

Shandong Pharmaceutical Glass Co., Ltd.

Auditor's Report

S.K.S.B.Z. (2023) No. 4664

Shanghai Certified Public Accountants (Special General Partnership)

Shanghai, China

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Report Code: Hu 233XX70S7Q



上海会计师事务所（特殊普通合伙）

Shanghai Certified Public Accountants (Special General Partnership)

Auditor's Report

S.K.S.B.Z. (2023) No. 4664

To All Shareholders of Shandong Pharmaceutical Glass Co., Ltd.:

I. OPINION

We have audited the financial statements of Shandong Pharmaceutical Glass Co., Ltd. (hereinafter referred to as the Company) attached, including the consolidated balance sheet and the Company's balance sheet as of December 31, 2022, the consolidated income statement and the Company's income statement, the consolidated cash flow statement and the Company's cash flow statement, the consolidated statement of changes in equity and the Company's statement of changes in equity as well as the notes to the financial statements in 2022.

In our opinion, the attached financial statements are prepared, in accordance with Accounting Standards for Business Enterprises, and present fairly the consolidated and the company's financial position of the Company as at December 31, 2022 and the consolidated and the company's operating results and cash flows for the year then ended.

II. BASIS OF AUDITORS' OPINION

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

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements for the current period. These matters should be dealt on the background of the audit of financial statements as a whole and the formation of audit opinions. We will not express opinions on those matters separately. The key audit issues we identified in the audit are as follows:

1. Recognition of operating income

(1) Item Description

As stated in Note VI.30 to the financial statements, Shandong Pharmaceutical Glass Co., Ltd.'s revenue for the year 2022 was RMB 4,187,279,279.75. The appropriateness of revenue recognition has a significant impact on operating results, and the authenticity and accuracy of revenue recognition may pose a potential risk of misstatement. Therefore, we have identified revenue recognition as a key audit matter.

(2) Audit Response

1) To understand and assess the design and operation effectiveness of the key internal controls related to the income recognition by the management;

2) Perform analytical procedures on revenue and costs, including: analysis of fluctuations in revenue, cost, and gross profit margin for each month of the current period, comparative analysis of revenue, cost, and gross profit margin for major products in the current period with the previous period, and other analytical procedures to evaluate the accuracy of revenue recognition;

3) Perform occurrence tests on revenue, select samples from the accounting records of sales revenue, and examine information such as sales-related contracts, delivery notes and invoices. Combine this with accounts receivable

confirmations to evaluate the authenticity and completeness of revenue recognition. For export sales, compare the accounting records of sales revenue with export customs declarations, delivery notes, sales invoices, and other export sales documents, and use the China Electronic Port System to query relevant information to verify the authenticity of export revenue.

4) Perform a completeness test on revenue by taking a sample from the shipping records and tracing it back to the accounting records of invoice issuance and sales revenue to check the completeness of revenue recognition.

5) Select samples of income transactions recorded before and after the balance sheet date, check delivery notes and other supporting documents to evaluate whether the income is recorded in the appropriate accounting period;

IV. OTHER INFORMATION

The Management of the Company is responsible for other information. Other information includes the information contained in the Annual Report 2022 of the Company, but excludes the financial statements and our auditor's report. Our audit opinions on the financial statements do not cover other information, and we will not express any form of assurance conclusion on other information.

Based on our audit of the financial statements, our responsibility is to review other information and consider whether other information is in significant disagreement with the financial statements or what we know in the process of auditing, or there seems to be a major misstatement.

Based on the work we have done, we should report the fact if we confirm that there are material misstatements in other information. In this regard, we have nothing to report.

V. MANAGEMENT'S AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of the Company is responsible for preparing the financial statements according to the Business Accounting Standards, and ensures its fair reflection of business position and designing, implementing and maintaining the internal control system related to producing of the Financial Statements to prevent the Financial Statements from major false presentation due to cheating or error.

In preparing the financial statements, the Management is responsible for assessing the continuing operations of the Company, disclosing matters relating to continuing operations (if applicable) and applying the going concern assumptions unless planned for liquidation, termination of operations or no other realistic choice.

The Governance is responsible for supervising the financial reporting process of the Company.

VI. RESPONSIBILITY OF CERTIFIED PUBLIC ACCOUNTANTS FOR AUDITING FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error and to issue the auditor's report that includes our opinion. The reasonable assurance shall be a high level of assurance. However, it shall not guarantee that a material misstatement can always be detected in the audit conducted in accordance with audit standards. Misstatements may be caused by fraud or error. Misstatements are considered significant if it is reasonably expected that they, alone or together, may affect the economic decisions made by the users of the financial statements based on the financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit in accordance with the audit standards. Meanwhile, we also carry out the following work:

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 audit opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand the internal controls related to auditing to design appropriate audit procedures,

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

4. Draw conclusions on the appropriateness of the continuous operation assumption used by the Management. At the same time, based on the audit evidence obtained, conclusions can be drawn as to whether there are significant uncertainties in the matters or circumstances that have significant doubts about the continuing operations of the Company. If we conclude that there is significant uncertainty, we are required to remind the users of the related disclosures in the financial statements in our auditor's report; if the disclosures are inadequate, we shall express modified auditor's report. Our conclusion is based on the information available as of the date of the auditor's report. However, future events or circumstances may result in the Company not being able to continue to operate.

5. Evaluate the overall presentation, structure and contents (including the disclosures) of the financial statements, and assess whether the financial statements fairly represented the underlying transactions and events.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company in order to express audit opinions on the financial statements. We are responsible for guiding, supervising and implementing the audit of the Group, and take full responsibility for audit opinions.

We will communicate with the Governance on the planned audit scope, timing and major audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the Management with a statement that we have complied with the relevant professional ethics on independence, and communicate with the Management on all relationships and other matters that may reasonably be thought to affect our independence and the related safeguards.

From the matters communicated with the Management, we determine those matters that are of most significance in the audit of the financial statements in current period, which therefore constitute the key audit matters. We will describe these matters in the auditor's report, unless the laws and regulations prohibit the public disclosure of these matters; or in very few cases, if the negative consequences of a matter communicated in the auditor's report is reasonably expected to exceed the benefits in the public interest, we determine not to communicate such matter in the auditor's report.

Shanghai Certified Public Accountants (Special General

Partnership)



Shanghai, China

Chinese CPA (Engagement Partner)

项目合伙人) 宋会立
宋会立
中国注册会计师

Chinese CPA

注册会计师 高辉
高辉
中国注册会计师

April 22, 2023

Consolidated Balance Sheet

December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

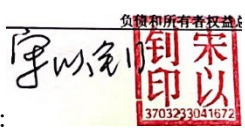
Currency unit: RMB

Item	Note	Closing balance	Opening balance	Item	Note	Closing balance	Opening balance
Current assets				Current liabilities:			
Cash and bank balance	VI. 1	1,352,049,912.52	885,044,113.42	Short-term borrowings	VI. 16	5,201,945.09	
Held-for-trading financial assets	VI. 2	1,101,434,246.68	307,130,778.08	Held-for-trading financial liabilities			
Financial derivative assets				Financial derivative liabilities			
Notes receivable	VI. 3	606,167,382.11	251,523,831.91	Notes payable	VI. 17	722,207,607.52	713,934,055.18
Accounts receivable	VI. 4	871,655,644.70	764,358,649.73	Accounts payable	VI. 18	695,702,483.69	721,736,083.96
Receivables financing	VI. 5	72,836,142.41	184,007,541.03	Advances from customers			
Prepayments	VI. 6	76,842,219.70	61,975,619.20	Contract liabilities	VI. 19	51,036,681.34	74,606,125.55
Other receivables	VI. 7	2,236,949.90	3,379,314.48	Employee benefits payable	VI. 20	16,023,710.44	38,617,744.58
Including: Interests receivable				Taxes payable	VI. 21	46,959,539.28	43,601,636.17
Dividends receivable				Other payables	VI. 22	107,894,268.53	81,792,173.74
Inventory	VI. 8	1,209,908,569.25	877,737,495.86	Including: Interests payable			
Contract assets				Dividends payable			
Held-for-sale assets				Held-for-sale liabilities			
Non-current assets due within one year				Non-current liabilities due within one year			

Other current assets	VI. 9	27,782,984.60	19,260.10	Other current liabilities	VI. 23	118,601,022.12	5,158,403.19
Total current assets		5,320,914,051.87	3,335,176,603.81	Total of current liabilities		1,763,627,258.01	1,679,446,222.37
Non-current assets:				Non-current liability:			
Debt investment				Long term borrowings			
Other debt investment				Bonds payable			
Long-term accounts receivable				Including: Preferred stock			
Long-term equity investment				Perpetual bond			
Other equity instruments investment	VI. 10	50,000.00	50,000.00	Lease liability			
Other non-current financial assets				Long-term accounts payable			
Investment property				Long-term employee benefits payable			
Fixed assets	VI. 11	2,345,815,674.51	2,214,119,837.59	Estimated liabilities			
Construction in progress	VI. 12	475,182,312.37	342,577,362.44	Deferred income	VI. 24	58,945,791.79	59,965,591.34
Bearer biological assets				Deferred tax liabilities			
Oil and natural gas assets				Other non-current liabilities			
Right-of-use asset				Total of non-current liabilities		58,945,791.79	59,965,391.34
Intangible assets	VI. 13	260,372,996.19	198,368,800.41	Total Liabilities		1,822,573,049.80	1,739,411,613.91
R&D expenditure				Owners' equity:			
Goodwill				Equity	VI. 25	663,614,113.00	594,967,747.00
Long-term deferred expenses				Other equity instruments			
Deferred tax assets	VI. 14	32,005,327.11	32,417,791.57	Including: Preferred stock		-	
Other non-current assets	VI.	349,912,167.88	287,005,001.71	Perpetual bond			

	15						
Total non-current assets		3,463,338,478.06	3,074,538,793.72	Capital reserve	VI. 26	2,687,120,521.29	913,446,576.63
				Less: Treasury stock			
				Other comprehensive income			
				Special reserves	VI. 27	75,481,230.33	66,222,606.85
				Surplus reserve	VI. 28	469,422,489.93	417,283,584.88
				Retained earnings	VI. 29	3,066,041,425.38	2,678,383,268.26
				Total Owners' Equity Attributable to Holding Company		6,961,679,480.13	4,670,303,783.62
				Minority interests			
				Total owners' equity		6,961,679,480.13	4,670,303,783.62
Total assets:		8,784,252,529.93	6,409,715,397.53	Total liabilities and owners' equity		8,784,252,529.93	6,409,715,397.53

Company's principal: 

Principle in charge of accounting: 

Principle of accounting organization: 

Consolidated Income Statement

For the year ended December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

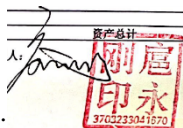
Currency unit: RMB

Item	Note	Amount in current period	Amount in previous period	Item	Note	Amount in current period	Amount in previous period
I. Total operating income		4,187,279,279.75	875,304,663.58	(II) Classification by ownership attribution			
Including: Operating income	VI. 30	4,187,279,279.75	3,875,304,663.58	1. Net profit attributed to shareholders of parent company (net loss expressed with "-")		618,287,086.47	591,088,499.35
II. Total operating cost		3,448,356,608.43	3,159,617,076.48	2. Minority interests (net loss expressed with "-")			
Including: Operating costs	VI. 30	3,063,266,801.92	2,727,560,781.03	VI. After-tax net income of other comprehensive incomes			
Tax and surcharge	VI. 31	35,275,676.30	32,589,680.98	(I) After-tax net income of other comprehensive incomes attributable to owners of parent company			
Selling and distribution expenses	VI. 32	110,735,010.64	91,770,811.40	1. Other comprehensive income which cannot be reclassified into profit or loss			
General and administrative expenses	VI. 33	144,113,796.55	173,372,155.44	(1) Re-measure changes in defined benefit plans			
R & D expenses	VI. 34	138,937,775.86	135,634,523.35	(2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
Financial expenses	VI. 35	43,972,452.84	-1,310,875.72	(3) Changes in fair value of other equity instruments investment			
Including: Interest expense		261,149.67	279,193.53	(4) Changes in fair value of the company's own credit risk			
Interest income		12,159,824.69	10,877,038.51	(5) Others			

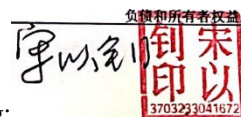
Add: Other income	VI. 36	12,283,500.02	17,805,894.68	2. Other comprehensive income which can be reclassified into profit or loss			
Investment income (loss expressed with "-")	VI. 37	1,719,458.24	3,551,048.97	(1) Other comprehensive income that can be transferred to profit or loss under the equity method			
Including: Investment income from associated enterprises and joint ventures				(2) Changes in fair value of other debt investments			
Derecognized revenue from financial assets measured at amortized cost				(3) Amount of financial assets reclassified into other comprehensive income			
Net exposure hedging gains (losses expressed with "-")				(4). Provision for credit impairment of other debt investments			
Gain or loss from changes in fair values (loss expressed with "-")	VI. 38	3,731,383.73	9,260,869.11	(5) Cash flow hedge reserve			
Loss from credit impairment (loss expressed with "-")	VI. 39	-9,917,358.68	-10,477,962.26	(6) Translation difference in foreign currency financial statements			
Loss from assets impairment (loss expressed with "-")	VI. 40	40,203,195.93	-38,132,489.46	(7) Others			
Gain on disposal of assets (loss expressed with "-")	VI. 41	4,532,728.80	594,177.22	(II) After-tax net income of other comprehensive incomes attributable to minority shareholders			
III. Operating profit (loss expressed with "-")		711,069,187.50	698,289,125.36	VII. Total comprehensive income		618,287,086.47	591,088,499.35
Add: Non-operating income	VI. 42	9,449,221.01	17,503,940.65	Total comprehensive income attributable to owners of parent company		618,287,086.47	591,088,499.35
Less: non-operating expenditure	VI. 43	12,467,814.73	27,075,437.03	Total comprehensive income attributable to minority shareholders			
IV. Total profit (total loss expressed		708,050,593.78	688,717,628.98	VIII. Earnings per share:			

with “-”)							
Less: income tax expense	VI. 44	89,763,507.31	97,629,129.63	(I) Basic earnings per share (RMB/Share)		1.03	0.99
V. Net profit (net loss expressed with “-”)		618,287,086.47	591,088,499.35	(II) Diluted earnings per share (RMB/Share)		1.03	0.99
(I) Classification by the continuity of operation							
1. Net profit from continuing operations (net loss expressed with “-”)		618,287,086.47	591,088,499.35				
2. Net profit from discontinued operations (net loss expressed with “-”)							

Company's principal:



Principle in charge of accounting:



Principle of accounting organization:



Consolidated Income Statement

For the year ended December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

Item	Note	Amount in current period	Amount in previous period	Item	Note	Amount in current period	Amount in previous period
I. Cash flows from operating activities:				III. Cash flows generated by financing activities:			
Proceeds from sale of goods and rendering of services		3,717,168,746.03	3,225,550,332.07	Cash received from investment absorption		1,842,469,847.81	
Refund of tax and levies		55,357,029.44	43,708,336.08	Including: Cash received from minority shareholders by subsidiaries			
Other cash received relating to operating activities	VI. 45	28,467,881.54	37,434,159.93	Cash received from borrowings			
Sub-total of cash inflow from operating activities		3,800,993,657.01	3,306,692,828.08	Other cash received relating to financing activities	VI. 45	5,160,730.66	
Cash paid for goods and services		2,547,559,817.58	1,605,632,328.56	Sub-total of cash inflow from financing activities		1,847,630,378.47	
Cash paid to and on behalf of employees		628,509,574.15	538,957,790.80	Cash paid for debt repayment			
Cash paid for taxes and surcharges		192,525,191.03	209,895,293.70	Cash paid for distribution of dividends and profits or payment of interest		178,490,324.10	178,490,324.10
Other cash paid relating to operating activities	VI. 45	179,956,749.67	201,767,061.78	Including: dividends and profit paid by subsidiaries for minority shareholders,			
Sub-total of cash outflow from operating activities		3,548,551,332.43	2,556,252,474.84	Other cash payments relating to financing activities	VI. 45	960,000.00	
Net cash flow from operating activities		252,442,324.58	750,440,353.24	Sub-total of cash outflow from financing activities		179,450,324.10	178,490,324.10

II. Cash flows generated by investment activities:				Net Cash Flows from Financing Activities		1,668,180,254.37	-178,490,324.10
Cash received from return of investments		688,000,000.00	1,053,000,000.00	IV. Impact of exchange rate changes on cash and cash equivalents		20,187,956.00	-6,641,839.80
Cash received from investment income		7,147,373.37	10,185,438.23	V. Net increase in cash and cash equivalents		452,423,539.96	-301,938,664.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,179,003.61	3,454,939.40	Add: Cash and cash equivalents at the beginning of the period		707,994,577.346	1,009,933,241.36
Net cash received from disposal of subsidiaries and other business entities				VI. Balance of cash and cash equivalents at ending of period		1,160,418,117.30	707,994,577.34
Other cash received relating to investment activities	VI. 45		2,370,000.00				
Sub-total of cash inflow from investment activities		706,326,376.98	1,069,010,377.63				
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		710,713,371.97	809,257,230.99				
Cash paid for investment		1,484,000,000.00	1,127,000,000.00				
Net cash paid for the acquisition of subsidiaries and other business entities							
Other cash paid relating to investment activities							
Sub-total of cash outflow from investment activities		2,194,713,371.97	1,936,257,230.99				
Net Cash Flows from Investing Activities		-1,488,386,994.99	-867,246,853.36				


 资产总计
 3703233041070

Company's principal:

Principle in charge of accounting:

负债和所有者权益
 3703233041072

Principle of accounting organization:


 3703233041072

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

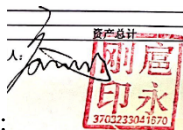
Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

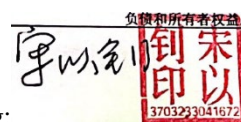
Item	Amount in this year													
	Owners' Equity Attributable to Holding Company												Minority interests	Total owners' equity
	Equity	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Others	Sub-total		
		Preferred stock	Perpetual bond	Others										
I. Closing balance of previous year	594,967,747.00				913,446,576.63			66,222,606.85	417,283,584.88	2,678,383,268.26		4,670,303,783.62		4,670,303,783.62
Add: Change in accounting policies														
Correction of prior errors														
Combination of enterprises under the same control														
Others														
II. Opening balance of current year	594,967,747.00				913,446,576.63			66,222,606.85	417,283,584.88	2,678,383,268.26		4,670,303,783.62		4,670,303,783.62
III. Amount of increase or decrease in current year (decrease expressed with "-")	68,646,366.00				1,773,673,944.66			9,258,623.48	52,138,605.05	387,658,157.32		2,291,375,696.51		2,291,375,696.51
(I) Total comprehensive income										618,287,086.47		618,287,086.47		618,287,086.47
(II) Capital contribution and reduction from owners	68,646,366.00				1,773,673,944.66							1,842,320,310.66		1,842,320,310.66
1. Ordinary shares invested by the owner	68,646,366.00				1,773,673,944.66							1,842,320,310.66		1,842,320,310.66
2. Capital contribution from holders of other equity instruments														
3. Amount of share-based payment added to owners' equity														
4. Others														
(III) Profit distribution									52,138,605.05	-230,628,929.15		-178,490,324.10		-178,490,324.10

1. Appropriation of surplus reserves									52,138,605.05	-52,138,605.05				
2. Distribution to owners										-17,490,324.10		-178,490,324.10		-178,490,324.10
3. Others														
(IV) Internal carry-forward of shareholders' equity														
1. Capitalized capital reserves														
2. Capitalized surplus reserves														
3. Surplus reserve for making up losses														
4. Carry-over retained earnings for changes in defined benefit plan														
5. Carry-over retained earnings for other comprehensive income														
6. Others														
(V) Special reserve								9,258,623.48				9,258,623.48		9,258,623.48
1. Appropriation in current period								13,019,825.87				13,019,825.87		13,019,825.87
2. Used in current period								3,761,202.39				3,761,202.39		3,761,202.39
(VI) Others														
IV. Closing balance of current year	663,614,113.00				2,687,120,521.29			75,481,230.33	469,422,189.93	3,066,041,425.58		6,961,679,480.13		6,961,679,480.13

Company's principal:



Principle in charge of accounting:



Principle of accounting organization:



Consolidated Statement of Changes in Equity (continued)

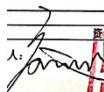
For the year ended December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

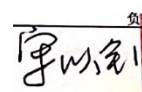
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4. Others													
(III) Profit distribution								49,396,008.16	-227,886,332.26		-178,490,324.10		-178,490,324.10
1. Appropriation of surplus reserves								49,396,008.16	-49,396,008.16				
2. Distribution to owners									-178,490,324.10		-178,490,324.10		-178,490,324.10
3. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capitalized capital reserves													
2. Capitalized surplus reserves													
3. Surplus reserve for making up losses													
4. Carry-over retained earnings for changes in defined benefit plan													
5. Carry-over retained earnings for other comprehensive income													
6. Others													
(V) Special reserve								1,817,654.41			1,817,654.41		1,817,654.41
1. Appropriation in current period								6,332,078.79			6,332,078.79		6,332,078.79
2. Used in current period								4,514,424.38			4,514,424.38		4,514,424.38
(VI) Others													
IV. Closing balance of current year	594,967,747.00					913,446,576.63		66,222,606.85	417,283,584.88	2,678,383,268.26		4,670,303,783.62	4,670,303,783.62

人: 


Company's principal:

Principle in charge of accounting:

负和所有权益



Principle of accounting organization:




Company Balance Sheet

December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

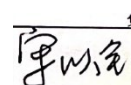
Item	Note	Closing balance	Opening balance	Item	Note	Closing balance	Opening balance
Current assets:				Current liabilities			
Cash and bank balance		1,282,088,768.89	836,420,274.23	Short-term borrowings			
Held-for-trading financial assets		1,101,434,246.68	307,130,778.08	Held-for-trading financial liabilities			
Financial derivative assets				Financial derivative liabilities			
Notes receivable		472,493,039.13	214,610,748.06	Notes payable		708,348,650.96	683,630,853.50
Accounts receivable	XV.1	639,934,833.55	567,493,584.45	Accounts payable		705,511,858.67	700,831,530.53
Receivables financing		51,642,064.10	97,069,840.27	Advances from customers			
Prepayments		56,241,801.69	46,668,774.41	Contract liabilities		43,529,536.95	67,959,007.79
Other receivables	XV.2	1,317,873.16	19,790,269.63	Employee benefits payable		14,525,506.19	32,257,816.27
Including: Interests receivable				Taxes payable		6,008,541.96	18,825,310.78
Dividends receivable				Other payables		97,946,241.94	73,429,980.09
Inventory		1,002,472,574.38	710,298,510.38	Including: Interests payable			
Contract assets				Dividends payable			
Held-for-sale assets				Held-for-sale liabilities			
Non-current assets due within one year				Non-current liabilities due within one year			
Other current assets		24,694,371.43		Other current liabilities		41,967,527.86	4,431,992.41
Total current assets		4,632,319,573.01	2,799,482,779.51	Total of current liabilities		1,617,837,864.53	1,581,366,491.37
Non-current assets:				Non-current liability:			
Debt investment				Long term borrowings			
Other debt investment				Bonds payable			
Long-term accounts receivable				Including: Preferred stock			
Long-term equity investment	XV.3	490,661,325.76	482,661,325.76	Perpetual bond			
Other equity instruments investment		50,000.00	50,000.00	Lease liability			

Other non-current financial assets				Long-term accounts payable			
Investment property		5,807,266.73	6,230,418.17	Long-term employee benefits payable			
Fixed assets		1,995,037,602.00	1,855,023,186.27	Estimated liabilities			
Construction in progress		475,097,810.79	342,031,945.40	Deferred income		57,161,690.79	57,235,540.54
Bearer biological assets				Deferred tax liabilities			
Oil and natural gas assets				Other non-current liabilities			
Right-of-use asset				Total of non-current liabilities		57,161,690.79	57,235,540.54
Intangible assets		225,380,650.39	162,293,121.62	Total Liabilities		1,674,999,555.32	1,638,602,031.91
R&D expenditure				Owners' equity:			
Goodwill				Equity		663,614,113.00	594,967,747.00
Long-term deferred expenses				Other equity instruments			
Deferred tax assets		24,375,602.04	26,911,052.80	Including: Preferred stock			
Other non-current assets		339,217,136.86	284,979,779.48	Perpetual bond			
Total non-current assets		3,555,627,394.57	3,160,180,829.50	Capital reserve		2,687,350,859.49	913,676,914.83
				Less: Treasury stock			
				Other comprehensive income			
				Special reserves		51,744,273.92	45,074,475.79
				Surplus reserve		469,422,189.93	417,283,584.88
				Retained earnings		2,640,815,975.92	2,350,058,854.60
				Total owners' equity		6,512,947,412.26	4,321,061,577.10
Total assets		8,187,946,967.58	5,959,663,609.01	Total liabilities and owners' equity		8,187,946,967.58	5,959,663,609.01

人: 


Company's principal:

Principle in charge of accounting:

负责人: 


Principle of accounting organization:




Company Income Statement

For the year ended December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

Item	Note	Amount in current period	Amount in previous period	Item	Note	Amount in current period	Amount in previous period
I. Operating income	XV.4	3,252,349,647.30	3,041,891,246.19	IV. Net profit (net loss expressed with “-”)		521,386,050.47	493,960,081.64
Less: Operating costs	XV.4	2,308,897,014.53	2,073,809,153.51	(I) Net profit from continuing operations (net loss expressed with “-”)		521,386,050.47	493,960,081.64
Tax and surcharge		27,194,747.84	21,553,452.59	(II) Net profit from discontinued operations (net loss expressed with “-”)			
Selling and distribution expenses		101,986,641.07	82,839,348.81	V. After-tax net income of other comprehensive incomes			
General and administrative expenses		110,127,611.75	138,919,418.96	(I) Other comprehensive income which cannot be reclassified into profit or loss			
R & D expenses		138,937,775.86	135,634,523.35	1. Re-measure changes in defined benefit plans			
Financial expenses		-41,531,342.95	-1,950,701.95	2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
Including: Interest expense				3. Changes in fair value of other equity instruments investment			
Interest income		11,829,759.17	12,475,365.70	4. Changes in fair value of the company's own credit risk			
Add: Other income		8,705,383.11	13,955,239.21	5. Others			
Investment income (loss expressed with “-”)	XV.5	1,719,458.24	3,551,048.97	(II) Other comprehensive income which can be reclassified into profit or loss			
Including: Investment income from associated enterprises and joint ventures				1. Other comprehensive income that can be transferred to profit or loss under the equity method			

Derecognized revenue from financial assets measured at amortized cost				2. Changes in fair value of other debt investments			
Net exposure hedging gains (losses expressed with “-”)				3. Amount of financial assets reclassified into other comprehensive income			
Gain or loss from changes in fair values (loss expressed with “-”)		3,731,383.73	9,260,869.11	4.. Provision for credit impairment of other debt investments			
Loss from credit impairment (loss expressed with “-”)		4,032,882.56	-6,308,436.69	5. Cash flow hedge reserve			
Loss from assets impairment (loss expressed with “-”)		-36,415,968.64	-36,622,953.20	6. Translation difference in foreign currency financial statements			
Gain on disposal of assets (loss expressed with “-”)		4,408,119.07	691,551.94	7. Others			
II. Operating profit (loss expressed with “-”)		584,852,692.15	575,613,370.26	VI. Total comprehensive income		521,386,050.47	493,960,081.64
Add: Non-operating income		8,762,826.83	16,357,635.95	VII. Earnings per share:			
Less: non-operating expenditure		10,222,306.28	25,624,962.58	(I) Basic earnings per share (RMB/Share)			
III. Total profit (loss expressed with “-”)		583,393,212.70	566,346,043.63	(II) Diluted earnings per share (RMB/Share)			
Less: income tax expense		62,007,162.23	72,385,961.99				


 刚唐印永
 3702233041672

Company's principal:

宋以刚
 3703233041672

Principle in charge of accounting:


 宋以刚

Principle of accounting organization:

Company Cash flow statement

For the year ended December 31, 2022

Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

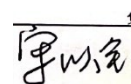
Currency unit: RMB

Item	Note	Amount in current period	Amount in previous period	Item	Note	Amount in current period	Amount in previous period
I. Cash flows from operating activities:				III. Cash flows generated by financing activities:			
Proceeds from sale of goods and rendering of services		3,148,609,594.15	2,952,533,812.62	Cash received from investment absorption		1,842,469,847.81	
Refund of tax and levies		52,829,748.55	42,308,136.08	Cash received from borrowings			
Other cash received relating to operating activities		22,936,347.08	33,205,582.31	Other cash received relating to financing activities			
Sub-total of cash inflow from operating activities		3,224,375,689.78	3,028,047,531.01	Sub-total of cash inflow from financing activities		1,842,469,847.81	
Cash paid for goods and services		2,222,737,216.16	1,517,402,808.81	Cash paid for debt repayment			
Cash paid to and on behalf of employees		508,937,261.23	430,062,649.77	Cash paid for distribution of dividends and profits or payment of interest		178,490,324.10	178,490,324.10
Cash paid for taxes and surcharges		130,422,037.19	139,374,999.99	Other cash payments relating to financing activities		960,000.00	
Other cash paid relating to operating activities		168,520,227.75	188,685,314.72	Sub-total of cash outflow from financing activities		179,450,324.10	178,490,324.10
Sub-total of cash outflow from operating activities		3,030,616,742.33	2,275,525,773.29	Net Cash Flows from Financing Activities		1,663,019,523.71	178,490,324.10
Net cash flow from operating activities		193,758,947.45	752,521,757.72	IV. Impact of exchange rate changes on cash and cash equivalents		20,187,956.00	-6,641,839.80
II. Cash flows generated by investment activities:				V. Net increase in cash and cash equivalents		425,031,981.88	-300,841,022.73
Cash received from return of investments		688,000,000.00	1,053,000,000.00	Add: Cash and cash equivalents at the		676,650,918.63	977,491,941.36

				beginning of the period			
Cash received from investment income		7,147,373.37	10,185,438.23	VI. Balance of cash and cash equivalents at ending of period		1,101,682,900.51	676,650,918.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		9,815,287.94	3,270,749.10				
Net cash received from disposal of subsidiaries and other business entities							
Other cash received relating to investment activities		13,137,568.41	7,775,347.69				
Sub-total of cash inflow from investment activities		718,100,229.72	1,074,231,535.02				
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		684,642,023.25	792,946,393.81				
Cash paid for investment		1,485,392,651.75	1,127,000,000.00				
Net cash paid for the acquisition of subsidiaries and other business entities							
Other cash paid relating to investment activities			22,515,757.76				
Sub-total of cash outflow from investment activities		2,170,034,675.00	1,942,462,151.57				
Net Cash Flows from Investing Activities		-1,451,934,445.28	-868,230,616.55				

人: 


Company's principal:

负责人: 


Principle in charge of accounting:

负责人: 


Principle of accounting organization:

- Company Statement of Changes in Equity

For the year ended December 31, 2022

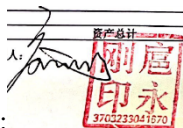
Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

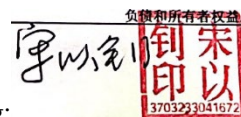
Item	Amount in this year										
	Equity	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total owners' equity
		Preferred stock	Perpetual bond	Others							
I. Closing balance of previous year	594,967,747.00				913,676,914.83			45,074,475.79	417,283,584.88	2,350,058,854.60	4,321,061,377.10
Add: Change in accounting policies											
Correction of prior errors											
Others											
II. Opening balance of current year	594,967,747.00				913,676,914.83			45,074,475.79	417,283,584.88	2,350,058,854.60	4,321,061,577.10
III. Amount of increase or decrease in current year (decrease expressed with "-")	68,646,366.00				1,773,673,944.66			6,669,798.13	52,138,605.05	290,757,121.32	2,191,885,835.16
(I) Total comprehensive income										521,386,050.47	521,386,050.47
(II) Capital contribution and reduction from owners	68,646,366.00				1,773,673,944.66						1,842,320,310.66

earnings for changes in defined benefit plan											
5. Carry-over retained earnings for other comprehensive income											
6. Others											
(V) Special reserve								6,669,798.13			6,669,798.13
1. Appropriation in current period								9,445,700.00			9,445,700.00
2. Used in current period								2,775,901.87			2,775,901.87
(VI) Others											
IV. Closing balance of current year	663,614,113.00				2,687,350,859.49			51,744,273.92	469,422,189.93	2,640,815,975.92	6,512,947,412.26

Company's principal:



Principle in charge of accounting:



Principle of accounting organization:



Company Statement of Changes in Equity (continued)

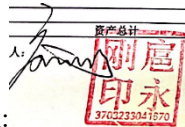
For the year ended December 31, 2022

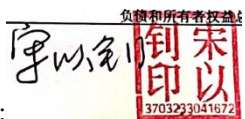
Prepared by: Shandong Pharmaceutical Glass Co., Ltd.

Currency unit: RMB

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added to owners' equity											
4. Others											
(III) Profit distribution								49,396,008.16	-227,886,332.26	-178,490,324.10	
1. Appropriation of surplus reserves								49,396,008.16	-49,396,008.16		
2. Distribution to owners									-178,490,324.10	-178,490,324.10	
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capitalized capital reserves											
2. Capitalized surplus reserves											
3. Surplus reserve for making up losses											
4. Carry-over retained earnings for changes in defined benefit plan											
5. Carry-over retained earnings for other comprehensive income											
6. Others											
(V) Special reserve								-2,882,371.93			-2,882,571.93
1. Appropriation in current period											
2. Used in current period								2,882,571.93			2,882,371.93
(VI) Others											
IV. Closing balance of current year	594,967,747.00				913,676,914.83			45,074,475.79	417,283,584.88	2,350,058,854.60	4,321,061,377.10

Company's principal: 

Principle in charge of accounting: 

Principle of accounting organization: 

I. Basic information of the Company

1. Basic information

- (1) Company Name: Shandong Pharmaceutical Glass Co., Ltd. (hereinafter referred to as the "Company" or "the Company")
- (2) Registered capital: RMB 663,614,113.00.
- (3) Company address: Yiyuan County, Zibo City.
- (4) Legal representative: Hu Yonggang.
- (5) Business scope: production and sale of medical devices within the scope of the license; auto cargo freight; packaging decoration and printing; production and sales of pharmaceutical packaging materials and containers within the scope specified in the Registration Certificate for Pharmaceutical Packaging Materials and Containers (operation shall be conducted in accordance with the registration certificate); retail of refined oil products (limited to branch operations); (the valid period of the above items shall be subject to the license); production and sales of domestic glass products; processing and sales of cartons; manufacturing and sales of special equipment for glass production; production, processing and sales of glass packaging containers; import and export business within the registered scope. (For the items subject to approval, business activities are carried out after getting approval by relevant authorities).

2. Historical development

- (1) The predecessor of Shandong Pharmaceutical Glass Co., Ltd. (hereinafter referred to as "the Company") was Shandong Pharmaceutical Glass Factory, which was established in 1970. In 1993, with the approval of Document Z.T.G.G. Zi (1993) No. 61 issued by Zibo Municipal Economic System Reform Commission, the Company was established through a targeted fundraising method, which was solely initiated and restructured by the original Shandong Pharmaceutical Glass Factory. The Company's total share capital at the time of its establishment was RMB 22,808,800.

In 1996, the Company was standardized in accordance with the Company Law and was recognized by the Shandong Provincial People's Government as a standardized joint-stock company established through share issuance in document L.Z.G.Zi (1996) No.73. On March 4, 1997, the Company obtained a legal person business license issued by the Shandong Provincial Administration for Industry and Commerce. In June 1997, with the approval of the Zibo Municipal Securities Regulatory Commission Office, the Company's internal employee shares were listed for trading on the Zibo Securities Trading Automated Quotation System. On November 24, 1998, trading ceased in accordance with the national regulations on the cleanup and rectification of over-the-counter trading.

- (2) The Company's profit distribution plan for 1996 was to distribute 3 bonus shares for every 10 shares held by all shareholders;
- (3) The Company's interim profit distribution plan for 1999 was to distribute 3 bonus shares for every 10 shares held by all shareholders, and at the same time transfer 4 bonus shares for every 10 shares held using capital reserves;
- (4) On May 17, 2002, with the approval of the China Securities Regulatory Commission (CSRC) under document Z.J.F.X.Zi [2002] No.10, the Company issued 32 million RMB ordinary shares to the public through online cumulative bidding and inquiry on the Shanghai Stock Exchange, changing the Company's total share capital to RMB 82,407,448. The Company's 2002 profit distribution plan was to distribute 3 bonus shares for every 10 shares held by all shareholders, and at the same time transfer 2 bonus shares for every 10 shares held using capital reserves, changing the Company's total share capital to RMB 123,611,172.
- (5) The Company's 2003 profit distribution and capital reserve capitalization plan was based on the total share capital at the end of 2003, with 3 bonus shares for every 10 shares held and 2 shares transferred from capital

reserve for every 10 shares held, resulting in a total share capital of RMB185,416,759.

(6) In 2005, the Company implemented a capital reserve capitalization plan, which was based on the Company's total share capital at the end of 2004, with 2 bonus shares for every 10 shares held, and the Company's total share capital changed to RMB 222,500,111. On February 14, 2006, the Company announced the implementation of the share structure reform plan. For every 10 shares held by tradable shareholders, they received 2.6 shares as consideration. Non-tradable shareholders paid a total of 31,915,561 shares. After the consideration, the Company's total share capital remained unchanged at RMB 222,500,111.

(7) On February 12, 2007, with the approval of the China Securities Regulatory Commission (CSRC) under document Z.J.F.X.Zi. [2007] No. 34, the Company issued 34.88 million RMB ordinary shares to 10 specific investors through a private placement, with a par value of RMB 1.00 per share. The total share capital after the change was RMB 257,380,111.

(8) With the approval of the China Securities Regulatory Commission (CSRC) under document No. [2016]2030, on December 8, 2016, the Company issued 46,174,862 shares to the Yiyuan County Nanma Street Collective Asset Management Center, Zibo Xinlian Investment Co., Ltd., and Shenzhen Jiaqiao Fukai No. 7 Equity Investment Enterprise (Limited Partnership) through a private placement, with a par value of RMB 1.00 per share. Following this change, the Company's total share capital is RMB 303,554,973.

(9) According to the resolution of the 2017 Shareholders General Assembly and the revised Articles of Association, in July 2018, the Company implemented the capital reserve capitalization plan of 4 bonus shares for every 10 shares held in 2017, with RMB 121,421,989 of capital reserve transferred to increase the registered capital, and the registered capital after the change was RMB 424,976,962.00.

(10) According to the resolution of the 2018 Shareholders General Assembly and the revised Articles of Association, in June 2019, the Company implemented the capital reserve capitalization plan of 4 bonus shares for every 10 shares held in 2018, with RMB 169,990,785.00 of capital reserve transferred to increase the registered capital, and the registered capital after the change was RMB 594,967,747.00.

(11) In November 2022, with the approval of the China Securities Regulatory Commission (CSRC) under document No. [2022]1852, the Company issued 68,646,366 shares to 18 subscribers through a private placement, with a par value of RMB 1 per share. The total share capital after the change was RMB 663,614,113.00.

3. This financial report was approved and issued by the sixth meeting of the tenth board of directors of the Company on April 22, 2023.

II. Scope of consolidated financial statement of current year

During the reporting period, the Company's consolidated scope included the parent company and 8 subsidiaries and 1 sub-subsidiary. For details, please refer to the relevant contents of "VII. Changes in the Scope of Consolidation" and "VIII. Interests in Other Entities" in this note.

III. Basis of preparation of financial statements

1. Basis of preparation

The Company takes the continuous operation as the basis for the preparation of financial statements and the accrual basis as the bookkeeping basis. In general, the Company measures the accounting elements at the historical cost, which are measured according to the replacement cost, net realizable value, present value and fair value provided that the amount of the accounting elements to be recognized can be acquired and reliably measured.

2. Going concern

The Company has owned the ability of going concern for at least 12 months since the end of this reporting period and there is no significant event that influences the ability of going concern.

IV. Important accounting policies and accounting estimates

1. Statement of compliance with accounting standards for business enterprises

The financial statements and the notes of the Company were prepared according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance, the Application Guide, the Interpretation of Enterprise Accounting Standards, No. 15 of Information Disclosure and Reporting Rules for Company Publicly Issuing the Securities – General Provisions of Financial Report [Revised in 2014] issued by the China Securities Regulatory Commission as well as the relevant supplementary regulations, which truly and completely reflected the Company's financial status, operating results, changes in owners' equity and as well as the cash flow and other information.

2. Accounting period

The fiscal year runs from January 1 to December 31 in the Gregorian calendar.

3. Business cycle

The business cycle of the Company shall be 12 months.

4. Recording currency

The Company adopts RMB as its recording currency.

5. Accounting treatment method of business combination under common control and non-common control

(1) (1) In a business combination under common control, where the acquiring company obtains control over other participating companies, and the consideration is paid in cash, transferred non-cash assets, or assumed debt, the initial investment cost of the long-term equity investment is the share of the acquired company's equity in the ultimate controlling party's consolidated financial statements on the merger date. The difference between the initial investment cost and the carrying amount of the cash paid, non-cash assets transferred, and debt assumed is adjusted to capital surplus; if capital surplus is insufficient to offset the difference, retained earnings are adjusted. In case that the equity securities are taken as the consideration for combination, the share of book value of the owners' equity obtained from the acquiree in the consolidated financial statement of the ultimate controller shall be taken as the initial investment cost of the long-term equity investment. With the total face value of the issued shares as the share capital, the capital reserve shall be adjusted with the difference between the initial investment cost of the long-term equity investment and the total face value of the shares issued; if the capital reserve is insufficient for write-off, the retained earnings shall be adjusted. The audit, legal service, evaluation consultation and other commissions as well as other related management fees shall be included in the current profits and losses as incurred. The bonds issued for a business combination or the handling fees and commissions paid for other debts shall be included in the initial measurement amount of the issued bonds and other debts. The fees and commissions incurred in the issuance of equity securities in the business combination, offset the premium income of equity securities. And if the premium income is insufficient to be offset, the retained earnings shall be offset.

(2) If a company's external merger is a business combination not under common control, the initial investment cost of the long-term equity investment is determined as follows: ① In a business combination achieved through a single exchange transaction, the initial investment cost of the long-term equity investment is the fair value of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer on the acquisition date to obtain control over the acquiree.

2) For business combinations achieved in stages through multiple exchange transactions, the initial investment cost of the long-term equity investment shall be the sum of the costs of each individual transaction;

3) The audit, legal service, evaluation consultation and other commissions as well as other related management fees are included in the current profits and losses as incurred; the transaction fee for equity securities or debt securities issued as a merger consideration shall be included in the initial recognition amount of the equity securities or debt securities.

4) If a future event that may affect the merger cost is agreed in the merger contract or agreement, and the future event is likely to occur on the acquisition date and the amount of impact on the merger cost can be reliably

measured, it is included in the initial investment cost of the long-term equity investment.

(3) If a company's external merger is a business combination not under common control, the difference between the initial investment cost of the long-term equity investment and the acquirer's share of the fair value of the identifiable net assets of the acquiree acquired in the merger shall be recognized as goodwill.

The difference between the initial investment cost of a long-term equity investment and the acquirer's share of the fair value of the identifiable net assets of the acquiree in a merger shall be handled as follows:

- 1) Review the fair value of each identifiable asset, liability and contingent liability of the acquiree and the measurement of merger costs;
- 2) If the merger cost is still less than the fair value share of the acquiree's identifiable net assets obtained in the merger after review, the difference shall be included in the current profit and loss.

6. Method of preparing the Consolidated Financial Statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control shall mean that the investor has the power over the investee, enjoys a variable return by participating in the relevant activities of the investee, and has the ability to use the power over the investee to influence the amount of the return.

The parent company shall include all its subsidiaries in the consolidation scope of the consolidated financial statements. The subsidiaries refer to the entities controlled by the Company (including the detachable parts of the Company and the investee, and the structured entities controlled by the Company).

The Company and the consolidated subsidiaries shall adopt the unified accounting policy and period when the consolidated statements are prepared. The consolidated financial statements based on the financial statements of the Company and its subsidiaries shall be consolidated and prepared by the Company after the impact of the internal transactions between the Company and the subsidiaries and between the subsidiaries on the consolidated financial statements is offset. The amount at the beginning of the period in the consolidated balance sheet shall be adjusted when the subsidiary of the Company increased due to the enterprise consolidation under the same control in the reporting period prepares the consolidated balance sheet. The amount at the beginning of the period in the consolidated balance sheet shall not be adjusted when the subsidiary of the Company increased due to the enterprise consolidation not under the same control prepares the consolidated balance sheet. For the subsidiary increased due to the enterprise consolidation under the same control in the reporting period, the Company shall include the income, expenses, profits and cash flows from the beginning of the year for the current period to the end of the reporting period into the consolidated income statement and cash flow statement. The income, expenses, profits and cash flows from the purchase date to the reporting period of the subsidiary increased due to the enterprise consolidation not under the same control shall be included in the consolidated income statement and cash flow statement. For the disposal of the subsidiary in the reporting period, the Company shall include the income, expenses, profits and cash flows of the subsidiary from the beginning of the year to the disposal date in the consolidated income statement and cash flow statement.

The parent company purchases the equity of the subsidiary held by the minority shareholders of the subsidiary. The capital reserve (capital premium or stock premium) shall be adjusted according to the difference between the newly acquired long-term equity investment in the consolidated financial statements and the shares of the net assets of the subsidiary that should be entitled according to the new shareholding ratio calculated from the purchase date or consolidation date. The retained earnings shall be adjusted if the capital reserve is not sufficient to offset.

The parent company partly disposes the long-term equity investments in the subsidiaries when the control is not lost. In the consolidated financial statements, the capital reserve (capital premium or share premium) shall be adjusted according to the difference between the disposal price and net asset share in the subsidiaries corresponding to the disposed long-term equity investments from the acquisition date or the combination date. If the capital

reserve is insufficient for write-off, the retained earnings shall be adjusted.

In the event that the Company lost the control over the investee for disposal of part of the equity investments or other reasons, the remaining equity shall be re-calculated at the fair value on the date when the control is lost in the preparation of the consolidated financial statements. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining shares and the share of net assets in the original subsidiary to be enjoyed from the acquisition date or the combination date shall be included into the investment income of the period when the control power is lost. Meanwhile, the goodwill shall be offset. When the control right is lost, other comprehensive revenues related to the equity investment of the original subsidiaries shall be converted to the investment revenues of the current period, excluding other comprehensive revenues resulting from the net liabilities or net assets of the benefit plan re-measured and designed by the invested party.

7. Determination criteria on cash and cash equivalents

Cash refers to the cash on hand and the bank deposit available payment at any time; the cash equivalents shall refer to the short-term investments held by the Company with strong liquidity and little value change risk, which are readily convertible into known amount of cash.

8. Foreign currency transaction

(1) When foreign currency transactions are initially recognized, the foreign currency amount is translated into RMB amount using the central parity rate of RMB exchange rate published by the People's Bank of China on the day the transaction occurs.

(2) On the balance sheet date, foreign currency monetary items and foreign currency non-monetary items shall be treated in accordance with the following methods:

1) Foreign currency monetary items are converted using the central parity rate of RMB exchange rate published by the People's Bank of China 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.

2) Foreign currency non-monetary items measured at historical cost shall still be translated using the spot exchange rate on the transaction date, without changing their functional currency amount; foreign currency non-monetary items measured at fair value shall be translated using the spot exchange rate on the fair value determination date. The difference between the translated functional currency amount and the original functional currency amount shall be treated as a fair value change (including exchange rate change) and recognized in current profit or loss or other comprehensive income according to the nature of the non-monetary item.

Monetary items refer to the Company's monetary funds and assets that will be received or liabilities that will be paid in fixed or determinable amounts. Non-monetary items refer to items other than monetary items.

9. Financial Instruments

Financial instruments shall refer to the contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. The Company recognizes the related financial assets or financial liabilities when it becomes a party to a financial instrument contract.

(1) Financial assets

1) Classification and initial measurement

Based on the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into:

Financial assets measured at amortized cost;

Financial assets measured at fair value through other comprehensive income;

Financial assets measured at fair value through current profit or loss.

The financial assets shall be measured at fair value in the initial recognition. For financial assets measured at fair

value through current profit and loss, the relevant transaction expenses shall be directly included in the current profit and loss; for other financial assets, the relevant transaction costs shall be included in the initially recognized amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or do not consider significant financing components, the Company shall take the amount of consideration that the Company is entitled to receive as expected as the initial recognized amount.

1) Debt instruments

The debt instruments held by the Company refer to instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

(1) Measured at amortized cost:

The business model of the Company's management of such financial assets is to collect contractual cash flows as the target, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending facility, that is, the cash flow generated on a specific date is only for the payment of the principal and the interest on the outstanding principal. The Company recognizes interest income of such financial assets in accordance with the effective interest rate method. Such financial assets mainly include the monetary funds, notes receivable, accounts receivable, contract assets, other receivables, debt investment and long-term receivables. The Company presents the debt investment and long-term receivables due within one year (inclusive) from the balance sheet date as non-current assets maturing within one year, and presents the debt investment due within one year (including one year) at the time of acquisition as other current assets.

(2) Measured at fair value through other comprehensive income:

The Company's business model for managing such financial assets is to target both collection and sales of contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with basic lending facility. Such financial assets are measured at fair value through other comprehensive income, but the impairment losses or gains, exchange gains and losses, and interest income calculated by the effective interest method are included in current profit and loss. Such financial assets are listed as other debt investments, other debt investment due within one year (inclusive) from the balance sheet date shall be presented as non-current assets maturing within one year, and other debt investment due within one year (including one year) at the time of acquisition shall be presented as other current assets.

(3) Measured at fair value through current profit or loss:

The Company's debt instruments that are not classified as those measured at amortized cost and fair value through other comprehensive income shall be measured at fair value through current profit and loss and presented as financial assets held for trading. At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company designated some financial assets as financial assets measured at fair value through current profit and loss. Those maturing more than one year from the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets.

2) Equity instruments

The Company measures the equity instrument investment that has no control, joint control over and significant influence on it at fair value through current profit and loss, and present it as financial assets held for trading; and presents those expected to be held for more than one year from the balance sheet date as other non-current financial assets.

In addition, the Company designates the non-trading equity instrument investment that meets the following conditions as the financial assets measured at fair value through other comprehensive income and presents it as the investment in other equity instruments. The relevant dividend income of such financial assets is included in the current profit and loss. The designation shall be irrevocable once made. In the event that the contingent consideration recognized by the Company in a business merger not under the same control constitutes a financial

asset, such financial asset shall be classified as a financial asset measured at fair value through current profit or loss.

For non-trading equity instrument investments, the company can irrevocably designate them as financial assets measured at fair value through other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment, and the relevant investment conforms to the definition of an equity instrument from the perspective of the issuer.

2) Impairment

The Company recognizes loss reserves on the basis of expected credit losses for financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, contract assets and financial guarantee contracts. The Company recognizes the expected credit loss by taking into consideration the past events, current conditions, and predictions of future economic conditions and by calculating the probability weighted amount of the present value of the difference between the contractual cash flows and the cash flows expected to be recovered with default risk as a weight.

On each balance sheet date, the Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of financial instruments has not increased significantly since the initial recognition and is in the first stage, and the Company will measure the loss reserves based on the expected credit losses in the next 12 months; if the credit risk of financial instruments has increased significantly but has no credit impairment since the initial recognition and is in the second stage, the Company will measure the loss reserves according to the expected credit loss of the instruments for the entire duration; if the financial instruments have suffered credit impairment since initial recognition and is in the third stage, the Company will measure the loss reserves based on the expected credit loss of the instruments for the entire duration.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition and measures the loss provisions based on expected credit losses within the next 12 months.

For the financial instruments in the first and second stages and with low credit risk, the Group calculates the interest income on the basis of the book balance before the impairment provision and the effective interest rate. For the financial instruments in the third stage, the interest income is calculated based on the book balance minus the amortized cost and the effective interest rate after the provision for impairment.

For the notes receivables and accounts receivable and contract assets, regardless of whether there is a significant financing component, the Company measures loss reserves based on the expected credit losses for the entire duration.

1) Judgment criteria for significant increase of credit risk

The Company will evaluate whether its credit risk of relevant financial instruments has increased significantly since initial recognition on each balance sheet date.

In the determination of whether the credit risk has increased significantly since the initial recognition, the Company can obtain reasonable and evidenced information without unnecessary additional costs or efforts, including qualitative and quantitative analysis, external credit risk ratings and forward-looking information based on historical data of the Company. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Company determines the changes of default risk of financial instruments in the expected duration by comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

When one or more of the following quantitative and qualitative criteria are triggered, the Company believes that the credit risk of financial instruments has increased significantly:

(1) The quantitative criteria is mainly that the probability of default for the remaining duration on the reporting date

risers by more than a certain percentage from the initial recognition.

(2) The qualitative criteria mainly include significant adverse changes in the debtor's business or financial situation, and a list of early warning customers.

(3) The upper limit is the debtor's contractual payment (including principal and interest) generally overdue for more than 30 days, with a maximum of 90 days.

2) Definition of assets with credit impairment

In order to determine whether a credit impairment has occurred, the definition standards adopted by the Company shall be consistent with the internal credit risk management objectives for the relevant financial instruments, and quantitative and qualitative indicators shall be taken into consideration. The Company mainly considers the following factors when evaluating whether the debtor suffers from credit impairment:

(1) The issuer or debtor suffers from significant financial difficulties;

(2) The debtor violated the terms of the contract, such as default or overdue in the payment of interest or principal;

(3) Due to economic or contractual considerations related to the debtor's financial difficulties, the creditor gives the debtor no concessions under any other circumstances;

(4) The debtor may be faced with bankrupt or financial restructuring;

(5) The financial difficulties of the issuer or the debtor result in the disappearance of the active market for the financial assets;

(6) Purchase or generate a financial asset at a substantial discount that reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, but not necessarily by events that can be identified separately.

3) Parameters of measurement of expected credit loss

Depending on whether a significant increase in credit risk has occurred and whether a credit impairment has occurred, the Company measures impairment provisions for different assets in terms of the expected credit loss over 12 months or the entire duration. The key parameters of expected credit loss measurement include default probability, loss given default and exposure at default. The Company considers the quantitative analysis and forward-looking information of historical statistical data (such as counterparty rating, guarantee method, type of collaterals, and repayment methods, etc.), and establishes a model of default probability, loss given default and default risk exposure.

The relevant definitions are as follows:

(1) The probability of default refers to the possibility that the debtor will not be able to perform its payment obligations in the next 12 months or throughout the remaining duration. The Company's default probability is adjusted based on the results of historical credit loss models, and forward-looking information is added to reflect the default probability of debtors under the current macroeconomic environment;

(2) The loss given default refers to the Company's expectation of the extent of loss incurred by the exposure at default. The loss given default varies depending on the type of counterparty, the method and priority of recourse, and the collateral. The loss given default is the percentage of the risk exposure loss at the time of the default, which is calculated on the basis of the next 12 months or the entire duration;

(3) The exposure at default refers to the amount that the Company should be repaid when default occurs in the next 12 months or throughout the remaining duration.

4) Forward-looking information

Both the assessment of a significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. By analyzing historical data, the Company identifies key economic indicators that affect the credit risks and expected credit losses of various business types.

When the information on the expected credit loss of a single financial asset cannot be assessed at a reasonable cost, the Company divides the receivables into several portfolios and calculates the expected credit loss based on the portfolio. The basis for determining the portfolios are as follows:

Portfolio	Basis for determining portfolios	Method for measurement of expected credit losses
Notes receivable portfolio 1 - Bank acceptance bills	Bank with lower credit risk	The expected credit loss rate is typically zero.
Notes receivable portfolio 2: commercial acceptance bills	Classification based on the acceptor's credit risk	Same as accounts receivable
Accounts receivable financing portfolio 1 - Bank acceptance bills	Bank with lower credit risk	The expected credit loss rate is typically zero.
Accounts receivable financing portfolio 2 - Commercial acceptance bills	Classification based on the acceptor's credit risk	Same as accounts receivable
Accounts receivable and contract assets portfolio 1 - Credit risk characteristics	Aging portfolio	Recognizing expected credit losses based on aging portfolio
Accounts receivable and contract assets portfolio 2 - Accounts receivable from related parties within the scope of consolidation	Related party portfolios within the scope of consolidation	The expected credit loss rate is typically zero.
Other receivables portfolio 1 - Credit risk characteristics	Aging portfolio	Recognizing expected credit losses based on aging portfolio
Other receivables portfolio 2 - Other receivables related party transactions within the scope of consolidation	Related party portfolios within the scope of consolidation	The expected credit loss rate is typically zero.

For notes receivable divided into portfolios, the Company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates through the default risk exposure and the expected credit loss rate within the entire duration expected credit losses.

For accounts receivable and contract assets divided into portfolios, the Company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and compiles a comparison table of the aging of accounts receivable and the expected credit loss rate of the entire duration to calculate expected credit loss.

For other receivables divided into portfolios, the Company refers to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, and calculates through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration Expected credit losses.

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company and its subsidiaries shall re-measure the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss provision shall be included in current profit and loss as an impairment loss or gain. For financial assets measured at amortized cost, the loss provision shall offset the book value of the financial assets listed in the balance sheet; for debt investments measured at fair value through other comprehensive income, the Company and its subsidiaries recognizes its loss provision in other comprehensive income and does not offset the book value of the financial assets.

Comparison table of aging of the aging portfolio and the expected credit loss rate for the entire life cycle

Aging	Accounts receivable	Other receivables
Within 1 year (inclusive, the same below)	8.00%	8.00%
1-2 years	15.00%	15.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%
4-5 years	80.00%	80.00%
More than 5 years	100.00%	100.00%

3) Derecognition

A financial asset shall be de-recognized if any of the following conditions is met:

- 1) The contractual right to collect cash flow of the financial asset is terminated;
- 2) The financial assets have been transferred, and almost all the risks and rewards related to the ownership of financial assets have been transferred to the transferee;
- 3) The financial assets have been transferred, and the control to the financial assets has been given up although the Company has neither transferred nor retained almost all the risks and rewards of ownership of the financial assets.

When other equity instruments are derecognized, the difference between the book value and the consideration received and the cumulative amount of changes in fair value that were originally directly included in other comprehensive income shall be included in retained earnings; when other financial assets are derecognized, the difference between the book value and the consideration received and the cumulative amount of changes in fair value that were originally directly included in other comprehensive income shall be included in current profit and loss.

4) Write-off

If the Company and its subsidiaries no longer reasonably expects to recover all or part of the cash flow of financial asset contract, the Company will directly write down the book balance of the financial asset. Such write-downs constitute the derecognition of related financial assets. This usually occurs when the Company and its subsidiaries determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, the written-down financial assets may still be affected by execution activities in accordance with the Company's and its subsidiaries' procedures for recovering the amounts due.

The financial assets that have been written down are later recovered, they shall be included in the current profit and loss of the recovery period as the reversal of the impairment loss.

(2) Financial liabilities

In the initial recognition, the financial liabilities are classified as the financial liabilities measured at amortized cost and financial liabilities measured at fair value through current profit and loss.

The Company classifies financial liabilities as the financial liabilities measured at amortized costs, except for the following:

- 1) The financial liabilities measured at fair value through current profit and loss, including the financial liabilities held for trading (including derivatives that are financial liabilities), and those designated as financial liabilities measured at fair value through current profit and loss.
- 2) The financial liabilities formed by transfer of financial assets not confirming to the de-recognition conditions or by the continued involvement of transferred financial assets.
- 3) Financial guarantee contracts that are not in Item 1) and 2) of this article, and commitments for loans below the market interest rate which are not in the first category of this article. The financial liabilities formed by contingent consideration recognized by the Company as the acquirer in the business merger not under the same control shall be accounted for at the fair value through profit or loss.

At the time of initial recognition, in order to provide more relevant accounting information, the Company can designate financial liabilities as financial liabilities measured at fair value through current profits and losses. This designation meets one of the following conditions:

- 1) It can eliminate or significantly reduce accounting mismatches.
- 2) According to the corporate risk rationale or investment strategy stated in the official written document, it can make the management and performance evaluation of financial liability portfolio or financial asset and financial liability portfolio based on fair value, and report to key management personnel within the company on this basis. The designation shall be irrevocable once made.

The Company's financial liabilities are mainly financial liabilities measured at amortized cost, including notes payable, accounts payable, other payables, borrowings and bonds payable. Such financial liabilities are initially measured at their fair value after deducting transaction costs, and are subsequently measured using the real interest method. It with a maturity of less than one year (inclusive) shall be presented as current liabilities; those with a maturity of more than one year but expires within one year (inclusive) from the balance sheet date shall be presented as non-current liabilities maturing within one year; the rest shall be presented as non-current liabilities. When the current obligations of the financial liabilities are dissolved in whole or in part, the Company shall de-recognize the part of the financial liabilities or obligations that have been released. The difference between the book value of the derecognized portion and the consideration paid shall be included in current profit or loss.

When the current obligations of the financial liability (or part thereof) are dissolved, the financial liability (or part thereof) shall be de-recognized by the company.

(3) Determination of Fair Value of Financial Instruments

If an active market exists for the financial instruments, the quotations in the active market shall be used to determine the fair value. Where there is no active market for the financial instruments, the valuation techniques shall be used to determine the fair value. In the valuation, the Company shall use the valuation techniques with sufficient available data and other information support applicable in the current circumstances, select the inputs in line with the asset or liability characteristics considered by the market participants in the transaction of relevant asset or liability, and the relevant observable inputs shall be given priority for use. The unobservable inputs shall be used when the relevant observable inputs are not available or impractical.

(4) Subsequent measurement

After the initial recognition, the Company shall subsequently measure the financial assets of different categories at amortized cost, fair value through other comprehensive income, or fair value through current profit and loss.

After initial recognition, the Company will conduct subsequent measurement of different types of financial liabilities at amortized cost, at fair value with changes included in current profits and losses, or by other appropriate methods.

The amortized cost of a financial asset or financial liability is determined by adjusting the initial recognition amount of the financial asset or financial liability as follows :

- 1) Deduct the principal repaid.
- 2) Plus or minus the accumulative amortization amount formed by amortization of difference between the initial recognized amount and the due date using the effective interest method.
- 3) Deduct accumulated loss provisions (only applicable to financial assets).

The Company recognizes the interest income by the effective interest method. Interest income is calculated and determined based on the book balance of the financial asset multiplied by the actual interest rate, except for the following circumstances:

- 1) For purchased or original financial assets that have suffered credit impairment, the interest income shall be determined based on the amortized cost of the financial assets and the effective interest rate adjusted by credit from

the initial recognition.

2) For purchased or original financial assets without credit impairment but becomes financial assets with credit impairment in the subsequent period, the interest income shall be determined based on the amortized cost of the financial assets and the effective interest rate in the subsequent period. When the Company uses the effective interest rate method to calculate interest income on the amortized cost of financial assets in accordance with the above policies, if the financial instrument no longer has credit impairment due to an improvement in its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above policy (such as an increase in the debtor's credit rating), the Company will calculate and determine interest income by multiplying the actual interest rate by the book balance of the financial asset.

10. Notes receivable

For the determination method and accounting treatment method of the expected credit loss of the notes receivable, please refer to Note IV. 9 “Financial instruments”.

11. Accounts receivable

For the determination method and accounting treatment method of the expected credit loss of the accounts receivable, please refer to Note IV. 9 “Financial instruments”.

12. Receivables financing

When both notes receivable and accounts receivable meet the following conditions, the Company classifies them as financial assets measured at fair value through other comprehensive income. The specific accounting treatment method is shown in Note IV.9 “Financial Instruments” and listed as receivables financing in the statements:

- (1) The contract cash flow is the payment of the principal and the interest based on the outstanding amount of principal;
- (2) The Company's business model for managing notes receivable and accounts receivable is aimed at both collecting contract cash flows and sale.

13. Other receivables

For the determination method and accounting treatment method of the expected credit loss of other receivable, please refer to Note IV. 9 “Financial instruments”.

14. Inventory

(1) Classification of inventory

The inventories mainly include raw materials, work in progress and stocked goods, etc.

(2) The measurement method of delivered inventories

Inventory shall be measured by the weighted average method as delivered.

(3) The recognition basis of net realizable value of the inventories and the calculation method of inventory impairment provision

On the date of balance sheet, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be included in the current profits and losses. Net realisable value is the estimated selling price of inventories minus the estimated cost of completion, estimated selling expenses and related taxes and fees in daily activities.

The basis for determining the net realizable value of various types of inventory is as follows:

1) For inventories of goods that are directly used for sale, such as finished goods, commodities, and materials for sale, their net realizable values shall be confirmed according to the amount got by subtracting the estimated selling expenses and related taxes from the estimated sale price of the inventory in the normal production and operation process.

2) With respect to material inventories that are to be processed, their net realizable values are to be confirmed by

the amount got by subtracting the estimated cost till completion, the estimated selling expenses and related taxes and fees from the actual sale price of the finished products during the normal production and operation process.

3) On the balance sheet date, if part of an inventory has a contract price agreement and the other part does not have the contract price, the net realizable value shall be recognized respectively; the accrued amount or reversed amount of the inventory impairment provision shall be respectively recognized by comparing with the corresponding costs. Inventory impairment provisions are made on a per-item basis (or per-category basis). In respect of inventories related to a product produced and sold in the same region, having the same or similar end use or purpose, and that are difficult to measure separately from other items, such inventories may be combined to make provision for inventory depreciation.

(4) Inventory system

The Company adopts the perpetual inventory system.

(5) Amortization method of low-value consumables and packaging.

Low-value consumables and packaging materials are amortized using the one-off write-off method and included in the cost of related assets or current profits and losses.

15. Contract assets

(1) Recognition method and standard of contract assets

Contractual assets shall mean that the company has transferred goods to a customer and have the right to receive the consideration, and the right depends on other factors than the passage of time. In the event that the company sells two clearly distinguishable goods to a customer and thus has the right to receive the payment because one of the goods has been delivered, but the payment depends on the delivery of another kind of goods, the Company shall take the right to collection right as a contractual asset. Contract assets and contract liabilities under the same contract are listed in net amount, and contract assets and contract liabilities under different contracts are not offset

(2) Determination and accounting treatment of the expected credit losses of contract assets

For contract assets formed through the normal performance of a contract, if the contract payment is overdue for no more than 30 days, it is determined that there is no difference between the cash flow receivable from the contract and the expected cash flow to be received, and no impairment provision is recognized for the contract asset. If the contract payment is overdue for more than (inclusive) 30 days, an impairment provision for the contract asset is recognized based on the expected credit loss over the entire lifetime of the contract asset. For details on the determination method and accounting treatment of the expected credit loss of contract assets, please refer to Note "IV.9 — Financial Instruments".

16. Contract cost

(1) Method for determining the amount of assets related to contract costs

The assets related to contract costs include contract performance costs and contract acquisition costs.

If the contract performance costs, which are the costs incurred in fulfilling a contract, does not fall within the scope of other business accounting standards other than the "Accounting Standards for Business Enterprises No. 14 - Revenue (Revised in 2017)" and meets the following conditions at the same time, it shall be recognized as an asset as the contract performance costs: 1) such costs are directly related to a current or anticipated contract, including direct labor costs, direct materials costs, manufacturing costs (or similar expenses), the costs specified to be borne by the customer, and other costs incurred solely for the contract;

2) Such costs increased the resources of the Company for the fulfillment of performance obligations in the future;

3) The costs are expected to be recovered.

The cost of contract acquisition, which is the expected recovery of the incremental costs incurred in obtaining the contract, is recognized as an asset as the cost of contract acquisition. Incremental cost refers to costs that would not occur without acquiring a contract (e.g., sales commissions). If the amortization period of the asset does not exceed

one year, it can be included in the current profit and loss when incurred.

Except for the incremental costs that are expected to be recoverable, the expenditures (e.g., travel expenses, bidding fees, and related expenses incurred in preparing bidding documents, regardless of whether a contract is obtained) of the Company shall be included in current profit and loss as incurred, but those specified to be borne by the customer shall not be included in.

(2) Amortization of assets related to contract costs

The assets related to the contract costs shall be amortized on the same basis as the recognition of the income from the goods related to the assets, and shall be included in current profit and loss.

(3) Impairment of assets related to contract costs

When determining impairment of assets related to contract costs, impairment losses are first determined for other assets related to the contract that are recognized in accordance with other relevant accounting standards. Then, if the carrying amount exceeds the difference between item 1) and item 2) below, the excess portion should be recognized as an impairment loss.

1) The residual consideration expected to be obtained from the transfer of the commodities related to the assets;

2) And the cost expected to be incurred for the transfer of such goods.

Where the factors of impairment in the previous period change subsequently, resulting in the difference between item 1) and item 2) above being higher than the carrying amount of the asset, the original provision for asset impairment shall be reversed and included in the current profit and loss; provided that the book value of the assets after reversal shall not exceed the book value of the assets on the reversal date under the assumption that no provision for impairment is made.

17. Held-for-sale assets

(1). Recognition standard for the held-for-sale non-current assets and disposal groups

In the event that the Company recovers its book value mainly through the sale (including the exchange of non-monetary assets with commercial essence, and the same below), it shall be classified as held-for-sale asset. The specific standard is that the following conditions must be met simultaneously:

1) They can be sold promptly under the current situation according to the usual practice in the similar transactions for the sales of such assets or disposal groups;

2) The sale is most likely to occur, that is, the sale is expected to be completed within a year when the enterprise has made the resolution on one sale plan with the confirmed purchase commitment has been obtained.

Among them, the treatment group is a group of assets that are disposed of as a whole through sale or other means in a transaction, and liabilities that are directly related to those assets transferred in the transaction. If the asset group or asset group portfolio to which the treatment group belongs has been allocated to the reputation acquired in the business combination in accordance with No.8 Accounting Standards for Business Enterprises—Impairment of Assets, the treatment group shall contain the reputation allocated to it. In the event that the Company loses its control over a subsidiary due to the sale of its investment in the subsidiary, regardless of whether or not the enterprise retains part of the equity investment after the sale, when the investment in the subsidiary to be sold meet the condition of held for sale classification, the investment in the subsidiary shall be classified as held for sale in the individual financial statements of the parent company, and all the assets and liabilities of the subsidiary shall be classified into held for sale in the consolidated financial statement.

(2) Accounting treatment method

For the initial measurement or the re-measurement of the non-current assets or disposal groups on the balance sheet date, if its book value is higher than the net value of the fair value minus the sale cost, write off the book value to the net value of the fair value minus the sale cost; the write-off amount shall be recognized as the losses from asset impairment and included in current profit and loss; meanwhile, withdraw the provision for impairment of the

held-for-sale assets. For the treatment group, the recognized impairment loss of asset is first offset against the book value of the reputation in the treatment group, and then proportionally deducted the book value of each non-current asset as measured in accordance with provisions applying to No.42 Accounting Standards for Business Enterprises—Non-current Assets Held for Sale, and treatment group and Discontinued Operations (hereinafter referred to as “Held-for-Sale Guideline”). If the net amount that the treatment group fair value held for sale on the subsequent balance sheet date minus the sale cost increases, the amount previously written down should be recovered. In addition, after being classified as held for sale, the amount of impairment loss of assets recognized for non-current assets applying for the measurement provisions of held-for-sale standards shall be reversed, and the amount so reversed shall be included in the profit and loss for the current period. According to the proportion of the book value of non-current assets in the treatment group applying for the measurement provisions of held-for-sale standards, except for the reputation, the book value there of shall be increased proportionally. The book value of reputation already offset and the impairment loss of the non-current assets recognized prior to the classification of assets applying for the measurement provisions of held-for-sale standards shall not be reversed.

Non-current assets held-for-sale or non-current assets in disposal groups are not depreciated or amortized, and interest and other expenses on liabilities in disposal groups held-for-sale continue to be recognized.

When the non-current assets or disposal groups no longer meet the conditions for classification of held-for-sale categories, it will no longer continue to classify them as held-for-sale categories or remove the non-current assets from the held-for-sale disposal groups, and measure them at the lower value of:

- 1) The amount of book value before the classification as held for sale that is adjusted according to the depreciation, amortization or impairment that should have been recognized assuming that it had not been classified as held-for-sale category;
- 2) Recoverable amount.

18. Long-term equity investment

The long-term equity investment refers to the equity investment where the Company implements control and significant influence on the investee, as well as investments in their joint ventures.

(1) Recognition of investment cost

Except for the long-term equity investment formed by mergers and acquisitions, the initial investment cost of the long-term equity investments obtained in other ways shall be determined in accordance with the following provisions:

- 1) For the long-term equity investment obtained by payment in cash, the paid-in purchase price shall be taken as the initial investment cost. The initial investment costs include the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.
- 2) For the long-term equity investment obtained by issuing the equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost.
- 3) For the long-term equity investment acquired through the exchange of non-monetary assets, the initial investment cost shall be determined in accordance with the Accounting Standards for Business Enterprises No.7: Non-monetary Assets Exchange.
- 4) For the long-term equity investment obtained by debt restructuring, the initial investment cost shall be recognized in accordance with the Accounting Standards for Business Enterprises No. 12: Debt Restructuring.

(2) Subsequent measurement and recognition method of profit and loss

- 1) The following long-term equity investments are accounted for using the cost method:

The Company has long-term equity investments that enable it to exercise control over the investee.

The long-term equity investment accounted for using the cost method shall be calculated as per the initial investment cost. The investment should be added or withdrawn to adjust the cost of long-term equity investment.

The cash dividends or profits declared by the investee to be distributed shall be recognized as the current investment income.

2) The long-term equity investment with joint control over or significant influence on the investee (referring to joint ventures) shall be accounted for by equity method. For the long-term equity investment accounted for using the equity method, if the investment cost is higher than the share of fair value of the due identifiable net assets in the investee, the investment cost of the long-term equity investments shall not be adjusted; if the investment cost is less than the share of fair value of due identifiable net assets in the investee, the book value of the long-term equity investment shall be adjusted, and the difference shall be included in current profit and loss.

When the equity method is adopted, after acquired the long-term equity investment, the company shall separately recognize the investment profit and loss and other comprehensive income according to the share of net profit and loss and other comprehensive income realized by the investee that should be shared or should be shared, and adjust the book value of long-term equity investment. The profit or cash dividends distributed by the investee will reduce the book value of the long-term equity investment according to the portion that the investment company should be distributed to when the distribution is declared. Investors should adjust the book value of long-term equity investments and include them in equity for any changes in the equity of investees other than net profit or loss, other comprehensive income and profit distribution.

The Company recognizes the net loss incurred by the investee to the extent that the long-term equity investment and other long-term equity that substantially constitutes the net investment of the investee are reduced to zero, except where the Company has an obligation to bear additional losses to the investee. If the investee realizes net profit in the subsequent periods, the investing company shall recover the recognition of gain share after making up for the unrecognized loss sharing with the gain share. For other changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee, the book value of the long-term equity investment shall be adjusted and included in the owners' equity.

When long-term equity investments are accounted for using the equity method, Company firstly adjusts net profits of the investee according to fair value of various recognizable assets at investment, accounting policies and accounting term, and then confirms current profits and losses on investments as per net profits and losses of the investee enjoyed or shared.

Unrealized intercompany profits or losses arising from associates and joint ventures that are attributable to the company based on its shareholding ratio are recognized as investment income or loss on an offsetting basis.

(3) Determine basis of the common control, or significant influence on the investee

Common control refers to the common control over a certain arrangement in accordance with the relevant agreement, and the related activities of the arrangement must be decided by the unanimous consent of participants who share the control power. When judging whether there is common control, the Company shall first judge whether all participants or participants' groups collectively control the arrangement. If all participants or a group of participants must act unanimously to determine the related activities of an arrangement, it shall be deemed that all participants or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision of the relevant activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If there are two or more than two participant groups can collectively control an arrangement, it shall not constitute a common control. No protective rights shall be considered in the determination of whether there is a common control.

Significant influence refers to that the financial and operating policies of a company have the right to participate in the decision-making, but cannot control or jointly control the preparation of the policies together with other parties. In the determination of whether to exert a significant impact on the investee, the influence of the voting shares held directly or indirectly by the investor in the investee, as well as the enforceable potential voting rights held by the

investor and other parties in current period, shall be taken into account on the assumption that the above rights are converted to the equity of the investee. Such influence shall include the impact of convertible warrants, stock options and convertible bonds issued by the investee.

19. Investment property

Investment properties shall refer to the real estate held for generating rent and/or capital appreciation, including the leased land-use right, the land-use right held for transfer after appreciation and the leased buildings.

The investment property of the Company shall be initially measured at cost. Investment properties are subsequently measured using the cost model at the balance sheet date and depreciated or amortized in accordance with the same policy as fixed assets or intangible assets. Where the self-use real estate is converted into investment property or investment property is converted into self-use real estate or inventory, the book value before conversion is used as the recorded value after conversion.

If the investment property is disposed of, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the investment property is derecognized. Disposal income from the sale, transfer, retirement or damage of investment property is charged to the current profit and loss after deducting its carrying amount and related taxes.

20. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets shall refer to the tangible assets held for the producing goods, providing service or leasing or operating management with a service life more than 1 accounting year. Fixed assets can be recognized only when all the following conditions are met:

- 1) The economic benefits related to the fixed assets are likely to flow into the company;
- 2) The cost of the fixed assets can be measured reliably.

(2) Depreciation method of fixed assets

All fixed assets shall be depreciated using the straight-line method and based on the following service lives, estimated net residual value rate, and depreciation rate.

Category	Service life	Estimated net residual value rate	Annual depreciation rate
Houses and buildings	20 -30 years	3.00%	3.23%-4.85%
General equipment	5 -16 years	3.00%	6.06%-19.40%
Special equipment	2.5 -12 years	3.00%	8.08%-38.80%
Transport vehicles	6	3.00%	16.17%

21. Construction in progress

(1) Expenditures incurred by the company for infrastructure construction, renovation and upgrading, etc., including engineering materials;

(2) The construction-in-progress shall be transferred into fixed assets when it is ready for the intended use.

22. Borrowing costs

(1) The borrowing costs incurred by the Company that can be directly attributable to the construction or production of the asset eligible for capitalization shall be capitalized and included in the relevant asset costs. The assets that meet the capitalization conditions shall refer to the fixed assets, investment properties, inventories and other assets that can reach the expected available or marketable state through long-term (usually refers to 1 year and more) construction or production activities. Other borrowing costs shall be recognized as expenses according to the amount as incurred and shall be included in current profit and loss. The borrowing costs shall include the interest on borrowings, the amortization and auxiliary expenses of the discount or premium, as well as the exchange difference incurred on borrowings in foreign currencies.

(2) The borrowing costs can be capitalized when all the following conditions are met:

- 1) If the asset expenditures have incurred, including the expenditures incurred by cash payment, transfer of non-cash assets, or assumption of interest-bearing debt for the acquisition and construction or production of the assets that meet the requirements of capitalization;
- 2) The borrowing costs have incurred;
- 3) The acquisition and construction or production activities necessary to enable the asset to reach the expected available or marketable state have started.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. If abnormal interruption occurred to the asset eligible for capitalization in the acquisition and construction or production, and such interruption lasts for more than 3 months, the capitalization of the borrowing expenses shall be suspended. The borrowing costs incurred during such period shall be recognized as the cost and included in the losses and gains of the current period, till the acquisition and construction or production of the asset restarts. If interruption is the necessary procedure to make the constructed or produced asset eligible for capitalization reaches the expected available or marketable state, the capitalization of the borrowing costs shall be continued.

(3) In the period of capitalization, the capitalized amount of the interest (including amortization of discounts or premiums) in each accounting period shall be determined in accordance with the following provisions:

- 1) For the special borrowings borrowed for the acquisition and construction or production of the asset eligible for capitalization, the amount to be capitalized of interest costs shall be determined by deducting the bank interest income of the unused borrowing funds or the investment income of temporary investment from the current interest expense of the special borrowings.
- 2) For the general borrowings used for the acquisition and construction or production of the asset eligible for capitalization, the interest amount to be capitalized of the general borrowings shall be recognized by multiplying the weighted average of the asset expenditure that the accumulative asset expenditure exceeds the special borrowings by the capitalization rate of the used general borrowings. The capitalization rate shall be determined according to the weighted average interest rate of the general borrowings.

If there is a discount or premium on the borrowings, the amount of discount or premium to be amortized during each accounting period shall be determined according to the effective interest method; the amount of interest in each period shall be adjusted.

The interest capitalization amount in each accounting period during the capitalization period shall not be excessive of the interest amount actually incurred in the relevant borrowings for the current period.

(4) The auxiliary expenses of borrowings incurred before the asset eligible for capitalization reaches the expected available or marketable state shall be capitalized according to the amount as incurred and shall be included in the costs of the asset eligible for capitalization; if it is incurred after the acquired and constructed or produced asset eligible for capitalization reaches the expected available or marketable state, it shall be recognized as expenses according to the amount as incurred and shall be included in current profit and loss. The auxiliary expenses of general borrowings shall be recognized as expenses according to the amount as incurred and shall be included in current profit and loss.

23. Right-of-use asset

The right-of-use assets mainly include houses and buildings.

(1) Conditions for the recognition of right-of-use assets

The right-of-use asset refers to the right of the Company as the lessee to use the leased assets during the lease term. The Company recognizes the right-to-use assets for the lease on the start date of the lease term. The right-to-use assets shall be recognized when the economic benefits are likely to flow into the enterprise and the cost can be measured reliably.

(2) Initial measurement of right-to-use assets

Right-of-use assets are initially measured at cost, which includes:

- 1) The initial measurement amount of the lease liability;
- 2) Where there are lease incentives in the amount of the lease payment paid on or before the lease commencement date, the relevant amount for which the lease incentives have been paid shall be deducted.
- 3) The initial direct expenses incurred by the lessee;
- 4) Costs that the lessee expects to incur for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the condition stipulated in the lease terms.

(3) Subsequent measurement of right-to-use assets

- 1) The cost mode is used for subsequent measurement of right-of-use assets.
- 2) Depreciation is accrued on right-of-use assets. If it can be reasonably determined that the ownership of leased assets can be obtained at the expiration of the lease term, the fixed assets shall be depreciated by the Company within the remain service life of the leased assets. If it cannot be reasonably determined that the ownership of leased assets can be obtained at the expiration of the lease term, the fixed assets shall be depreciated within the shorter of the lease term and the service life of the remained leased assets.
- (4) When the company remeasures the lease liability according to the present value of the lease payment after the change, and adjusts the book value of the right-of-use asset accordingly, if the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, it will include the remaining amount in the current profit and loss.

(5) Impairment test method and calculation of impairment provision of right-of-use assets

If there is an objective evidence showing the impairment of right-of-use assets on the balance sheet date, the impairment provision shall be made according to the difference that the book value is higher than the recoverable amount.

24. Intangible assets

(1) Intangible assets shall mean the identifiable non-physical non-monetary assets held or controlled by the Company. The intangible assets shall be initially measured at the actual cost. The service life of the intangible assets shall be analyzed as acquired.

(2) Factors that the Company typically consider when determining the useful life of intangible assets:

- 1) Information on the typical life cycle of the products produced by virtue of the asset, and the useful life of similar assets available;
- 2) Current status of technology, processes, etc. and estimates of development trends in the future;
- 3) The market demand for products or services generated by the asset;
- 4) The expected actions taken by the current or potential competitors;
- 5) The expected maintenance expenditure to maintain the economic benefits of the asset and the expect ability of the Company to pay for relevant costs and expenses;
- 6) The relevant legal provisions or similar restrictions on the period of control of the asset, such as the license period, the lease term, etc.;
- 7) Relevance to the service life of other assets of the Company.

If it is impossible to foresee the period of economic benefits brought by intangible assets to the enterprise, it is regarded as the intangible assets with uncertain service life.

(3) The intangible assets with a limited service life should be amortized with the straight-line method within the service life. At each end of the year, the service life and amortization method of intangible assets with a finite service life shall be reviewed and adjusted accordingly by the Company. Where the service life and amortization method of intangible assets are different from the previous estimates, the amortization period and amortization

method shall be changed.

(4) For intangible assets with finite useful lives, when using the straight-line method to calculate amortization, the service lives and estimated net residual value rates of each intangible asset are as follows:

Name	Service life	Estimated net residual value rate
Land use rights	35 years, 50 years	-
Computer software	5	-

(5) The intangible assets with an indefinite useful life shall not be amortized, but shall be tested for impairment at the end of each year.

(6) Internal research and development

1) The expenditure of internal research and development project includes the research stage expenditure and the development stage expenditure, of which:

1) The research refers to the original planned investigation in order to obtain and understand the new scientific or technical knowledge.

2) The development shall mean to apply the research results or other knowledge to a plan or design in order to produce new or substantially improved materials, devices or products before the commercial production or use.

2) The expenditures of interior R&D project in the research stage shall be included in the current profit and loss as incurred. The expenditures in the development stage can be recognized as intangible assets only if they meet the following requirements:

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

2) With the intention of completing the intangible asset for using or selling;

3) The ways of intangible asset to generate economic benefits include the ability to prove that the goods produced with the intangible asset have market or the intangible asset has market; for the intangible asset to be used internally, the usefulness shall be proved;

4) With sufficient technical, financial, and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset;

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

25. Long-term Asset Impairment

For non-current, non-financial assets such as fixed assets, construction in progress, intangible assets with finite service lives, investment properties measured at cost, and long-term equity investments in subsidiaries, the Company determines whether there are any indications of impairment at the balance sheet date. In case of an indication of impairment, the recoverable amount is estimated, and the impairment test is made. Intangible assets with indefinite useful lives and intangible assets that have not yet reached the usable condition are tested for impairment annually, irrespective of whether there is any indication of impairment.

If the result of impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision is made based on the difference and is included in the impairment loss. The recoverable amount shall be the higher of the net amount by deducting the disposal cost from the fair value of the asset and the present value of the future cash flow of the asset. The fair value of an asset is determined based on the price of sales agreement in the fair trade. Where there is no sales agreement but with an active market for the asset, the fair value is determined by the buyer's bid for the asset. If there is no sales agreement and an active market for the asset, the fair value of the asset is estimated based on the best available information. Disposal expenses include legal fees related to the disposal of assets, related taxes, handling fees, and direct costs incurred in bringing the assets to a saleable state. The present value of estimated future cash flows of an asset is determined by discounting the estimated future cash flows generated by the asset during its continuous use and final disposal by virtue of an appropriate discount rate. Asset impairment provision is calculated and confirmed on the basis of individual assets;

if it is difficult to estimate the recoverable amount of the single asset, the recoverable amount of the asset group shall be recognized based on the asset group which the asset belongs to. Asset group is the smallest portfolio of assets that can generate cash inflows independently.

Once the above asset impairment loss is confirmed, it will not be transferred back to the part where the value is recovered in the future periods.

26. Contract liabilities

Contract liabilities reflect the obligation of the Company to transfer goods to and from customers in consideration of the customer's consideration. Before the Company transfers the goods to the customer, if the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive the contract consideration, At the early stage of the customer's actual payment and due payment, the contract liability is recognized according to the amount received or receivable.

Contract assets and contract liabilities under the same contract are listed in net amount, and contract assets and contract liabilities under different contracts are not offset

27. Employee benefits

(1) Scope of employee benefits

The employee benefits shall mean the remunerations or compensations the Company provided for the services provided by the employees or the termination of labor relations. Employee benefits shall include the short-term benefits, post-employment benefits, the termination benefits and other long-term employee benefits. The benefits provided by the Company to employees' spouses, children, dependents, surviving dependents of deceased employees, and other beneficiaries shall belong to employee benefits.

(2) Short-term compensation shall refer to the salary of the employees that the company needs to pay within 12 months after the end of the annual reporting period when the employees provide related services.

Short-term compensation includes: social insurance premiums such as employee wages, bonuses, allowances and subsidies, welfare expenses of employee, medical insurance premiums, industrial injury insurance premium, birth insurance premium, etc., housing provident fund, labor union expenditure and employee education funds, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits, other short-term compensation.

During the accounting period in which the employee provides services to the Company, the actual short-term benefits shall be recognized as a liability, and included in the current profit or loss or relevant asset cost.

(3) The post-employment benefits shall mean the remunerations or benefits provided by the Company after the retirement or discharge of labor relation for the services provided by the employees, excluding the short-term compensation and the termination benefits.

The post-employment benefits shall include the defined contribution plan and defined benefit plan. In which, the defined contribution plan shall refer to the post-employment benefit plan that the Company will no longer bear further payment obligation after payment of fixed fees to the independent fund; the defined benefit plan shall mean the post-employment benefit plan other than the defined contribution plan.

The defined contribution plan shall include basic endowment insurance and unemployment insurance, etc. During the accounting period in which the employees provide services to the Company, the payable amount calculated according to the defined contribution plan shall be recognized as a liability and included in current profit or loss, or relevant asset cost.

At the end of the reporting period, the employee benefits costs arising from defined benefit plans were recognized as the following components:

- 1) Service cost, including current service cost, previous service cost and gains and losses on settlements
- 2) The net interest of net liabilities and net assets of the defined benefit plan shall include the interest income of the

plan assets, the interest expense of defined benefit plan obligation and the interest on the asset limit impact.

3) Re-measure changes in net liabilities or net assets in defined benefit plans.

Unless other accounting standards require or permit the cost of employee benefits to be included in the cost of assets, item 1) and item 2) above shall be included in current profit and loss; Item 3 shall be included in other comprehensive income and is not reversed to profit or loss in subsequent accounting periods, but these amounts recognised in other comprehensive income can be transferred within equity.

Under a defined benefit plan, past service costs will be recognized as current expenses on the earlier of the following dates:

1) When modifying the defined benefit plan.

2) When the company recognizes relevant restructuring expenses or dismissal benefits.

The enterprise recognizes the settlement gain or loss when setting the defined benefit plan.

(4) Termination benefits

It shall refer to the Company's compensation provided before the expiration of the employee's labor contract to terminate the labor relationship with the employee or in order to encourage employees to voluntarily accept redundancy.

The employee compensation liabilities from the termination benefits shall be recognized and included in current profit and loss on the earlier of the date when the Company cannot unilaterally withdraw the termination benefits provided for the plan on the termination of labor relationship or the redundancy proposal, and the date when the Company recognizes the costs or expenses related to the reorganization of the termination benefits.

(5) Other long-term employee benefits

It shall refer to all employee benefits payable other than the short-term compensation, post-employment benefits and termination benefits, including long-term paid absences, long-term disability benefits, and long-term profit sharing plan, etc.

Other long-term benefits provided by the Company to employees conforming to the conditions of defined contribution plan shall be accounted for according to the relevant provisions of the defined contribution plan.

For those not confirming to the defined contribution plan, the net liabilities or net assets of other long-term employee benefits shall be recognized according to the relevant provisions on the defined benefit plan. At the end of the reporting period, the cost of employee compensation generated by other long-term employee benefits is recognized as the following components:

1) Service cost

2) Net interest on net liabilities or net assets of other long-term employee benefits;

3) Changes caused by re-measurement of the net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items shall be recorded into the current profits and losses or the cost of relevant assets.

28. Lease liability

At the commencement date of the lease term, except for short-term leases and leases of low-value assets, the present value of the outstanding lease payments is recognized as a lease liability. When calculating the present value of lease payments, it adopts the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the incremental borrowing rate of the lessee is used as the discount rate. Interest expense on lease liabilities is calculated at a fixed periodic interest rate for each period of the lease term and recognized in current profit or loss, except for that which is included in the cost of assets in accordance with Note IV.22. Variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss when they are actually incurred, unless otherwise stipulated to be included in the cost of the related asset.

On the commencement date of the lease term, in case of the change in the substantial fixed payment, the change in

the amount payable estimated by guaranteed residual value, the change in the index or ratio used to determine the amount of lease payment, and the change in the evaluation results or actual exercises of the call option, renewal option or termination option, it re-measures the lease liabilities at the present value of the lease payment after such changes.

29. Estimated liabilities

The obligations in relation to the contingent event shall be recognized as the estimated liabilities when they meet the conditions as follows at the same time:

- (1) The obligation is the present obligation of the Company;
- (2) The performance of the obligation may lead to the outflow of economic interests from the Company;
- (3) The amount of the obligation can be measured reliably.

The estimated liabilities shall be initially measured according to the best estimate of the expenditures required for the fulfillment of the relevant current obligations.

30. Revenue

(1) Revenue recognition principle

Revenue is recognized when the customer acquires control of the goods, provided that all of the following conditions are met in the contract between the contract and the customer:

- 1) The parties to the contract have approved the contract and undertake to perform their respective obligations;
- 2) The contract clarifies the rights and obligations of the parties to the contract related to the transferred goods or the provision of labor services;
- 3) The contract has explicit payment terms in relation to the transferred commodity;
- 4) The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the Company's future cash flow;
- 5) The consideration that one is entitled to receive for transferring goods to a customer is likely to be recovered.

The contract is evaluated on the contract commencement date to identify the individual performance obligations contained in the contract, and the transaction price is allocated to each individual performance obligation in proportion to the individual selling price of the goods promised under each individual performance obligation. When determining the transaction price, it considers the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors. Then determine whether each individual performance obligation is performed within a certain period of time or at a certain time point. Then, revenue is recognized separately when each individual performance obligation is fulfilled. When one of the following conditions is met, it fulfills the performance obligation during a certain period of time; otherwise, it fulfills the performance obligation at a certain point of time:

- 1) The customer obtains and consumes the economic benefits brought by the performance by the company while the company is performing the obligation.
- 2) The customer is able to control the goods under construction during the company's performance;
- 3) The goods produced during the performance by the company have irreplaceable uses, and the company has the right to receive payment for performed part that has been completed so far throughout the term of the contract.

For the performance obligations performed during a certain period of time, it shall recognize the income according to the progress of the performance during the period. The progress of the performance is determined by the input method or the output method according to the nature of the transferred goods. If the progress of the performance cannot be reasonably determined, and the costs of the Company incurred are expected to be compensated, the income shall be recognized according to the amount of costs incurred, until the progress of the performance can be reasonably determined.

If any of the above conditions is not met, the Company will allocate to the transaction price of the individual

performance obligation to recognize revenue at the time when the customer obtains control of the relevant commodity. It shall consider the following signs in the determination of whether the customer has acquired the control of goods:

- (1) The company enjoys the current collection right for the goods, that is, the customer has the current payment obligation for the goods;
- (2) The company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods;
- (3) The company has transferred the goods to the customer in kind, that is, the customer owns the goods in kind;
- (4) The company has transferred the main risks and rewards of the ownership of the goods to the customers, that is, the customers have obtained the main risks and rewards of the ownership of the goods;
- (5) The customer has accepted the goods;
- (6) Other indications that the customer has taken control of the goods.

(2) Specific method of revenue recognition

The Company mainly sells pharmaceutical glass bottles, rubber stoppers, bottle caps and other products, which constitutes a performance obligation fulfilled at a specific point in time.

1) Domestic sales of products: The Company recognizes revenue when it has received payment or acquired the right to receive payment and when the related economic benefits are likely to flow in after the purchaser has accepted the products and signed the receipt or the acceptance period has expired without raising any objection.

2) Overseas sales of products: The Company recognizes revenue when it delivers goods and completes export customs procedures in accordance with the contract, obtains the customs declaration or bill of lading and other documents, has received payment or obtained the right to receive payment and the related economic benefits are likely to flow in.

31. Government subsidies

Government subsidies shall mean the monetary assets and non-monetary assets obtained by the Company from the government for free. It shall be divided into the asset-related government subsidies and income-related government subsidies.

(1) The judgment basis and accounting treatment method of asset-related government subsidies

The asset-related government subsidies shall mean the government subsidies obtained by the Company for the construction of long-term assets or otherwise method forming the long-term assets. The asset-related government subsidies shall be recognized as deferred income. The relevant assets shall be recognized in profit or loss in installments over their service life using a reasonable and systematic method. The government subsidies measured according to nominal amount shall be directly included in current profit and loss.

If the related assets are sold, transferred, abandoned or damaged before the end of the service life, the undistributed balance of the deferred income shall be transferred to the profit and loss of the asset disposal period.

The government subsidies related to the daily activities of the Company shall be included in other gains in accordance with the nature of the economic business. The government subsidies that are unrelated to the daily activities of the Company shall be included in the non-operating income and expense.

(2) The judgment basis and accounting treatment method of income-related government subsidies

The income-related government subsidies shall refer to the government subsidies other than the asset-related government subsidies.

The Company is required to divide the government subsidies for the comprehensive item into the portion in relation to the assets and the portion in relation to the income, the accounting treatment of which shall be conducted respectively; if it is hard to differ from them, it shall be classified as the government subsidy in relation to the income on the whole.

Government grants related to income that are used to compensate for related expenses or losses in future periods are recognized as deferred income upon receipt and included in current profit or loss during the period in which the related costs or losses are recognized; those used to compensate for related expenses or losses already incurred by the Company are directly included in current profit or loss.

The government subsidies related to the daily activities of the Company shall be included in other gains in accordance with the nature of the economic business. The government subsidies that are unrelated to the daily activities of the Company shall be included in the non-operating income and expense.

(3) Recognition time point of government subsidies

If the government grant is a monetary asset, it shall be measured at the amount received; if the government grant is a non-monetary asset, it shall be recognized as realized when the risks and rewards of acquiring ownership of the non-monetary asset are transferred. In which, the non-monetary asset is measured at fair value; if the fair value cannot be reliably obtained, it is measured at the nominal amount.

If the recognized government subsidy is required to be returned and there is a relevant deferred income balance, the book balance of the relevant deferred income shall be written down and the excess shall be included in current profit and loss; if there is no such relevant deferred income, it shall be directly included in current profit and loss.

32. Deferred income tax assets and deferred income tax liabilities

The income tax shall be accounted in the method of debt method based on balance sheet. The book value of the assets and liabilities and the tax basis shall be analyzed and compared on the balance sheet date. If difference exists between them, the deferred income tax assets, the deferred income tax liabilities and the corresponding deferred income tax expenses (or income) shall be recognized. On the basis of calculating and recognizing the income taxes for the current period (that is, the income taxes payable for the current period) and the deferred income tax expenses (or income), the sum of these two shall be recognized as the income tax expenses (or income) in the income statement, excluding the influence of income taxes on the transactions or events directly included in the owner's equity.

The Company shall check the book value of the deferred income tax assets on the balance sheet date. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of deferred tax assets, the book value of deferred tax assets should be reduced.

33. Lease

(1) A lease is a contract that transfers or acquires the right to control the use of one or more identified assets for a certain period of time in exchange for or payment of consideration. On the commencement date of a contract, assess whether the contract is a lease or contains a lease.

1) The Company as a lessee

The main type of leased assets is residential buildings.

1) Initial measurement

On the beginning date of the lease term, it recognizes the right to use the leased asset during the lease term as a right-of-use asset, and recognizes the present value of the unpaid lease payments as a lease liability, except for short-term leases and leases of low-value assets. When calculating the present value of lease payments, it adopts the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the incremental borrowing rate of the lessee is used as the discount rate.

2). Subsequent measurement

In accordance with the relevant depreciation provisions of Accounting Standard for Business Enterprises No. 4 - Fixed Assets, depreciation shall be accrued for right-of-use assets. If it can be reasonably determined that ownership of the leased asset will be acquired upon the expiration of the lease term, depreciation shall be accrued over the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of leased

assets can be obtained at the expiration of the lease term, it shall be depreciated within the shorter of the lease term and the service life of the remained leased assets.

It calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate, and includes it in the current profit and loss or the cost of related assets. The variable lease payments not included in the measurement of lease liabilities are recorded into the current profits and losses or related asset cost when actually incurred.

3) On the commencement date of the lease term, in case of the change in the substantial fixed payment, the change in the amount payable estimated by guaranteed residual value, the change in the index or ratio used to determine the amount of lease payment, and the change in the evaluation results or actual exercises of the call option, renewal option or termination option, the Company re-measures the lease liabilities at the present value of the lease payment after such changes, and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, it will include the remaining amount in the current profit and loss.

4) Short term leases and low value asset leases

For short-term leases (leases with a lease term not exceeding 12 months on the lease beginning date) and leases of low-value assets, it adopts a simplified treatment method, that is, it does not recognize the right-of-use asset and lease liability, and includes the lease payment in the relevant asset cost or current profit and loss according to the straight-line method or other systematic and reasonable method in each period of the lease term.

2) The Company as a lessor

On the commencement date of the lease, based on the substance of the transaction, leases are classified into finance leases and operating leases. Financial leasing is the lease whereby almost all the risks and remuneration relating to the ownership of leased assets have been substantially transferred. Operating lease is a lease other than a finance lease.

1) Operating lease

The straight-line method is used to recognize the lease receipts of operating leases as rental income for each period of the lease term. The variable lease payments related to the operating lease and not included in the lease receipt shall be recorded into the current profits and losses when actually occurring.

2) Financial lease

The straight-line method is used to recognize the lease receipts of operating leases as rental income for each period of the lease term. The finance lease receivables are initially measured with the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received on the lease commencement date, discounted at the interest rate implicit in the lease), and the interest income during the lease period is calculated and recognized at a fixed periodic interest rate. The variable lease payment collected which is not included in the measurement of the net lease investment is recorded into the current profits and losses when actually occurring.

34. Segment information

The Company determines the operating segments based on internal organizational structure, management requirements and internal reporting systems, and determines the reporting segments and discloses segment information based on the operating segments.

The Operating Segments of the Company is a component that meets the following requirements simultaneously:

- (1) The component can generate income and expenses in daily activities;
- (2) The Management of the Company can regularly evaluate the operating results of this component in order to decide the allocation of resources and evaluate its performance;
- (3) The component's financial status, operating results, cash flows and other relevant accounting information can be

obtained. If two or more operating segments have similar economic characteristics and met certain conditions, the Company may combine them into one operating segment.

35. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

1) On December 30, 2021, the Ministry of Finance issued the " Notice on Issuing the Interpretation No. 15 of the Accounting Standards for Business Enterprises " (C.S. (2021) No. 35). This interpretation mainly stipulates the accounting treatment for enterprises selling products or by-products produced before fixed assets reach their intended use or during the research and development process. The Company has implemented the relevant provisions of this interpretation in accordance with the relevant requirements, and the implementation of this interpretation has not had a significant impact on the Company's financial position and operating results.

2) On November 30, 2022, the Ministry of Finance issued the " Notice on Issuing the Interpretation No. 16 of the Accounting Standards for Business Enterprises " (C.S. (2022) No. 31). This interpretation mainly stipulates the accounting treatment of income tax effects on financial instruments classified as equity instruments by the issuer. The Company has implemented the relevant provisions of the interpretation in accordance with the relevant requirements, and the implementation of the interpretation has not had a significant impact on the Company's financial position and operating results.

(2) Changes in accounting estimates

The Company has no significant changes in accounting estimates during this reporting period.

36. Significant Accounting Judgments and Estimates

The Company needs to judge, estimate and assume the book value of the stated items that can't be accurately measured in the use process of accounting policies as a result of the inherent uncertainty of business activities. Such judgments, estimates and assumptions shall be made based on the historical experience of the Management of the Company with the consideration of other relevant factors. Such judgments, estimates and assumptions can affect the reported amounts of incomes, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainties of estimates may be different from the current estimates of the Management of the Company resulting in significant adjustments to the carrying amounts of assets or liabilities affected in the future.

The Company shall regularly review the above judgments, estimates and assumptions on a going concern basis. If a change in accounting estimates only affects the current period of the change, the affected amount shall be recognized at the current period of the change; provided that the change in accounting estimates affects not only the current period of the change but also the future period, then the affected amount shall be recognized at the current period of the change and the future period.

The Company shall, on the balance sheet date, judge, estimate and assume the amount of the items specified in financial statement in the following important areas:

(1) Significant accounting judgments and estimates related to leases

1) Identification of lease

When identifying whether a contract is a lease or contains a lease, the Company needs to evaluate whether there is an identified asset and the customer controls the right to use the asset within a certain period. During the evaluation, it is necessary to consider the nature of the asset, the substantial replacement right, and whether the customer has the right to obtain almost all the economic benefits arising from the use of the asset during the period, and can dominate the use of the asset.

2) Classification of Lease

When the Company acts as the lessor, it classifies the lease into operating lease and financial lease. The Management shall, at the time of classification, make an analysis and judgment on whether all risks and

remunerations relating to the ownership of leased property have been substantially transferred to the lessee.

3) Lease liability

When the Company acts as the lessee, the lease liabilities are initially measured according to the present value of the unpaid lease payments on the beginning date of the lease term. When measuring the present value of the lease payments, the Company estimates the discount rate used and the lease term of the lease contract with the option of renewal or termination. When evaluating the lease term, the Company comprehensively considers all relevant facts and circumstances related to the economic benefits brought by the Group's exercise of the option, including the expected changes in facts and circumstances from the beginning date of the lease term to the exercise date of the option. Different judgments and estimates may affect the recognition of lease liabilities and right to use assets, and will affect the profits and losses of subsequent periods.

(2) Impairment of Financial Instruments

The Company uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimates, and all reasonable and supportable information, including forward-looking information, needs to be considered. When making these judgments and estimates, the Company infers the expected changes in the debtor's credit risk based on historical repayment data, and the economic policies, macro indicators, industry risks and other factors.

(3) Inventory revaluation reserve

For the inventory that its cost is higher than the net realizable value and the old-fashioned and slow-moving inventory, the provision for loss on decline in value of inventories shall be made by the Company based on the accounting method of inventory in accordance with the measurement of the lower between the cost and net realizable value. The impairment of inventories to net realizable value is based on the assessment of the saleability of inventories and their net realizable value. For the identification of inventory impairment, the Management is required to judge and estimate based on concrete evidences with the consideration of the purpose for holding inventories and the impact of events after the balance sheet date. Any difference between the actual result and the original estimate will affect the book value of the inventories and the withdrawing or recovery of the provision for loss on decline in value of inventories during the period in which the estimate is changed.

(4) Fair Value of Financial Instruments

In terms of financial instruments failing to have an active trading market, the Company shall recognize their fair value by various valuation methods. The valuation methods include discounted cash flow model analysis, etc. The Company shall, at the time of valuation, make estimates and chose an appropriate discount rate with respect to future cash flow, credit risk, market volatility and correlation, etc. With uncertainty, any change in such related assumptions will have an impact on the fair value of financial instruments.

(5) Provision for impairment of long-term assets

On the balance sheet date, the Company shall judge whether the non-current assets other than financial assets may be impaired. For intangible assets with uncertain service life, in addition to the annual impairment test, an impairment test shall be additionally conducted in case of any indication of impairment. For other non-current assets other than financial assets, an impairment test shall be conducted in case of any indication that the carrying amount is not recoverable.

It indicates the occurrence of impairment when the book value of an asset or an asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value after deducting the disposal expense and the present value of the estimated future cash flow.

The net amount of the fair value after deducting the disposal expense shall be recognized by deducting the incremental cost directly attributable to the disposal of the asset with the reference to the sales agreement price of the similar assets in the fair trade or the observable market price.

During the estimates of the present value of future cash flows, it is necessary to make significant judgments on the output, sales price, relevant operating costs of the assets (or asset group) and the discount rate used in calculating the present value. The Company will adopt all relevant information available in estimating the recoverable amount, including the estimates of the relevant output, sales price, relevant operating costs based on reasonable and supportable assumptions.

(6) Depreciation and amortization

Any fixed assets and intangible assets shall be depreciated and amortized by the Company thorough the straight-line method over their service lives after considering their residual value. The Company regularly reviews the service life on a regular basis to determine the expenses amount of depreciation and amortization that will be included in each reporting period. The service life is determined by the Company in accordance with historical experiences on similar assets and in combination with anticipated technical updates. If there is a significant change in previous estimates, then the depreciation and amortization expenses shall be adjusted in future periods.

(7) Deferred tax assets

The Company shall recognize deferred income tax assets for all unused tax losses to the extent that it is possible that there will be sufficient taxable profits to offset the losses. It requires the Management of the Company to estimate the time and amount of future taxable profits by using lots of judgments and determine the amount of deferred income tax assets that should be recognized in the combination with the tax planning strategy.

(8) Income tax

There are certain uncertainties in the final tax treatment and calculation of some transactions in the normal business activities of the Company. Whether some projects can be counted prior to taxation shall be subject to the approval of the tax authorities. For such tax matters, if the final determination result is different from the originally estimated amount, then the difference will have an impact on the current income tax and deferred income tax during the final recognition period.

V. Taxation

1. Major taxes and tax rates

Tax categories	Tax basis	Tax rate
VAT	Taxable income	3%, 5%, 13%
Urban maintenance and construction tax	Turnover tax payable	1%, 5%, 7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%, 20%, 25%

2. Tax incentives and approvals

(1) The Company was certified as a High-Tech Enterprise on December 8, 2020, with certificate No.GR202037003398. The High-Tech Enterprise qualification is valid for three years. According to the relevant provisions of the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, the Company actually implemented a preferential enterprise income tax rate of 15% during the reporting period.

(2) The subsidiary Sichuan Chengxin Pharma Glass Co., Ltd. complies with the relevant provisions of the "Notice on Issues Concerning Tax Policies for Deepening the Implementation of the Western Development Strategy" (C.S.[2011] No. 58) issued by the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation, and pays corporate income tax at a reduced rate of 15% during the reporting period.

According to the provisions of the Notice of the Ministry of Finance and the State Administration of Taxation on the Announcement on the Implementation of Preferential Income Tax Policies for SME and Individual Industrial and Commercial Households (No. 12 of 2021) and Announcement on Further Implementation of Preferential

Income Tax Policies for Small and Micro Enterprises" (No. 13 of 2022), Yiyuan Bilufeng Spring Water Co., Ltd., Shandong Kangzheng Inspection and Testing Co., Ltd. and Yiyuan Shengyuan Hotel Co., Ltd. meet the standards for tax reduction and exemption for small and micro enterprises in this period. For the portion of the annual taxable income not exceeding RMB 1 million, which shall be included in the taxable income at 12.5%, and the enterprise income tax shall be paid at the rate of 20%; for the portion of the annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, 25% shall be included in the taxable income and the enterprise income tax shall be paid at the rate of 20%.

(4) According to the "Announcement on Further Implementing the Reduction and Exemption Policy of 'Six Taxes and Two Fees' for Small and Micro Enterprises" (Announcement No. 10 of 2022 by the Ministry of Finance and the State Taxation Administration), Yiyuan Bilufeng Spring Water Co., Ltd., Shandong Kangzheng Inspection and Testing Co., Ltd. and Yiyuan Shengyuan Hotel Co., Ltd. meet the tax reduction and exemption standards for a small low-profit enterprise enterprises in this period, and can enjoy a tax reduction of up to 50% on resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), cultivated land occupation tax, education surcharge, and local education surcharge.

(5) According to the "Notice on Issues Concerning Urban Land Use Tax for High-tech Enterprises" (L.C.S.[2019] No. 5) issued by the Shandong Provincial Department of Finance, the State Taxation Administration of Shandong Province, and the Shandong Provincial Department of Science and Technology, high-tech enterprises recognized after January 1, 2019 shall pay urban land use tax at 50% of the current urban land use tax rate starting from the year in which the high-tech enterprise certificate was issued.

VI. Notes to Main Items in the Consolidated Financial Statements

1. Cash and bank balance

Item	Closing balance	Opening balance
Cash	36,237.98	33,902.49
Cash in bank	1,160,381,879.32	707,960,674.85
Other cash and bank balance	191,631,795.22	177,049,536.08
Total	1,352,049,912.52	885,044,113.42

The closing balance of other monetary fund includes RMB 176,961,795.22 of bank acceptance deposit, RMB 11,000,000.00 of L/C deposit and RMB 3,670,000.00 of guarantee margin.

2 Held-for-trading financial assets

Item	Closing balance	Opening balance
Financial assets measured at fair value through current profit or loss	1,101,434,246.68	307,130,778.08
Including: Bank financial products	1,101,434,246.68	307,130,778.08

3. Notes receivable

(1) List of notes receivable by categories

Categories	Closing balance	Opening balance
Bank acceptance	606,167,382.11	251,523,831.91

Note: There is no objective evidence to suggest that the notes receivable are impaired; therefore, no impairment provision has been made for the notes receivable.

(2) The closing notes receivable endorsed or discounted by the Company not matured at the balance sheet date

Item	Closing amount derecognized	Closing amount not derecognized
Bank acceptance		119,879,759.84

4. Accounts receivable

(1) Disclosed by aging

Aging	Closing balance
-------	-----------------

Within 1 year	933,368,926.83
1-2 years	12,007,491.79
2-3 years	4,767,621.67
3-4 years	4,262,973.61
4-5 years	723,455.85
More than 5 years	5,103,794.25
Sub-total	960,234,264.00
Less: Provision for bad debts	88,578,619.30
Total	871,655,644.70

(2). Disclosure of accounts receivable in category

Category	Closing balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	8,557,780.39	0.89%	8,557,780.39	100.00%	-
Accrued bad-debt provision by portfolio	951,676,483.61	99.11%	80,020,838.91	8.41%	871,655,644.70
Total	960,234,264.00	100.00%	88,578,619.30	9.22%	871,655,644.70

(Continued)

Category	Opening balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	5,556,588.53	0.66%	5,556,588.53	100.00%	-
Accrued bad-debt provision by portfolio	834,920,255.92	99.34%	70,561,606.19	8.45%	764,358,649.73
Total	840,476,844.45	100.00%	76,118,194.72	9.06%	764,358,649.73

Receivables having provision for bad debt as per individual characteristics:

Name	Closing balance			
	Accounts receivable	Provision for bad debts	Additions proportion	Reasons for withdrawal
Accounts receivable for the sale of goods	8,557,780.39	8,557,780.39	100.00%	Not expected to be recovered

Receivables having provision for bad debt as per aging portfolio characteristics:

Aging	Closing balance
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	Accounts receivable	Provision for bad debts	Additions proportion
Within 1 year (inclusive)	933,254,157.23	74,660,332.57	8.00%
1-2 years (inclusive)	9,449,559.83	1,417,433.97	15.00%
2-3 years (inclusive)	4,283,505.69	1,285,051.70	30.00%
3-4 years (inclusive)	4,053,576.99	2,026,788.50	50.00%
4-5 years (inclusive)	22,258.50	17,806.80	80.00%
More than 5 years	613,425.37	613,425.37	100.00%
Total	951,676,483.61	80,020,838.91	8.41%

(3) Bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Other changes	
Accrued on an individual basis	5,556,588.53	2,542,365.86	458,826.00			8,557,780.39
Provision by portfolio	70,561,606.19	9,459,232.72				80,020,838.91
Total	76,118,194.72	12,001,598.58	458,826.00			88,578,619.30

(4) Top five accounts receivable for closing balance collected by the debtor

The total of top five accounts receivable in the closing balance collected as per the debtors by the Company in the current reporting period was RMB 159,039,625.88, accounting for 16.56% of the total closing balance of accounts receivable. The total amount for the corresponding provisions for bad debts was RMB 12,723,170.08.

5. Receivables financing

(1) Classification and presentation of receivables financing

Item	Closing balance	Opening balance
Bank Acceptance Bill	72,836,142.41	184,007,541.03
Less: Provision for bad debts	-	-
Total	72,836,142.41	184,007,541.03

(2) The closing notes endorsed or discounted by the Company not matured at the balance sheet date

Item	Amount derecognized	Amount not derecognized
Bank Acceptance Bill	186,405,176.49	-

6. Prepayments

(1) Prepayments are listed by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	73,963,316.39	96.26%	58,799,497.51	94.88%
1-2 years (inclusive)	2,355,162.26	3.06%	917,978.38	1.48%
2-3 years (inclusive)	94,078.45	0.12%	1,266,933.12	2.04%
More than 3 years	429,662.60	0.56%	991,210.19	1.60%
Total	76,842,219.70	100.00%	61,975,619.20	100.00%

(2) Top five advance payments for the closing balance per the objects of advance payment

The sum of the top five prepayments collected as per prepaid objects at the end of the period is RMB 48,175,004.93, accounting for 62.69% of the total balance of prepayments at the end of the reporting period.

7. Other receivables

Item	Closing balance	Opening balance
Interests receivable	-	-
Dividends receivable	-	-
Other receivables	2,236,949.90	3,379,314.48
Total	2,236,949.90	3,379,314.48

(1) Other receivables are disclosed by aging

Aging	Closing balance
Within 1 year	2,047,555.97
1-2 years	279,379.40
2-3 years	103,308.62
3-4 years	320,215.59
4-5 years	469,610.88
More than 5 years	11,827,933.73
Sub-total	15,048,004.19
Less: Provision for bad debts	12,811,054.29
Total	2,236,949.90

(2) Classification by nature of fund

Nature of fund	Closing balance	Opening balance
Revolving fund	1,109,009.48	3,572,994.21
Margin	1,029,998.00	1,610,091.00
Salesperson bears the loss of payment for goods	6,814,694.74	6,814,694.74
Borrowings	1,391,490.42	1,339,890.42
Others	4,702,811.55	4,936,938.30
Total	15,048,004.19	18,274,608.67

(3) Information of bad-debt provision

Provision for bad debts	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment occurred)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Opening balance	2,490,044.61	-	12,405,249.58	14,895,294.19
Opening balance in the current period				
--Transfer to the stage 2	-	-	-	-
--Transfer to the stage 3	-	-	-	-
--Transfer back to the stage 2	-	-	-	-
--Transfer back to the stage 1	-	-	-	-
Provision for the current period	-33,869.90	-	-2,050,370.00	-2,084,239.90
Reversed in current period	-	-	-	-
Written off in current period	-	-	-	-
Write-off in this period	-	-	-	-
Other changes	-	-	-	-

Closing balance	2,456,174.71	-	10,354,879.58	12,811,054.29
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(4). Disclosure by classification of bad debt accrual methods:

Category	Closing balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	10,354,879.58	68.81%	10,354,879.58	100.00%	-
Accrued bad-debt provision by portfolio	4,693,124.61	31.19%	2,456,174.71	52.34%	2,236,949.90
Total	15,048,004.19	100.00%	12,811,054.29	85.13%	2,236,949.90
(Continued)					
Category	Opening balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	12,405,249.58	67.88%	12,405,249.58	100.00%	-
Accrued bad-debt provision by portfolio	5,869,359.09	32.12%	2,490,044.61	42.42%	3,379,314.48
Total	18,274,608.67	100.00%	14,895,294.19	81.51%	3,379,314.48

Other receivables having provision for bad debt as per individual characteristics:

Name	Closing balance			
	Other receivables	Provision for bad debts	Additions proportion	Reasons for withdrawal
17 companies or individuals	10,354,879.58	10,354,879.58	100.00%	Not expected to be recovered

Other receivables having provision for bad debt as per aging portfolio characteristics:

Aging	Closing balance		
	Other receivables	Provision for bad debts	Additions proportion
Within 1 year (inclusive)	2,047,555.97	163,804.48	8.00%
1-2 years (inclusive)	279,379.40	41,906.91	15.00%
2-3 years (inclusive)	89,396.62	26,818.99	30.00%
3-4 years (inclusive)	103,896.59	51,948.30	50.00%
4-5 years (inclusive)	6,000.00	4,800.00	80.00%
More than 5 years	2,166,896.03	2,166,896.03	100.00%
Total	4,693,124.61	2,456,174.71	52.34%

(5) Bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Other changes	
Accrued on an individual	12,405,249.58	-2,050,370.00	-	-	-	10,354,879.58

basis						
Provision by portfolio	2,490,044.61	-33,869.90	-	-	-	2,456,174.71
Total	14,895,294.19	-2,084,239.90	-	-	-	12,811,054.29

(6) Top five other accounts receivable for Closing balance collected by the debtor.

Name	Nature of fund	Closing balance	Aging	Proportion of the total amount	Closing balance of bad debts reserve
1st Place	Salesperson bears the loss of payment for goods	3,731,178.27	More than 5 years	24.80%	3,731,178.27
2nd Place	Salesperson bears the loss of payment for goods	2,138,078.38	Note 1	14.21%	2,138,078.38
3rd place	Salesperson bears the loss of payment for goods	945,438.09	More than 5 years	6.28%	945,438.09
4Th place	Others	813,544.70	More than 5 years	5.41%	813,544.70
5Th place	Margin	600,900.00	Note 2	3.99%	597,700.00
Total		8,229,139.44		54.69%	8,225,939.44

Note 1: RMB 13,912.00 for 2 to 3 years, RMB 216,319.00 for 3 to 4 years, and RMB 1,907,847.38 for more than 5 years.

Note 2: RMB 4,000.00 for 3 to 4 years, RMB 6,000.00 for 4 to 5 years, and RMB 590,900.00 for more than 5 years.

8. Inventory

(1) Inventory classification

Item	Closing balance			Opening balance		
	Book balance	Revaluation reserve	Book value	Book balance	Revaluation reserve	Book value
Raw materials	175,062,922.40	475,776.60	174,587,145.80	178,094,629.03	510,350.67	177,584,278.36
Stocked goods	1,074,792,874.79	75,537,962.41	999,254,912.38	742,637,136.51	63,032,058.57	679,605,077.94
Work in progress	36,066,511.07	-	36,066,511.07	20,548,139.56	-	20,548,139.56
Total	1,285,922,308.26	76,013,739.01	1,209,908,569.25	941,279,905.10	63,542,409.24	877,737,495.86

(2) Inventory revaluation reserve

Inventory type	Opening balance	Amount of increase in current period		Amount of decrease in current period		Closing balance
		Provision	Others	Reversals or written-off	Others	
Raw materials	510,350.67	-	-	34,574.07	-	475,776.60
Stocked goods	63,032,058.57	23,241,617.15	-	10,735,713.31	-	75,537,962.41
Total	63,542,409.24	23,241,617.15	-	10,770,287.38	-	76,013,739.01

9. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	17,495,019.27	19,260.10
Prepaid taxes and fees	10,287,965.33	-
Total	27,782,984.60	19,260.10

10. Other equity instruments investment

(1). Investment in other equity instruments

Item	Closing balance	Opening balance
Non-trading equity instruments investment	50,000.00	50,000.00

(2) Investment in non-trading equity instruments

Investee name	Cost	The amount of changes in fair value that are accrued to other comprehensive income	Closing fair value	Dividend income recognized in the current period
Shandong Yiyuan Rural Commercial Bank Co., Ltd.	50,000.00	-	50,000.00	-
Zhangjiakou Gist - Brocades Pharmaceutical Co., Ltd.	11,729,251.78	-41,729,251.78	-	-
Total	11,779,251.78	-11,729,251.78	50,000.00	-

The equity interests held by the Company in the aforementioned companies are not intended for trading or sale and do not have a significant impact on the investees. Therefore, they are designated as non-trading equity instrument investments measured at fair value through other comprehensive income.

11. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	2,345,815,674.51	2,214,119,837.59
Disposal of fixed assets	-	-
Total	2,345,815,674.51	2,214,119,837.59

Fixed assets:

Item	Houses and buildings	General equipment	Special equipment	Transport vehicles	Total
(1) Original book value					
Opening balance	1,417,883,913.08	912,297,677.44	1,081,794,205.45	25,807,476.98	3,437,783,272.95
Amount of increase in current period	105,003,168.61	75,882,582.91	253,551,242.74	900,215.32	435,337,209.58
Including: the purchase	3,840,467.65	64,686,209.41	6,017,360.76	900,215.32	75,444,253.14
Transferred from construction in progress	101,162,700.96	11,196,373.50	247,533,881.98	-	359,892,956.44
Amount of decrease in current period	-	13,927,766.34	97,621,616.40	2,136,106.26	113,685,489.00
Including: the disposal or scrapping	-	13,927,766.34	63,543,932.16	2,136,106.26	79,607,804.76
Transferred to the	-	-	34,077,684.24	-	34,077,684.24

construction in progress					
Closing balance	1,522,887,081.69	974,252,494.01	1,237,723,831.79	24,571,586.04	3,759,434,993.53
(2) Accumulated depreciation					
Opening balance	404,118,645.26	387,068,007.36	387,483,913.15	12,975,015.90	1,191,645,581.67
Amount of increase in current period	49,727,101.51	70,305,673.11	165,326,477.24	3,100,249.94	288,459,501.80
Including: Provision	49,727,101.51	70,305,673.11	165,326,477.24	3,100,249.94	288,459,501.80
Amount of decrease in current period	-	10,342,600.25	86,895,832.67	1,265,185.22	98,503,618.14
Including: the disposal or scrapping	-	10,342,600.25	53,840,478.96	1,265,185.22	65,448,264.43
Transferred to the construction in progress	-	-	33,055,353.71	-	33,055,353.71
Closing balance	453,845,746.77	447,031,080.22	465,914,557.72	14,810,080.62	1,381,601,465.33
(3) Impairment provision					
Opening balance	16,273,694.45	15,744,159.24	-	-	32,017,853.69
Amount of increase in current period	-	-	-	-	-
Including: Provision	-	-	-	-	-
Amount of decrease in current period	-	-	-	-	-
Including: the disposal or scrapping	-	-	-	-	-
Closing balance	16,273,694.45	15,744,159.24	-	-	32,017,853.69
(4) Book value					
Ending book value	1,052,767,640.47	511,477,254.55	771,809,274.07	9,761,505.42	2,345,815,674.51
Beginning book value	997,491,573.37	509,485,510.84	694,310,292.30	12,832,461.08	2,214,119,837.59

12. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	473,683,556.86	329,307,690.49
Construction materials	1,498,755.51	13,269,671.95
Total	475,182,312.37	342,577,362.44

(1) Profile of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value

Kiln renovation project	30,244,959.83	-	30,244,959.83	520,627.63	-	520,627.63
High-end lightweight glass bottle project	124,083,541.59	-	124,083,541.59	43,358,897.32	-	43,358,897.32
Pharmaceutical glass production capacity integration and energy-saving renovation project	97,797,355.72	37,403,942.71	60,393,413.01	97,797,355.72	20,442,363.93	77,354,991.79
Phase I Project of Pharmaceutical Packaging Materials Industrial Park	232,424,080.28		232,424,080.28	207,254,691.73		207,254,691.73
Expansion and renovation project of prefilled syringes	26,537,562.15		26,537,562.15	370,566.04		370,566.04
Other projects				447,915.98		447,915.98
Total	511,087,499.57	37,403,942.71	473,683,556.86	349,750,054.42	20,442,363.93	329,307,690.49

1) Changes to important construction in process in current period

Item name	Opening balance	Increase in current period	Transfers to fixed assets	Other decreases	Closing balance
Kiln renovation project	520,627.63	95,055,105.28	65,330,773.08	-	30,244,959.83
Expansion and renovation project of prefilled syringes	370,566.04	137,295,913.70	111,128,917.59	-	26,537,562.15
High-end lightweight glass bottle project	43,358,897.32	80,724,644.27	-	-	124,083,541.59
Pharmaceutical glass production capacity integration and energy-saving renovation project	97,797,355.72	-	-	-	97,797,355.72
Phase I Project of Pharmaceutical Packaging Materials Industrial Park	207,254,691.73	179,263,262.02	154,093,873.47		232,424,080.28
Total	349,302,138.44	492,338,925.27	330,553,564.14	-	511,087,499.57

2) Construction in progress with provision for impairment during this reporting period

Item	Provision amount for the current period	Reasons for withdrawal
Pharmaceutical glass production capacity integration and energy-saving renovation project	16,961,578.78	Estimated recoverable amount less than the assets book value

(2) Construction materials

Item	Closing balance	Opening balance
Fireproofing materials	603,588.34	1,148,406.38
Equipment in stock	570,381.80	11,158,254.79
Construction material	324,785.37	963,010.78
Total	1,498,755.51	13,269,671.95

13. Intangible assets

Item	Land use rights	Computer software	Patent rights	Total
(1) Original book value				
Opening balance	240,219,960.53	3,549,871.79	461,100.00	244,230,932.32
Amount of increase in current period	68,135,868.18	582,300.90	-	68,718,169.08
Including: the purchase	68,135,868.18	582,300.90	-	68,718,169.08
Amount of decrease in current period	4,244,956.28	-	-	4,244,956.28
Including: disposal	4,244,956.28	-	-	4,244,956.28
Closing balance	304,110,872.43	4,132,172.69	461,100.00	308,704,145.12
(2) Accumulated amortization				
Opening balance	42,889,544.44	2,511,487.47	461,100.00	45,862,131.91
Amount of increase in current period	6,319,288.68	394,684.62	-	6,713,973.30
Including: Provision	6,319,288.68	394,684.62	-	6,713,973.30
Amount of decrease in current period	4,244,956.28	-	-	4,244,956.28
Including: disposal	4,244,956.28	-	-	4,244,956.28
Closing balance	44,963,876.84	2,906,172.09	461,100.00	48,331,148.93
(3) Impairment provision				
Opening balance	-	-	-	-
Amount of increase in current period	-	-	-	-
Amount of decrease in current period	-	-	-	-
Closing balance	-	-	-	-
(4) Book value				
Ending book value	259,146,995.59	1,226,000.60	-	260,372,996.19
Beginning book value	197,330,416.09	1,038,384.32	-	198,368,800.41

14. Deferred income tax assets and deferred income tax liabilities

(1) Deferred tax assets without offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Assets impairment provision	128,241,074.70	19,501,740.62	101,742,916.16	15,871,824.45
Credit impairment provision	101,389,673.58	17,029,162.63	91,013,488.91	14,514,200.74
Deductible losses	3,904,518.68	195,225.93	1,254,447.04	31,361.18
Changes in fair value of other equity instruments investment	11,729,251.78	1,759,387.77	11,729,251.78	1,759,387.77
Unrealized internal profit	4,811,304.27	833,054.68	4,163,175.04	710,634.14
Total	250,075,823.01	39,318,571.63	209,903,278.93	32,887,408.28

(2) Deferred tax liability without offsetting

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes of fair value of held-for-trading financial assets	1,434,246.68	215,137.00	3,130,778.08	469,616.71
Depreciation of fixed assets	47,320,716.80	7,098,107.52	-	-

Total	48,754,963.48	7,313,244.52	3,130,778.08	469,616.71
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(3) Deferred income tax assets or liabilities in net amount after offsetting

Item	Offsetting amount of deferred income tax assets and liabilities at the end of the period	Balance of deferred income tax assets or liabilities at the end of the period after offsetting	Amount offset of deferred income tax assets and liabilities at the beginning of the period	Balance of deferred income tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	7,313,244.52	32,005,327.11	469,616.71	32,417,791.57
Deferred tax liabilities	7,313,244.52	-	469,616.71	-

(4) Details of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible losses	65,937.51	-

(5) Deductible losses of deferred income tax assets unrecognized will mature in the following year.

Year	Closing balance	Opening balance
2027	65,937.51	

15. Other non-current assets

Item	Closing balance	Opening balance
Prepayments for project and equipment	349,912,167.88	287,005,001.71

16. Short-term borrowings

Item	Closing balance	Opening balance
Bank acceptance bills discounted but not yet deconfirmed	5,201,945.09	-

17. Notes payable

Categories	Closing balance	Opening balance
Bank Acceptance Bill	722,207,607.52	713,934,055.18

18. Accounts payable

(1) List of accounts payable

Aging	Closing balance	Opening balance
Balance	695,702,483.69	721,736,083.96
Including: amounts with an aging of more than 1 year	98,716,287.83	107,622,809.12

Accounts payable with an aging of more than one year mainly consist of unsettled engineering and equipment payments.

19. Contract liabilities

(1) List of contract liabilities

Aging	Closing balance	Opening balance
Balance	51,036,681.34	74,606,125.55
Including: balances with an aging of more than 1 year	9,302,393.43	7,991,809.79

(2) No significant contract liabilities with an aging of over 1 year at the end of the period.

20. Employee benefits payable

(1) List of employee benefits payable

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
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Short-term remuneration	38,617,744.58	546,811,719.13	569,405,753.27	16,023,710.44
Post-employment benefits - defined contribution plans	-	69,281,795.03	69,281,795.03	-
Total	38,617,744.58	616,093,514.16	638,687,548.30	16,023,710.44

(2) List of short-term remuneration

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Wages, bonuses, allowances and subsidies	29,510,407.43	491,214,626.80	514,918,287.99	5,806,746.24
Employee welfare	-	5,196,980.06	5,196,980.06	-
Social insurance premiums	-	34,444,281.28	34,444,281.28	-
Including: Medical insurance premiums	-	30,226,640.08	30,226,640.08	-
Work-related injury insurance premiums	-	4,217,641.20	4,217,641.20	-
Housing Provident Fund	-	6,180,146.00	6,180,146.00	-
Labor union funds, employee education funds	9,107,337.35	9,775,684.99	8,666,057.94	10,216,964.20
Total	38,617,744.58	546,811,779.13	569,405,753.27	16,023,710.44

(3) List of defined contribution plan

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Basic pension insurance premiums	-	66,412,542.42	66,412,542.42	-
Unemployment insurance premiums	-	2,869,252.61	2,869,252.61	-
Total	-	69,281,795.03	69,281,795.03	-

21. Taxes payable

Item	Closing balance	Opening balance
VAT	23,350,529.16	19,989,341.93
Property tax	2,801,553.68	2,284,053.22
Land use taxes	828,445.93	690,663.56
Urban maintenance and construction tax	1,587,383.40	955,927.99
Education surcharge	1,091,366.60	628,318.50
Local education surcharge	742,046.37	418,879.01
Local water conservancy construction fund	38,430.08	95,806.14
Enterprise income tax	14,872,183.46	15,245,423.26
Personal Income Tax	953,372.95	2,681,999.06
Stamp duty	551,032.14	103,843.90
Resource tax	31,713.00	77,985.00
Environmental protection tax	111,482.51	429,394.60
Total	46,959,539.28	43,601,636.17

22. Other payables

Item	Closing balance	Opening balance
Dividends payable	-	-
Interests payable	-	-
Other payables	107,894,268.53	81,792,173.74

Total	107,894,268.53	81,792,173.74
Other payables:		
Item	Closing balance	Opening balance
Security and deposit	17,639,923.94	12,627,328.37
Unpaid expenses	83,313,913.02	61,891,658.19
Others	6,940,431.57	7,273,187.18
Total	107,894,268.53	81,792,173.74

23. Other current liabilities

Item	Closing balance	Opening balance
Output tax to be carried forward	3,923,207.37	5,158,403.19
Bank acceptance bills endorsed but not yet deconfirmed	114,677,814.75	-
Total	118,601,022.12	5,158,403.19

24. Deferred income

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance	Causes
Government subsidies	59,965,391.54	6,450,000.00	7,469,599.75	58,945,791.79	For details, please see the details of government subsidies

Items involving government grants:

Government subsidy items	Opening balance	Increase of subsidy amount in current period	Amount included other income in current period	Closing balance	Relating to assets / income
Subsidy for kiln flue gas desulfurization, denitrification and waste heat utilization technology upgrading project	6,910,501.19	-	1,203,600.04	5,706,901.15	Related to assets
Subsidy funds for the technical transformation project to produce 280 million pieces of Class I water-resistant pharmaceutical glass per year	10,234,000.15	-	401,333.32	9,832,666.83	Related to assets
Project to produce 1.8 billion Class A water-resistant pharmaceutical glass tubular bottles annually	791,666.69	-	83,333.32	708,333.37	Related to assets
New intelligent production equipment upgrade and renovation project	525,000.00	-	105,000.00	420,000.00	Related to assets
Technical upgrade project to produce 1 billion biological agent rubber stoppers per year	263,839.55	-	25,000.00	238,839.55	Related to assets
Neutral Glass Control Series	1,351,388.87	-	141,666.68	1,209,722.19	Related to

Technology Development					assets
New Biological Agent Packaging Materials and Modification of Zibo City	228,324.97	-	30,008.36	198,316.61	Related to assets
Research and Industrialization of Grade I Water-Resistant Pharmaceutical Glass Tubes	395,833.31	-	41,666.68	354,166.63	Related to assets
Equipment manufacturing equipment upgrading guidance fund	1,576,789.00	-	212,688.00	1,364,101.00	Related to assets
Research and Development of Key Technologies for Green Glass Manufacturing in Shandong Province	750,000.00	-	750,000.00	-	Related to assets
Pharmaceutical glass production capacity integration and energy-saving renovation project	19,600,500.00	-	-	19,600,500.00	Related to assets
Automated Project for Pharmaceutical Glass Bottles	158,333.31	-	16,666.68	141,666.63	Related to assets
High-grade pharmaceutical glass bottle project technological upgrading subsidy	628,062.00	-	628,062.00	-	Related to assets
Special Fund for Scientific and Technological Innovation Development	3,668,780.00	700,000.00	1,054,196.67	3,314,583.33	Related to assets
Subsidy funds for the project to produce 2 billion low borosilicate pharmaceutical glass tubular bottles per year	4,080,000.00	-	141,666.67	3,938,333.33	Related to assets
Development and Industrialization of Key Technologies for Grade I Water-Resistant Pharmaceutical Glass	7,538,541.67	-	1,544,500.00	5,994,041.67	Related to assets
Interest subsidies for imported equipment	1,263,830.83	-	131,878.00	1,131,952.83	Related to assets
Research and Industrialization of Key Technologies for COVID-19 Vaccine Packaging Materials	-	5,750,000.00	958,333.33	4,791,666.67	Related to assets
Total	59,965,391.54	6,450,900.00	7,469,599.75	58,945,791.79	

25. Share capital

Item	Opening	Increase (+) decrease (-) in current period		Closing
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	balance	Issuance of new shares	Bonus shares	Shares converted from reserves	Others	Sub-total	balance
Total number of shares	594,967,747.00	68,646,366.00	-	-	-	68,646,366.00	663,614,113.00

With the approval of the China Securities Regulatory Commission (CSRC) in its "Approval of the Non-Public Issuance of Shares by Shandong Pharmaceutical Glass Co., Ltd. " (CSRC Approval No. [2022]1852), the company issued 68,646,366 shares to 18 subscribers, including Bank of Communications Schroder Fund Management Co., Ltd. and Caitong Fund Management Co., Ltd., with a par value of RMB 1 per share and an issue price of RMB 27.19 per share. After deducting issuance expenses of RMB 24,174,380.88 (excluding tax), the net proceeds were RMB 1,842,320,310.66, of which RMB 68,646,366.00 was credited to share capital and RMB 1,773,673,944.66 was credited to capital reserve (share premium). The changed share capital is RMB 663,614,113.00.

26. Capital reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Equity premium	872,132,971.43	1,773,673,944.66		2,645,806,916.09
Other capital reserves	41,313,605.20	-		41,313,605.20
Total	913,446,576.63	1,773,673,944.66		2,687,120,521.29

For details regarding the increase in share premium during the period, please refer to the "VI. 25 Share Capital" in this note.

27. Special reserves

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Safe production fees	66,222,606.85	13,019,825.87	3,761,202.39	75,481,230.33

28. Surplus reserve

Item	Opening balance	Increase in current period	Decrease in current period	Closing balance
Statutory surplus reserve	417,283,584.88	52,138,605.05	-	469,422,189.93

29. Retained earnings

Item	Amount in current period	Amount in previous period
Beginning retained earnings	2,678,383,268.26	2,315,181,101.17
Add: Net profit attributed to owners of parent company in current period	618,287,086.47	591,088,499.35
Less: Appropriation of statutory surplus reserve	52,138,605.05	49,396,008.16
Common shares dividends payables	178,490,324.10	178,490,324.10
Ending retained earnings	3,066,041,425.58	2,678,383,268.26

As approved at the Company's 2021 Annual Meeting of the Shareholders General Assembly, based on a total share capital of 594,967,747 shares, a cash dividend of RMB 3 per 10 shares (inclusive of tax) will be distributed to all shareholders in this period, totaling RMB 178,490,324.10.

30. Operating income and operating costs

Item	Amount in current period	Amount in previous period
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	Income	Cost	Income	Cost
Main business	4,130,455,297.01	3,049,185,130.38	3,819,772,589.89	2,709,306,774.41
Other operations	56,823,982.74	14,081,671.54	55,532,073.69	18,254,006.62
Total	4,187,279,279.75	3,063,266,801.92	3,875,304,663.58	2,727,560,781.03

31. Tax and surcharge

Item	Amount in current period	Amount in previous period
Urban maintenance and construction tax	7,126,385.39	5,671,189.56
Education surcharge	4,411,963.66	3,626,194.33
Local education surcharge	2,941,292.00	2,417,462.93
Local water conservancy construction fund	175,035.41	549,637.95
Stamp duty	2,700,017.38	1,277,589.43
Vehicle and vessel use tax	18,600.21	21,979.71
Property tax	12,747,102.03	10,620,623.64
Land use taxes	4,669,690.29	4,216,162.59
Resource tax	236,602.50	264,045.00
Environmental protection tax	248,987.43	3,923,795.84
Total	35,275,676.30	32,589,680.98

32. Selling and distribution expenses

Item	Amount in current period	Amount in previous period
Freight and miscellaneous charges	6,132,140.84	6,289,194.97
Travel expenses	56,309,935.28	42,780,927.63
Employee benefits	27,645,780.28	25,540,640.63
Commission	14,734,677.50	11,723,717.35
Others	5,912,476.74	5,436,330.82
Total	110,735,010.64	91,770,811.40

33. General and administrative expenses

Item	Amount in current period	Amount in previous period
Employee benefits	71,843,315.68	85,111,475.65
Repair fees	3,258,128.57	34,957,868.41
Depreciation fees	29,016,791.94	21,506,359.60
Material consumption	5,735,602.60	4,742,360.63
Administrative expenses	988,217.30	1,039,070.14
Travel expenses	409,905.32	893,528.84
Sewage charges	2,370,730.00	2,533,437.40
Amortization of intangible assets	6,713,973.30	5,335,847.41
Business entertainment expenses	1,384,162.99	1,766,260.35
Product quality loss	4,685,289.65	2,414,421.42
Others	17,707,679.20	13,071,525.59
Total	144,113,796.55	173,372,155.44

Note: In accordance with the provisions of the "Notice on Strictly Implementing Enterprise Accounting Standards and Effectively Carrying Out Enterprise Annual Report Work in 2022 " (C.K.[2022] No. 32) issued by the Ministry of Finance and other four ministries, the Company will handle the daily repair expenses of fixed assets related to the production and processing of inventory in accordance with the principle of determining inventory cost in this

period.

34. R & D expenses

Item	Amount in current period	Amount in previous period
Employee benefits	61,253,906.90	54,439,596.18
Materials and electricity expenses	53,112,537.25	63,703,989.67
Depreciation fees	21,002,056.01	14,499,308.85
Others	3,569,275.70	2,991,628.65
Total	138,937,775.86	135,634,523.35

35. Financial expenses

Item	Amount in current period	Amount in previous period
Interest expenses	261,149.67	279,193.53
Less: Interest income	12,159,824.69	10,877,038.51
Less: bill discount interest	2,862,140.98	3,037,043.74
Add: Exchange losses	-31,500,174.96	9,483,949.99
Add: Others	2,288,538.12	2,840,063.01
Total	-43,972,452.84	-1,310,875.72

36. Other income

Item	Amount in current period	Amount in previous period	Amount of non-recurring gains and losses recognized in the current period
Government subsidies related to daily operations	11,935,708.81	17,491,471.35	8,687,741.78
Refund of handling charges on individual income tax	347,791.21	314,423.33	347,791.21
Total	12,283,500.02	17,805,894.68	9,035,532.99

Government subsidies:

Item	Amount in current period	Relating to assets / income
Immediate levy and refund of VAT	1,475,600.00	Relating to gains
Deferred income amortization	7,469,599.75	Related to assets
Stable employment subsidy	324,306.03	Relating to gains
Tax incentives for retired soldiers and key groups	1,698,800.00	Relating to gains
Good start reward	388,236.00	Relating to gains
Talent Program Grant Funds	150,000.00	Relating to gains
Employment subsidy	190,500.00	Relating to gains
Others	238,667.03	Relating to gains
Total	11,935,708.81	

37. Investment income

Item	Amount in current period	Amount in previous period
Investment income from wealth management products	1,719,458.24	3,548,448.41
Dividend income from other equity instrument investments during the holding period	-	2,600.56
Total	1,719,458.24	3,551,048.97

38. Income from change in fair value

Source of income from change in fair value	Amount in current period	Amount in previous period
Held-for-trading financial assets	3,731,383.73	9,260,869.11

39. Credit impairment loss

Item	Amount in current period	Amount in previous period
Loss from bad debts of accounts receivable	-12,001,598.58	-10,873,800.11
Loss from bad debts of other receivables	2,084,239.90	395,837.85
Total	-9,917,358.68	-10,477,962.26

40. Asset impairment losses

Item	Amount in current period	Amount in previous period
Loss on inventory revaluation	-23,241,617.15	-26,519,053.47
Impairment losses from construction in process	-16,961,578.78	-11,613,435.99
Total	-40,203,195.93	-38,132,489.46

41. Gains from disposal of fixed assets

Item	Amount in current period	Amount in previous period	Amount of non-recurring gains and losses recognized in the current period
Gains from disposal of fixed assets	4,532,728.80	594,177.22	4,532,728.80

42. Non-operating income

Item	Amount in current period	Amount in previous period	Amount of non-recurring gains and losses recognized in the current period
Compensation payments	7,749,928.97	8,661,870.46	7,749,928.97
Amounts not required to be paid	60,000.00	6,121,523.18	60,000.00
Others	1,639,292.04	2,720,547.01	1,639,292.04
Total	9,449,221.01	17,503,940.65	9,449,221.01

43. Non-operating expenditure

Item	Amount in current period	Amount in previous period	Amount of non-recurring gains and losses recognized in the current period
Losses on damage and scrapping of fixed assets	8,046,148.50	23,293,585.99	8,046,148.50
External donations	2,550,000.00	330,000.00	2,550,000.00
Others	1,871,666.23	3,451,851.04	1,871,666.23
Total	12,467,814.73	27,075,437.03	12,467,814.73

44. Income tax expense

(1) Table of income tax expense

Item	Amount in current period	Amount in previous period
Current income tax expense	89,351,042.85	100,414,600.94
Deferred income tax expense	412,464.46	-2,785,471.31
Total	89,763,507.31	97,629,129.63

(2) Adjustment process of accounting profit and income tax expense

Item	Amount in current period
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Total profit	708,050,593.78
Income tax expense calculated as per statutory/applicable tax rates	106,207,589.07
Influence of subsidiaries applicable to different tax rates	9,050,219.77
Influence of adjustment of prior period income tax	-2,545,899.87
Impact of non-taxable income	-
Influence of non-deductible costs, expenses and loss	1,905,279.47
Influence of the deductible losses of unrecognized deferred income tax assets in previous period	-
Influence of the deductible temporary differences or deductible losses of unrecognized deferred income tax assets in current period	1,648.44
Impact of additional deduction for R&D expenses	-24,717,317.38
Impact of tax rate changes	-138,012.19
Income tax expense	89,763,507.31

45. Notes to cash flow statement

(1) Other cash received relating to operating activities:

Item	Amount in current period	Amount in previous period
Government subsidies	7,668,142.03	14,835,316.43
Interest income	12,159,824.69	10,877,038.51
Current accounts	5,582,865.69	7,085,739.06
Others	3,057,049.13	4,636,065.93
Total	28,467,881.54	37,434,159.93

(2) Other cash paid relating to operating activities

Item	Amount in current period	Amount in previous period
Cash out of selling and distribution expenses	61,647,269.69	62,887,954.49
Cash expenditure of general and administrative expenses and research and development expenses	109,569,976.32	130,292,187.20
Handling charges	2,288,538.12	2,840,063.01
Current accounts	737,661.07	2,120,409.70
Others	5,713,304.47	3,626,447.38
Total	179,956,749.67	201,767,061.78

(3) Other cash received relating to investing activities

Item	Amount in current period	Amount in previous period
Returned construction deposit	-	2,370,000.00

(4) Other proceeds relating to financing activities

Item	Amount in current period	Amount in previous period
Bill discounting financing	5,160,730.66	-

(5) Other cash payments relating to financing activities

Item	Amount in current period	Amount in previous period
Non-public offerings cost	960,000.00	-

46. Supplemental Information of Cash Flow Statement

(1) Details of reconciliation of Net Profit to Cash Flows from Operating Activities

Item	Amount in current	Amount in previous
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	period	period
Adjust the net profit as cash flow from operating activities:		
Net profit	618,287,086.47	591,088,499.35
Add: Asset impairment provision	40,203,195.93	38,132,489.46
Credit impairment provision	9,917,358.68	10,477,962.26
Depreciation of fixed assets	288,459,501.80	235,306,864.83
Amortization of intangible assets	6,713,973.30	5,335,847.41
Amortization of long-term deferred expenses	-	-
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-4,532,728.80	-594,177.22
Loss from retirement of fixed assets (gains expressed with "-")	8,046,148.50	23,293,585.99
Loss from changes in fair value (gains expressed with "-")	-3,731,383.73	-9,260,869.11
Financial expenses (gains expressed with "-")	-20,146,741.57	6,641,839.80
Investment losses (gains expressed with "-")	-1,719,458.24	-3,551,048.97
Decrease in deferred tax assets (increase expressed with "-")	412,464.46	-2,785,471.31
Increase of deferred income tax liabilities (decrease expressed with "-")	-	-
Decrease in inventories (increase expressed with "-")	-355,412,690.54	-155,061,366.66
Decrease in operating receivables (increase expressed with "-")	-242,642,480.98	-265,706,177.72
Increase in operating payables (decrease expressed with "-")	-100,670,544.18	275,304,720.72
Others	9,258,623.48	1,817,654.41
Net cash flow from operating activities	252,442,324.58	750,440,353.24
2) Investment and financing activities not involved in significant cash deposit and withdrawal:		
Conversion of debt into capital	-	-
Convertible bonds maturing within one year		-
Fixed assets acquired under finance leases	-	-
3) Net change in cash and cash equivalents:		
Cash at the end of the period	1,160,418,117.30	707,994,577.34
Less: Cash at the beginning of the period	707,994,577.34	1,009,933,241.36
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	452,423,539.96	-301,938,664.02

Note: The adjustment of net profit to the "Other" item in operating cash flows represents the change in special reserves.

(2) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
1) Cash	1,160,418,117.30	707,994,577.34
Including: cash on hand	36,237.98	33,902.49
Bank deposits available for payment at any time	1,160,381,879.32	707,960,674.85
2) Cash equivalents	-	-
Including: principal-protected bank wealth management products that can be	-	-

redeemed at any time		
3) Cash and Cash Equivalents at the End of the Period	1,160,418,117.30	707,994,577.34
Including: the parent company or its subsidiaries use the restricted cash and cash equivalents	-	-

(3) Cash flow inflows and outflows that do not involve cash inflows and outflows

Item	Amount in current period	Amount in previous period
Amount of endorsement of bank acceptance bills received for the sale of goods	684,746,257.87	624,075,699.12
Cash paid for the purchase of goods or services by endorsed transfer of bank acceptance bills	663,186,869.12	585,923,556.73
Payment for engineering equipment via endorsement and transfer of bank acceptance bills	21,559,388.75	38,152,142.39

47. Assets with restricted ownership or the right to use

Item	Ending book value	Reasons for restriction
Other cash and bank balance	176,961,795.22	Bank acceptance bill deposit
Other cash and bank balance	11,000,000.00	Margin of letter of credits
Other cash and bank balance	3,670,000.00	L/G deposit
Notes receivable	119,879,759.84	Endorsed or discounted but not yet deactivated
Total	311,511,555.06	

48. Foreign currency monetary items

Item	Closing balance in foreign currency	Exchange rate for translation	Ending balance for RMB translation
Cash and bank balance			
Including: USD	39,644,810.75	6.9646	276,110,248.95
EUR	377,201.86	7.4229	2,799,931.69
Accounts receivable			
Including: USD	10,045,536.07	6.9646	69,963,140.51
EUR	64,410.44	7.4229	478,112.26
GBP	1,837.81	8.3941	15,426.76
Accounts payable			
Including: USD	333,944.21	6.9646	2,325,787.84
EUR	3,823.94	7.4229	28,384.72

49. Government subsidies

Basic situation of government subsidies:

Categories	Amount	Presentation items	Amount included in current profit and loss
Government subsidies related to assets	6,450,000.00	Deferred income	7,469,599.75
Government grants related to gains	4,466,109.06	Other income	4,466,109.06
Total	10,916,109.06		11,935,708.81

VII. Changes in the scope of consolidation

Compared to the previous period, one more subsidiary has been added in this period.

Reason for addition: Investment in new establishment.

Name	Main region of	Place of	Nature of	Shareholding	Registered
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	business	registration	business	ratio	capital
Shandong Kangzheng Inspection and Testing Co., Ltd.	Zibo City	Zibo City	Inspection and testing services	100%	RMB 8 million

VIII. Equity in other entities

Equity in subsidiaries

Composition of the corporate group

Name of subsidiary	Main region of business	Place of registration	Nature of business	Shareholding ratio		Means of acquisition
				Direct	Indirect	
Baotou KONRE Pharma Glass Packaging Co., Ltd.	Baotou City	Baotou City	Manufacturing industry	100.00%	-	Investment and establishment
Yiyuan Xinkang Trading Co., Ltd.	Yiyuan County	Yiyuan County	Business	100.00%	-	Investment and establishment
Sichuan Chengxin Pharma Glass Co., Ltd.	Mianzhou City	Mianzhou City	Manufacturing industry	100.00%	-	Combination of enterprises not under the same control
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.	Yiyuan County	Yiyuan County	Manufacturing industry	100.00%	-	Investment and establishment
Baotou Fenghui Packaging Products Co., Ltd.	Baotou City	Baotou City	Manufacturing industry	100.00%	-	Combination of enterprises not under the same control
Yiyuan Xin'ao Plastic Products Co., Ltd.	Yiyuan County	Yiyuan County	Manufacturing industry	100.00%	-	Combination of enterprises not under the same control
Yiyuan Xinyuan Logistics Co., Ltd.	Yiyuan County	Yiyuan County	Transportation industry	100.00%	-	Combination of enterprises not under the same control
Yiyuan Shengyuan Hotel Co., Ltd.	Yiyuan County	Yiyuan County	Service industry	-	100.00%	Combination of enterprises not under the same control
Shandong Kangzheng Inspection and Testing Co., Ltd.	Zibo City	Zibo City	Service industry	100.00%	-	Investment and establishment

IX. Risks related to financial instruments

The Company's principal financial instruments include bank deposits, trading financial assets, receivables, payables, and other equity instrument investments. For details of each financial instrument, please refer to the relevant items

in Note VI.

The Company's risk management objectives are to achieve a balance between risks and yield, minimize the adverse impacts of risks on the Company's operation performance, and maximize the benefits of the shareholders. Based on these risk management objectives, the Company's basic risk management strategy is to identify and analyse the Company's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored within a certain level. The main risks of the Company's financial instruments are credit risk, liquidity risk and market risk. The Management has considered and approved the policies to manage these risks, which are summarized below.

1. Credit Risk

Credit risk refers to the risk which occurs when a party to a financial instrument does not fulfill its obligations, causing financial loss to the other party. The Company manages the credit risks by portfolio. The credit risk mainly arises from bank deposits, trading financial assets, and receivables.

The Company mainly store the bank deposits in the state-owned banks and other large and medium-sized banks, therefore, the expected bank deposits do not have significant credit risks.

The Company establishes the relevant policies to control the credit risk exposure in terms of the accounts receivable. Based on the debtor's financial situation, external rating, credit history and other factors such as the current market conditions, this company assesses the credit standing of the debtors and sets the corresponding debt limit and term of credit. The Company regularly monitors the credit history of debtors. For debtors with bad credit history, the Company will serve written reminders of payment, shorten or cancel the term of credit, etc., in order to ensure that the company's overall credit risk is under control.

The trading financial assets are short-term wealth management products issued by banks that have been purchased, and there is no significant credit risk.

The maximum credit risk exposure which can be borne by the company is the carrying amount of each financial asset on the balance sheet. The Company does not provide any guarantee which requires the Company to bear credit risk. Apart from the top five accounts receivable and trading financial assets, the Company has no other significant credit concentration risks. As of December 31, 2022, the total amount of the top five accounts receivable was RMB 159,039,625.88, and the total amount of trading financial assets at the end of the period was RMB 1,101,434,246.68.

2. Liquidity risk

The liquidity risk is the risk that the company will not be able to meet its financial obligations on the maturity date. The Company adopts the approach to managing liquidity risk, that is to ensure that fund liquidity is sufficient to meet its maturity obligations, without causing unacceptable losses or damage to the Company's reputation. The Company regularly analyzes the asset and liability structure and maturity, so as to ensure the sufficient funds. The Management of the Company monitors the utilization of bank borrowings and ensures compliance with borrowings covenants. At the same time, the financing consultations are conducted with financial institutions, so as to maintain a certain credit line and reduce liquidity risk.

3. Market risk

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market prices, including foreign exchange risk, and interest rate risk.

(1) Risks of interest rate

The risk of changes in market interest rates faced by the Group relates primarily to the Group's long-term liabilities based on floating interest rate. The interest rate risks may come from the interest-bearing financial instruments that have been recognized and the financial instruments that have not been recognized.

The interest rate risk of the Company mainly arises from short-term bank loans and other interest bearing debts.

Financial liabilities with a floating interest rate expose the Company to interest rate risk of cash flow; financial liabilities with a fixed interest rate expose the Company to interest rate risk of fair value. The Company determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market environment, and maintain the portfolio of the applicable fixed and floating interest rate by reviewing on a regular basis. The Company closely monitors the effects of changes in the interest rate on the Company's interest rate risk exposures. As of December 31, 2022, the Company had no bank borrowings at the end of the period, therefore there is no interest rate risk.

(2) Foreign exchange risks

Foreign exchange risk is the risk arising from exchange rate fluctuations. The risk of exchange rate changes is mainly related to the Company's foreign currency monetary assets and liabilities. December 31, 2022, the balance of foreign currency monetary assets converted into RMB was RMB 349,366,860.17. Exchange rate fluctuations pose certain risks to the company. The financial department of the Company is responsible for monitoring the company's foreign currency transactions and the scale of foreign currency assets and liabilities to minimize foreign exchange risks.

X. Disclosure of fair value

1. Closing fair value of the assets and liabilities measured by fair value

Item	Closing fair value			
	Level 1 Measurement of fair value	Level 2 Measurement of fair value	Level 3 Measurement of fair value	Total
(1) Held-for-trading financial assets	-	1,101,434,246.68	-	1,101,434,246.68
Including: financial products	-	1,101,434,246.68	-	1,101,434,246.68
(2) Receivables financing	-	-	72,836,142.41	72,836,142.41
Including: Notes receivable	-	-	72,836,142.41	72,836,142.41
(3) Other equity instruments investment	-	-	50,000.00	50,000.00
Including: non-listed equity investments	-	-	50,000.00	50,000.00
Continuing total assets measured at fair value	-	1,101,434,246.68	72,886,142.41	1,174,320,389.09

2. The level for the measurement results of the fair value shall be confirmed by the lowest level for the input value which is of great significance to the whole fair value measurement:

First-level: the unadjusted quoted price of the same assets or liabilities in the active market.

Second-level: the directly or indirectly observable input value of related assets or liabilities except the first-level input value.

Third-level: the non-observable input values of relevant assets or liabilities.

For the financial instruments traded in an active market, the Company determines its fair value based on its active market quotation; for the financial instruments not traded in an active market, the Company uses valuation techniques and qualitative and quantitative information on key parameters to determine their fair value.

(1) The fair value of trading financial assets is determined based on the principal of the bank wealth management product and the expected return as of the balance sheet date.

(2) Accounts receivable financing has a fair value of face value because the remaining term of the bank acceptance bills held is relatively short.

(3) Other equity instrument investments have fair value at the beginning of the book value, as there have been no significant changes in the operating environment, operating conditions and financial condition of the investee.

XI. Related parties and related party transactions

1. Situation of the parent company of the Company

Parent company name	Place of registration	Nature of business	Registered capital	Shareholding ratio at the Company by parent company	Proportion of voting rights of the parent company at the Company
Shandong Luzhong Investment Co., Ltd.	Yiyuan, Shandong	Investment management	RMB 300 million	19.50%	19.50%

The Yiyuan County Finance Bureau holds 100% of the equity of Shandong Luzhong Investment Co., Ltd., and the actual controller of the Company is the Yiyuan County Finance Bureau.

2. Situation of the subsidiaries of the Company

For the details of the Company's subsidiaries, please refer to Note “VIII: Rights and Interests in Other Entities”.

3. Other related parties

Name of other related parties	Relations between other related parties and the Company
Chai Wen	Former key management personnel
Hu Yonggang	Key managers
Zhang Jun	Key managers
Chen Gang	Key managers
Wang Xingjun	Key managers
Song Yizhao	Key managers
Jiao Shouhua	Key managers
Wang Fali	Key managers
Shen Yonggang	Key managers
Chen Maobin	Key managers
Zhao Haibao	Key managers
He Wansheng	Key managers
Su Yucai	Key managers
Du Bin	Key managers
Zibo Xinlian Investment Co., Ltd.	Companies controlled by key management personnel

4. Related transactions

(1) Related transactions of goods purchase and sales, provision and acceptance of labor services

Related party	Content of related transactions	Amount in current period	Amount in previous period
Zibo Xinlian Investment Co., Ltd.	Provide catering services	-	637.74

(2) Remuneration of key managers

Item	Amount in current period	Amount in previous period
Remuneration of key managers	15,986,947.85	20,368,211.78

XII. Commitments and contingencies

1. Significant commitments

As of December 31, 2022, the Company had no material commitments that should be disclosed.

2. Contingencies

As of December 31, 2022, the Company had no contingent liabilities that should be disclosed.

XIII. Events after the date of Balance Sheet

According to the Profit Distribution Plan 2022 adopted at the 6th Meeting of the Tenth Board of Directors held on April 22, 2023, the Company plans to distribute RMB 3 (tax-inclusive) per 10 shares to all shareholders with the total share capital of 663,614,113.00 shares at the end of 2022 as the base. This distribution plan is subject to approval by the shareholders general assembly.

XIV. Miscellaneous issues

1. Segment information

(1) Basis of determining the reporting segment and the accounting policy

See Note IV. 34 for details.

(2) Financial information of the reporting segment

Item	Packaging products	Trading	Bottled water	Logistics industry
Main business income	3,721,799,287.78	571,467,397.15	740,347.06	77,535,773.19
Costs of main business	2,674,639,002.23	546,061,520.01	454,889.01	67,508,198.64
Total assets	8,616,904,064.67	212,744,075.99	2,692,707.84	55,442,882.40
Total liabilities	1,755,593,749.76	142,005,021.88	454,904.98	17,326,524.83

(Continued)

Item	Service industry	Inter-division offset	Total
Main business income	8,837,111.07	-249,924,619.24	4,130,455,297.01
Costs of main business	12,196,605.66	-251,675,085.17	3,049,185,130.38
Total assets	3,726,426.10	-107,257,627.07	8,784,252,529.93
Total liabilities	2,532,194.98	-95,339,346.63	1,822,573,049.80

XV. Notes to Main Items of Financial Statements of the Parent Company

1. Accounts receivable

(1) Disclosed by aging

Aging	Closing balance
Within 1 year	681,172,141.01
1-2 years	9,783,808.12
2-3 years	4,208,934.09
3-4 years	4,074,771.56
4-5 years	701,197.35
More than 5 years	3,211,191.21
Sub-total	703,152,043.34
Less: Provision for bad debts	63,217,209.79
Total	639,934,833.55

(2). Disclosure of accounts receivable in category

Category	Closing balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by	6,436,571.65	0.92%	6,436,571.65	100.00%	-

individual					
Accrued bad-debt provision by portfolio	696,715,471.69	99.08%	56,780,638.14	8.15%	639,933,833.55
Including: the aging portfolio	667,197,417.60	94.88%	56,780,638.14	8.51%	610,416,779.46
Related party portfolios within the scope of consolidation	29,518,054.09	4.20%	-	-	29,518,054.09
Total	703,152,043.34	100.00%	63,217,209.79	8.99%	639,934,833.55

(Continued) Category

Category	Opening balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	3,890,454.99	0.62%	3,890,454.99	100.00%	-
Accrued bad-debt provision by portfolio	620,186,570.65	99.38%	52,692,986.20	8.50%	567,493,584.45
Including: the aging portfolio	618,359,852.73	99.09%	52,692,986.20	8.52%	565,666,866.53
Related party portfolios within the scope of consolidation	1,826,717.92	0.29%	-	-	1,826,717.92
Total	624,077,025.64	100.00%	56,583,441.19	9.07%	567,493,584.45

Receivables having provision for bad debt as per individual characteristics:

Name	Closing balance			
	Accounts receivable	Provision for bad debts	Additions proportion	Reasons for withdrawal
Accounts receivable for the sale of goods	6,436,571.65	6,436,571.65	100.00%	Not expected to be recovered

Receivables having provision for bad debt as per aging portfolio characteristics

Aging	Closing balance		
	Accounts receivable	Provision for bad debts	Additions proportion
Within 1 year (inclusive)	651,539,317.32	52,123,145.39	8.00%
1-2 years (inclusive)	7,225,876.16	1,083,881.42	15.00%
2-3 years (inclusive)	4,179,893.31	1,253,967.99	30.00%
3-4 years (inclusive)	3,865,374.94	1,932,687.47	50.00%
4-5 years (inclusive)	-	-	-
More than 5 years	386,955.87	386,955.87	100.00%
Total	667,197,417.60	56,780,638.14	8.51%

(3) Bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Other changes	
Accrued on an individual basis	3,890,454.99	2,087,290.66	458,826.00	-	-	6,436,571.65

Provision by portfolio	52,692,986.20	4,087,651.94	-	-	-	56,780,638.14
Total	56,583,441.19	6,174,942.60	458,826.00	-	-	63,217,209.79

(4) Top five accounts receivable for closing balance collected by the debtor:

The total of top five accounts receivable in the closing balance collected as per the debtors by the Company in the current reporting period was RMB 117,073,714.15, accounting for 16.65% of the total closing balance of accounts receivable. The total closing balance for the corresponding provisions for bad debts was RMB 7,004,452.81.

2. Other receivables

Item	Closing balance	Opening balance
Interests receivable	-	-
Dividends receivable	-	-
Other receivables	1,317,873.16	19,790,269.63
Total	1,317,873.16	19,790,269.63

(1) Other receivables are disclosed by aging

Aging	Closing balance
Within 1 year	1,084,343.31
1-2 years	244,413.40
2-3 years	103,308.62
3-4 years	316,215.59
4-5 years	316,225.83
More than 5 years	11,126,835.73
Sub-total	13,191,342.48
Less: Provision for bad debts	11,873,469.32
Total	1,317,873.16

(2) Classification by nature of fund

Nature of fund	Closing balance	Opening balance
Revolving fund	307,134.02	2,327,970.94
Margin	129,345.00	765,345.00
Salesperson bears the loss of payment for goods	6,667,309.69	6,667,309.69
Borrowings	1,391,490.42	1,339,890.42
Subsidiary borrowings	-	17,774,290.64
Others	4,696,063.35	4,930,992.30
Total	13,191,342.48	33,805,798.99

(3) Information of bad-debt provision

Provision for bad debts	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit loss for the entire duration (no credit impairment occurred)	Stage 3 Expected credit loss for the entire duration (credit impairment has occurred)	Total
Opening balance	1,757,664.83	-	12,257,864.53	14,015,529.36
Opening balance in the current period				
--Transfer to the stage 2	-	-	-	-

--Transfer to the stage 3	-	-	-	-
--Transfer back to the stage 2	-	-	-	-
--Transfer back to the stage 1	-	-	-	-
Provision for the current period	-91,690.04	-	-2,050,370.00	-2,142,060.04
Reversed in current period	-	-	-	-
Written off in current period	-	-	-	-
Write-off in this period	-	-	-	-
Other changes	-	-	-	-
Closing balance	1,665,974.79	-	10,207,494.53	11,873,469.32

(4). Disclosure by classification of bad debt accrual methods:

Category	Closing balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	10,207,494.53	77.38%	10,207,494.53	100.00%	-
Accrued bad-debt provision by portfolio	2,983,847.95	22.62%	1,665,974.79	55.83%	1,317,873.16
Including: the aging portfolio	2,983,847.95	22.62%	1,665,974.79	55.83%	1,317,873.16
Related party portfolios within the scope of consolidation	-	-	-	-	-
Total	13,191,342.48	100.00%	11,873,469.32	90.01%	1,317,873.16

(Continued)

Category	Opening balance				
	Book balance	Proportion	Provision for bad debts	Additions proportion	Book value
Accrued bad-debt provision by individual	12,257,864.53	36.26%	12,257,864.53	100.00%	-
Accrued bad-debt provision by portfolio	21,547,934.46	63.74%	1,757,664.83	8.16%	19,790,269.63
Including: the aging portfolio	3,773,643.82	11.16%	1,757,664.83	46.58%	2,015,978.99
Related party portfolios within the scope of consolidation	17,774,290.64	52.58%	-	-	17,774,290.64
Total	33,805,798.99	100.00%	14,015,529.36	41.46%	19,790,269.63

Other receivables having provision for bad debt as per individual characteristics:

Name	Closing balance			
	Other receivables	Provision for bad debts	Additions proportion	Reasons for withdrawal
17 companies or individuals	10,207,494.53	10,207,494.53	100.00%	Not expected to be recovered

Other receivables having provision for bad debt as per aging portfolio characteristics:

Aging	Closing balance		
	Other receivables	Provision for bad debts	Additions proportion
Within 1 year (inclusive)	1,084,343.31	86,747.46	8.00%

1-2 years (inclusive)	244,413.40	36,662.01	15.00%
2-3 years (inclusive)	89,396.62	26,818.99	30.00%
3-4 years (inclusive)	99,896.59	49,948.30	50.00%
4-5 years (inclusive)	-	-	-
More than 5 years	1,465,798.03	1,465,798.03	100.00%
Total	2,983,847.95	1,665,974.79	55.83%

(5) Bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Write-off	Other changes	
Accrued on an individual basis	12,257,864.53	-2,050,370.00	-	-	-	10,207,494.53
Provision by portfolio	1,757,664.83	-91,690.04	-	-	-	1,665,974.79
Total	14,015,529.36	-2,142,060.04	-	-	-	11,873,469.32

(6) Top five units in terms of closing balance of other receivables:

Name of entity	Nature of fund	Closing balance	Aging	Proportion of the total amount	Closing balance of bad debts reserve
1st Place	Salesperson bears the loss of payment for goods	3,731,178.27	More than 5 years	28.29%	3,731,178.27
2nd Place	Salesperson bears the loss of payment for goods	2,138,078.38	Note	16.21%	2,138,078.38
3rd place	Others	813,544.70	More than 5 years	6.17%	813,544.70
4Th place	Salesperson bears the loss of payment for goods	798,053.04	More than 5 years	6.05%	798,053.04
5Th place	Others	546,000.00	More than 5 years	4.14%	546,000.00
Total		8,026,854.39		60.86%	8,026,854.39

Note: RMB 13,912.00 for 2 to 3 years, RMB 216,319.00 for 3 to 4 years, and RMB 1,907,847.38 for more than 5 years.

3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	490,661,325.76	-	490,661,325.76	482,661,325.76	-	482,661,325.76

Investment in subsidiaries

Investee	Opening balance	Increase in current period	Decrease in current period	Closing balance	Amount of withdrawal of depreciation	Closing balance of depreciation reserves
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					reserves in current period	
Baotou KONRE Pharma Glass Packaging Co., Ltd.	140,000,000.00	-	-	140,000,000.00	-	-
Yiyuan Xinkang Trading Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-
Sichuan Chengxin Pharma Glass Co., Ltd.	198,679,168.00	-	-	198,679,168.00	-	-
Yiyuan Bilufeng Mountain Spring Water Co., Ltd.	600,000.00	-	-	600,000.00	-	-
Yiyuan Xin'ao Plastic Products Co., Ltd.	31,335,700.00	-	-	31,335,700.00	-	-
Baotou Fenghui Packaging Products Co., Ltd.	105,713,157.76	-	-	105,713,157.76	-	-
Yiyuan Xinyuan Logistics Co., Ltd.	3,333,300.00	-	-	3,333,300.00	-	-
Shandong Kangzheng Inspection and Testing Co., Ltd.	-	8,000,000.00	-	8,000,000.00	-	-
Total	482,661,325.76	8,000,000.00	-	490,661,325.76	-	-

4. Operating income and operating costs

Item	Amount in current period		Amount in previous period	
	Income	Cost	Income	Cost
Main business	3,144,802,139.49	2,227,277,373.00	2,926,313,856.02	2,000,020,676.55
Other operations	107,547,507.81	81,619,641.53	115,577,390.17	73,788,476.96
Total	3,252,349,647.30	2,308,897,014.53	3,041,891,246.19	2,073,809,153.51

5. Investment income

Item	Amount in current period	Amount in previous period
Investment income from wealth management products	1,719,458.24	3,548,448.41
Dividend income from other equity instrument investments during the holding period	-	2,600.56
Total	1,719,458.24	3,551,048.97

XVI. Supplementary Information

1. List of non-recurring gains and losses in current period

Item	Item
Loss on or gain from disposal of non-current assets	-3,513,419.70
Government subsidies recorded in the current profit or loss (closely related to the corporate business, except the government subsidies quota or ration according to the national standard)	8,687,741.78
Apart from effective hedging business related to normal business operations, profit and loss from changes in fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from	5,450,841.97

disposal of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities and other debt investment.	
Reversal of impairment provision of accounts receivable for independent impairment test	2,789,252.33
Other non-operating income and expenses, except the aforesaid items	5,375,345.99
Sub-total	18,789,762.37
Less: Income tax impacted amount	2,998,654.52
Impacted amount of minority interests	-
Total	15,791,107.85

2. Return on equity for net assets and earnings per share

Profit during the reporting period	Weighted average return on equity	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to the company's ordinary shareholders	12.28%	1.03	1.03
Net profit attributable to the company's ordinary shareholders after the deduction of non-recurring gains and losses	11.97%	1.00	1.00

Chairman of the Board:



Submission date approved by the Board of Directors: April 22, 2023

证书编号:
No. of Certificate
310000081971

批准注册协会:
Authorized Institute of CPAs
山东省注册会计师协会

发证日期:
Date of Issuance
2007 11 09

年度检验
Annual Renewal
2022年
注册会计师
年检合格专用章

本证书经检验合格,继续有效一年。
The Certificate is valid for another year after
annual inspection is qualified.

年度检验
Annual Renewal
2022年
注册会计师
年检合格专用章

山东省注册会计师协会

310000081971



Name: Song Limin

Gender: Male

Date of Birth: 5/6/1977

Current employer: Shanghai Certified Public Accountants (Special General Partnership) Qingdao Branch

ID number: 510215197705061653



Certified Public Accountants
Practicing Certificate

Name: Shanghai Certified Public Accountants (Special General Partnership)

Chief Partner: Zhang Xiaorong

Chief Accountant:

Place of Business: Floor 25, No.755, Weihai Road, Jing'an District, Shanghai

Organization form: Special General Partnership

No. of Practicing Certificate: 31000008

Practice Approval No.: HCK [98] No. 160 (System Conversion Approvals HCK [2013] No. 71)

Practice Approval Date: December 28, 1998 (System Conversion Date December 11, 2013)

Certificate Serial Number: 0001116

Notes

1. The Practicing Certificate for Certified Public Accountants shall be the certificate obtained by the holder upon the approval of the finance department in accordance with law to perform the legal chartered public accountant business.
2. The changes in the matters recorded in the Practicing Certificate for Certified Public Accountants shall be reported to the financial department for renewal.
3. The Practicing Certificate for Certified Public Accountants shall not be forged, altered, let out, lent and assigned.
4. The Practicing Certificate for Certified Public Accountants shall be return to the financial department when the certified public accountants terminated or the practicing license is canceled.

Issued by: Shanghai Finance Bureau

December 18, 2017

Formulated by the Ministry of Finance of the People's Republic of China



Certificate Serial Number: 000362

Certified Public Accountants
Business license relating to securities and futures

The Ministry of Finance and the China Securities Regulatory Commission reviewed and approved the implementation of business relating to securities and futures by Shanghai Certified Public Accountants (special general partnership).

Chief Partner: Zhang Xiaorong

Certificate No.: 32

Issuing Date: December 3, 2019

Expiry Date of Certificate: December 2, 2021



Unified social credit code
91310106086242261L
Serial number of certificate:
06000000202211240118



Business License

(duplicate)



Scan QR code to log in to the
“National Enterprise Credit
Information Publicity System”
for more registration, filing,
licensing, and regulatory
information.

Name: Shanghai Certified Public Accountants (Special General Partnership)

Type: Special General Partnership

Managing Partners: Zhang Jian, Zhang Xiaorong, Geng Lei, Chao Xu, Shen Jiayun,
Zhu Qingbin, Yang Ying

Business scope: audit enterprise accounting statement, issue audit report; verify the capital of the enterprise, issue the report on the capital verification, handle the audit business of the merger, division and elimination of the enterprise, issue the relevant report; audit the annual financial accounts for the basic construction; accounting consultation, tax consultation, management consulting, accounting training; other businesses stipulated by laws and regulations.

(For the items subject to approval, business activities are carried out after getting approval by relevant authorities).

Amount of Capital Contribution: RMB 29.1 million

Date of establishment: December 27, 2013

Main Place of Business: Floor 25, No.755, Weihai Road, Jing'an District, Shanghai

Registration authority: Shanghai Jing'an Administration for Market Regulation

November 24, 2022

Website of State Enterprise Credit Information Publicity
System: <http://www.gsxt.gov.cn>

The market entity should submit the report of the previous year and make announcement through the State Enterprise Credit Information Publicity System from January 1 to June 30 each year.

Formulated under supervision of the State
Administration for Market Regulation