget control over input-output levels. Investment plans for the next year shall be executed in accordance with the relevant provisions of the company's fixed asset management system.

3.5.4 Based on the cash inflows and outflows from operating and investing activities, and the determined target cash balance level, the company shall reasonably estimate the overall scale and structure of external financing, prepare debt budgets, and maintain a reasonable asset-liability level.

3.6 The financial budget report constitutes the output of the financial budget management compilation phase, comprising financial budget statements and financial budget compilation notes. Financial Budget Statements include: Balance Sheet Budget, Profit Budget, Statement of Changes in Equity Budget, Cash Flow Budget, Investment Budget, Operating Revenue Budget, Cost of Sales Budget, Administrative Expenses Budget, Financial Expenses Budget, etc.Financial Budget Compilation Notes include: Basic assumptions and basis for compilation (e.g., depreciation policies, revenue, analysis of special items affecting revenue), key financial indicators, comparison with medium-to-long-term plans, and the main measures proposed to achieve the budget targets.

4. Financial Budget Execution

4.1 The annual operating plan shall serve as the fundamental basis for organizing and coordinating all production, operational, and management activities within the budget year. Annual financial budgets shall be broken down into quarterly and monthly budgets. Annual financial budget targets shall be achieved through the implementation of phased control..

4.2 Major financial budget indicators shall be cascaded down and assigned horizontally and vertically to all responsible units, including internal departments, processes, and positions. This facilitates process control, analysis, and assessment of budget execution..

4.3 Project budgets must be prepared for all major operational projects undertaken during business operations.

4.4 Payment shall not be processed for any monetary expenditure item that has been included in the budget but lacks complete payment procedures or non-compliant supporting documentation.

4.5 Monthly production and operation plans, as well as cost and expense standards, must be strictly implemented, and the execution process shall be monitored.

4.6 Items related to daily business operations, such as revenue, procurement and payments, inventory, sales and collections, costs, and expenses, shall all be subject to budget management. During budget execution, they shall be managed according to their respective budget management processes and authorization limits.

4.7 In principle, the amounts allocated to specific cost and expense budget line items shall not be adjusted between one another.

4.8 If the cumulative annual operating costs exceed the annual budget by 15% or more, or if the cumulative annual administrative expenses exceed the annual budget, the Finance Department must submit a detailed explanatory report to the company management within five working days after the completion of the monthly financial statements for that month.

4.9 Budgets must be prepared for capital expenditures such as long-term equity investments. These shall be strictly managed on a project-by-project basis, with close tracking of implementation progress and completion status.

4.10 Any equity investment project, fixed asset purchase or renewal project valued at RMB 3 million or more (or equivalent foreign currency), fixed asset construction, renovation, major repair projects, and other capital expenditure projects must be reported item-by-item to the superior management company.

4.11 Financial analysis reports shall highlight the status of budget execution. Particularly in quarterly financial analyses, detailed analysis of the budget execution status for items such as costs and expenses shall be provided.

4.12 During budget execution, relevant information regarding business operations, market conditions, technology, policies, laws, etc., shall be fully collected. Depending on the circumstances, methods such as ratio analysis, comparative analysis, and factor analysis shall be employed to comprehensively reflect the current status, development trends, and potential of the budget executing units, both quantitatively and qualitatively. For budget execution variances, the responsible executing department shall promptly provide the Finance Department with an objective analysis of the causes.

4.13 The IDIPO Finance Department shall utilize financial reports and other relevant information to analyze and monitor budget execution. It shall promptly report or provide feedback to company management and all budget executing units on budget execution progress, analyze variances and their impact on company budget targets, summarize proposed solutions or suggestions from the executing units, and submit these to the company's decision-making body for study and resolution, thereby promoting the achievement of budget targets.

5. Financial Budget Adjustment

5.1 Budgets formally approved and issued by the Board of Directors shall not be adjusted arbitrarily.s.

5.2 During budget execution, if any of the following circumstances occurs, resulting in significant changes to the fundamental assumptions underlying the budget compilation, an application for budget adjustment may be submitted:

5.2.1 Force majeure factors such as natural disasters;

5.2.2 Significant changes in the market environment;

5.2.3 Major adjustments to national economic policies;

5.2.4 Major asset restructuring actions undertaken by the company, such as division, merger, etc.;

5.2.5 Changes to the expected operational commencement date of a newly constructed warehouse.

5.3 If significant discrepancies arise between actual performance and the budget, an analysis of the variance shall be promptly reported to the superior supervisory unit..

5.4 If a budget adjustment is required, the Finance Department must submit a written report to the superior supervisory unit. This report shall detail the specific status of budget execution, changes in objective factors, the extent of their impact on budget execution, and propose recommendations for budget adjustment.

5.5 Budget adjustment proposals shall meet the following requirements:

5.5.1 The proposed adjustments must align with the company's development strategy and current production/operational realities;

5.5.2 The focus of adjustments shall be on significant or abnormal key variances encountered during budget execution;

5.5.3 The adjustment proposal must be objective and feasible.

6. Assessment of Financial Budget Execution Results

6.1 During the company's operational analysis meetings, the Finance Department shall analyze budget execution status, study and resolve issues encountered during execution, and propose improvement measures..

6.2 IDIPO shall conduct tiered assessments of financial budget execution performance by department, in accordance with the organizational hierarchy..

7. Supplementary Provisions

7.1 These Regulations shall be interpreted and revised by the IDIPO Finance Department.

7.2 These Regulations shall take effect upon the date of promulgation.